

AMENDMENT NO. _____ Calendar No. _____

Purpose: In the nature of a substitute.

IN THE SENATE OF THE UNITED STATES—119th Cong., 2d Sess.

H. R. 3633

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.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT IN THE NATURE OF A SUBSTITUTE intended
to be proposed by _____

Viz:

1 Strike all after the enacting clause and insert the fol-
2 lowing:

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.

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DIVISION A—COMMITTEE ON BANKING, HOUSING, AND URBAN
AFFAIRS

Sec. 10001. Definitions.

TITLE I—RESPONSIBLE SECURITIES INNOVATION

Sec. 10101. Short title.

Sec. 10102. Disclosure requirements for certain transactions involving ancillary assets.

Sec. 10103. Exemption and rulemaking for certain transactions involving ancillary assets.

Sec. 10104. Special disposition restrictions by related persons.

Sec. 10105. Characteristics of network tokens.

Sec. 10106. Exemptive authority.

Sec. 10107. Modernization of recordkeeping requirements.

Sec. 10108. Modernization of securities regulations for digital asset activities.

Sec. 10109. Insider trading with respect to ancillary asset transactions.

Sec. 10110. Securities Investor Protection Corporation applicability.

Sec. 10111. Investor and consumer protection enforcement.

TITLE II—PROTECTING AGAINST ILLICIT FINANCE

Sec. 10201. Treatment under the Bank Secrecy Act and sanctions laws.

Sec. 10202. Digital asset examination standards.

Sec. 10203. Preventing Illicit Finance Through Partnership Act.

Sec. 10204. Financial Technology Protection Act.

Sec. 10205. Digital asset kiosks.

Sec. 10206. Study on illicit use of digital assets.

TITLE III—RESPONSIBLE INNOVATION IN DECENTRALIZED
FINANCE

Sec. 10301. Rulemaking on application of existing securities intermediary requirements and existing Bank Secrecy Act requirements to non-decentralized finance trading protocols.

Sec. 10302. Illicit finance obligations for distributed ledger messaging systems.

Sec. 10303. Special measure relating to certain transmittals of funds.

Sec. 10304. Offshore stablecoin report.

Sec. 10305. Temporary hold for certain digital asset transactions.

Sec. 10306. Voluntary cybersecurity program for decentralized finance trading protocols.

Sec. 10307. Amendments to monetary instrument definition.

Sec. 10308. Risk management standards for digital asset intermediaries.

Sec. 10309. Study on digital asset mixers and tumblers.

Sec. 10310. GAO study on intermediaries in foreign jurisdictions.

Sec. 10311. Studies on foreign adversary activities.

Sec. 10312. Treasury study on cybersecurity standards.

Sec. 10313. Studies on financial stability risks of decentralized finance trading and credit in digital commodity markets.

TITLE IV—RESPONSIBLE BANKING INNOVATION

Sec. 10401. Permissibility of digital asset activities.

Sec. 10402. Joint rules for portfolio margining determinations.

Sec. 10403. Capital requirements to address netting agreements.

Sec. 10404. Prohibiting interest and yield on payment stablecoins.

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- Sec. 10405. Expanded securities portfolio margin accounts under the Securities Investor Protection Act of 1970.

TITLE V—RESPONSIBLE REGULATORY INNOVATION

- Sec. 10501. CFTC-SEC Micro-Innovation Sandbox.
Sec. 10502. International cooperation.
Sec. 10503. Automated regulatory compliance study.
Sec. 10504. Report on legislative recommendations.
Sec. 10505. Tokenization of securities.
Sec. 10506. Voluntary adoption of National Institute of Standards and Technology post-quantum cryptography standards.
Sec. 10507. International coordination to combat digital asset illicit finance.
Sec. 10508. Annual report on foreign digital asset trading volume, compliance with United States standards and remediation actions.
Sec. 10509. AI innovation labs.

TITLE VI—PROTECTING SOFTWARE DEVELOPERS AND
SOFTWARE INNOVATION

- Sec. 10601. Protecting software developers.
Sec. 10602. Safe harbor for nonfungible tokens.
Sec. 10603. Study on nonfungible tokens.
Sec. 10604. Blockchain Regulatory Certainty Act.
Sec. 10605. Keep Your Coins Act.

TITLE VII—PROTECTING CUSTOMER PROPERTY

- Sec. 10701. Customer property protections for ancillary assets and digital commodities in bankruptcy.
Sec. 10702. Insolvency safe harbor.

TITLE VIII—CUSTOMER PROTECTION

- Sec. 10801. Educational materials.
Sec. 10802. Savings clauses.
Sec. 10803. Study on expanding financial literacy.
Sec. 10804. Consultation with SIPC regarding mandatory broker-dealer disclosures to investors concerning the status of payment stablecoins and digital commodities.

TITLE IX—LAW ENFORCEMENT TOOLS

- Sec. 10901. Guarding Unprotected Aging Retirees from Deception.
Sec. 10902. Grant program for State and local digital asset enforcement capabilities.
Sec. 10903. Digital asset law enforcement and national security training program.
Sec. 10904. Establishment of a digital asset cyber innovation center.
Sec. 10905. Strengthening agency frameworks for enforcement of cryptocurrency.
Sec. 10906. Compliance with lawful orders requiring reissuance.

TITLE X—OTHER MATTERS

- Sec. 11001. Joint Advisory Committee on Digital Assets.
Sec. 11002. Memorandum of understanding.
Sec. 11003. FinCEN appropriations.

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- Sec. 11004. Technical corrections to the GENIUS Act.
- Sec. 11005. Rulemakings.

DIVISION B—DIGITAL COMMODITY INTERMEDIARIES ACT

- Sec. 20001. Short title.

TITLE XI—DEFINITIONS; RULEMAKING

- Sec. 20101. Definitions under the Commodity Exchange Act.
- Sec. 20102. Definitions under this division.
- Sec. 20103. Rulemakings.
- Sec. 20104. Notice of intent to register for digital commodity exchanges, brokers, and dealers.
- Sec. 20105. Commodity Exchange Act savings provisions.
- Sec. 20106. Administrative requirements.
- Sec. 20107. Implementation.
- Sec. 20108. Sense of Congress.
- Sec. 20109. Federal preemption.

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

- Sec. 20201. Commission jurisdiction over digital commodity transactions.
- Sec. 20202. Requiring Futures Commission merchants to use qualified digital asset custodians.
- Sec. 20203. Trading certification and approval for digital commodities.
- Sec. 20204. Registration and regulation of digital commodity exchanges.
- Sec. 20205. Registration and regulation of qualified digital asset custodians.
- Sec. 20206. Registration and regulation of digital commodity brokers and dealers.
- Sec. 20207. Registration and regulation of associated persons.
- Sec. 20208. Registration and regulation of digital commodity pool operators and digital commodity trading advisors.
- Sec. 20209. Software developer protections and non-decentralized finance trading protocols.
- Sec. 20210. Resources for implementation.
- Sec. 20211. Portfolio margining.
- Sec. 20212. Clarification on customer property.
- Sec. 20213. Digital commodity retail advocate.
- Sec. 20214. Study on digital commodity participants.
- Sec. 20215. Digital commodity trading reports.
- Sec. 20216. Protection of self-custodied digital assets.
- Sec. 20217. Disclosure requirements consultation.
- Sec. 20218. Additional registrations.
- Sec. 20219. Eligibility of alternative trading systems.

DIVISION C—ETHICS REQUIREMENTS

- Sec. 30101. Ban on certain digital asset transactions.
- Sec. 30102. Ethics requirements relating to digital assets.
- Sec. 30103. GAO report to Congress.
- Sec. 30104. Effective date.
- Sec. 30105. Sunset.
- Sec. 30106. Severability.

DIVISION D—EFFECTIVE DATE

Sec. 40101. Effective date.

1 **DIVISION A—COMMITTEE ON**
2 **BANKING, HOUSING, AND**
3 **URBAN AFFAIRS**

4 **SEC. 10001. DEFINITIONS.**

5 In this division:

6 (1) **ANCILLARY ASSET; ANCILLARY ASSET**
7 **ORIGINATOR; NETWORK TOKEN.**—The terms “ancil-
8 lary asset”, “ancillary asset originator”, and “net-
9 work token” have the meanings given those terms in
10 section 4B(a) of the Securities Act of 1933, as
11 added by this division.

12 (2) **BANK SECRECY ACT.**—The term “Bank Se-
13 crecy Act” means—

14 (A) section 21 of the Federal Deposit In-
15 surance Act (12 U.S.C. 1829b);

16 (B) chapter 2 of title I of Public Law 91–
17 508 (12 U.S.C. 1951 et seq.); and

18 (C) subchapter II of chapter 53 of title 31,
19 United States Code.

20 (3) **COMMISSION.**—Except where otherwise ex-
21 pressly provided, the term “Commission” means the
22 Securities and Exchange Commission.

23 (4) **COORDINATED CONTROL.**—With respect to
24 any distributed ledger system and a related ancillary

1 asset, the term “coordinated control” has the mean-
2 ing given the term by the Commission pursuant to
3 rules adopted under section 10104(b).

4 (5) DECENTRALIZED FINANCE TRADING PRO-
5 TOCOL.—Except where otherwise expressly provided,
6 the term “decentralized finance trading protocol”
7 has the meaning given the term in section 1a of the
8 Commodity Exchange Act (7 U.S.C. 1a), as amend-
9 ed by division B.

10 (6) DECENTRALIZED GOVERNANCE SYSTEM.—

11 (A) IN GENERAL.—The term “decentral-
12 ized governance system” means, with respect to
13 a distributed ledger system, any transparent,
14 rules-based system permitting persons to form
15 consensus or reach agreement in the develop-
16 ment, provision, publication, maintenance, or
17 administration of the distributed ledger system
18 that is not under the unilateral control of any
19 person or group of persons—

20 (i) under common control; or

21 (ii) acting pursuant to an agreement,
22 arrangement, or understanding to act in
23 concert.

24 (B) RELATIONSHIP OF PERSONS TO DE-
25 CENTRALIZED GOVERNANCE SYSTEMS.—With

1 respect to a decentralized governance system,
2 the decentralized governance system and any
3 persons participating in the decentralized gov-
4 ernance system shall be treated as separate per-
5 sons unless those persons are under common
6 control or acting pursuant to an agreement, ar-
7 rangement, or understanding to exercise control
8 with respect to the decentralized governance
9 system.

10 (C) LEGAL ENTITIES FOR DECENTRALIZED
11 GOVERNANCE SYSTEMS.—The term “decentral-
12 ized governance system” shall include a legal
13 entity, including a decentralized unincorporated
14 nonprofit association or other entity created
15 pursuant to State law, used to implement the
16 rules-based system described in subparagraph
17 (A), provided that the legal entity does not op-
18 erate pursuant to centralized management. For
19 the purposes of this subparagraph, the delega-
20 tion of ministerial or administrative authority
21 at the direction of the participants in a decen-
22 tralized governance system shall not be con-
23 strued to be centralized management.

24 (D) RULE OF CONSTRUCTION.—

1 (i) IN GENERAL.—A decentralized
2 governance system shall not be deemed to
3 be a person or a group of persons acting
4 under common control or acting pursuant
5 to an agreement, arrangement, or under-
6 standing to act in concert.

7 (ii) RULEMAKINGS.—Any rulemaking
8 establishing whether a group of persons
9 acts in concert shall assess only those ac-
10 tivities relevant to whether that group ex-
11 ercises control with respect to a distributed
12 ledger system and not any ancillary activi-
13 ties that do not implicate control.

14 (7) DIGITAL ASSET; DIGITAL ASSET SERVICE
15 PROVIDER.—The terms “digital asset” and “digital
16 asset service provider” have the meanings given
17 those terms in section 2 of the GENIUS Act (12
18 U.S.C. 5901).

19 (8) DIGITAL ASSET INTERMEDIARY.—The term
20 “digital asset intermediary” means a person that is
21 engaged in digital asset activities and required by
22 law to register with the Commodity Futures Trading
23 Commission or with the Commission under the Secu-
24 rities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

1 (9) DIGITAL COMMODITY.—The term “digital
2 commodity” has the meaning given the term in sec-
3 tion 1a of the Commodity Exchange Act (7 U.S.C.
4 1a), as amended by division B.

5 (10) DISTRIBUTED LEDGER.—The term “dis-
6 tributed ledger” means technology—

7 (A) through which data is shared across a
8 network that creates a public digital ledger of
9 verified transactions or information among net-
10 work participants; and

11 (B) in which cryptography is used to link
12 the data described in subparagraph (A) to—

13 (i) maintain the integrity of the dig-
14 ital ledger described in that subparagraph;
15 and

16 (ii) execute other functions.

17 (11) DISTRIBUTED LEDGER APPLICATION.—
18 The term “distributed ledger application” means
19 executable software that is deployed to and main-
20 tained on a distributed ledger and composed of
21 source code that is publicly available, including a
22 smart contract or any network of smart contracts, or
23 other similar technology.

24 (12) DISTRIBUTED LEDGER PROTOCOL.—The
25 term “distributed ledger protocol” means publicly

1 available source code of a distributed ledger that is
2 executed by the network participants of a distributed
3 ledger to facilitate its functioning, or other similar
4 technology.

5 (13) DISTRIBUTED LEDGER SYSTEM.—The
6 term “distributed ledger system” means a distrib-
7 uted ledger (together with its distributed ledger pro-
8 tocol), a distributed ledger application, or a network
9 of distributed ledger applications.

10 (14) RELATED PERSON.—The term “related
11 person”, with respect to an ancillary asset originator
12 or an ancillary asset—

13 (A) means—

14 (i) any person that is, or within the
15 preceding 36-month period was—

16 (I) a founder or person serving in
17 a similar capacity with respect to the
18 ancillary asset originator; and

19 (II) a beneficial owner of not less
20 than 4 percent of the total amount of
21 outstanding units of an ancillary asset
22 associated with the ancillary asset
23 originator;

24 (ii) any person that is, or in the pre-
25 ceding 12-month period was, an executive

1 officer, director, trustee, general partner,
2 owner of more than 10 percent of any class
3 of equity shares of the ancillary asset origi-
4 nator, or person serving in a similar capac-
5 ity with respect to the ancillary asset origi-
6 nator;

7 (iii) any person, or group of persons
8 under common control, that beneficially
9 owns, or in the preceding 6-month period
10 owned, 10 percent or more of the total
11 amount of outstanding units of the ancil-
12 lary asset; and

13 (iv) any person, or group of persons
14 under common control, that beneficially
15 owns, or in the preceding 6-month period
16 owned, covered tokens (as that term is de-
17 fined in section 10104(a)) that equal not
18 less than 2 percent of the total amount of
19 outstanding units of the ancillary asset;
20 and

21 (B) does not include a decentralized gov-
22 ernance system.

23 (15) SECURITIES LAWS.—The term “securities
24 laws” has the meaning given the term in section

1 3(a) of the Securities Exchange Act of 1934 (15
2 U.S.C. 78c(a)).

3 (16) SMART CONTRACT.—The term “smart con-
4 tract” means a self-executing contract or program
5 that—

6 (A) is deployed to and maintained on a
7 distributed ledger system; and

8 (B) automatically executes or enforces dig-
9 ital asset transactions upon the occurrence of
10 explicit, pre-determined conditions encoded in
11 the contract or program, without intervention,
12 other than to provide data, by any entity or
13 natural person.

14 **TITLE I—RESPONSIBLE**
15 **SECURITIES INNOVATION**

16 **SEC. 10101. SHORT TITLE.**

17 This title may be cited as the “Lummis-Gillibrand
18 Responsible Financial Innovation Act of 2026”.

19 **SEC. 10102. 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. DISCLOSURE REQUIREMENTS FOR CERTAIN**
2 **TRANSACTIONS INVOLVING ANCILLARY AS-**
3 **SETS.**

4 “(a) DEFINITIONS.—In this section:

5 “(1) ANCILLARY ASSET.—

6 “(A) IN GENERAL.—The term ‘ancillary
7 asset’ means a network token, the value of
8 which is dependent upon the entrepreneurial or
9 managerial efforts of an ancillary asset origi-
10 nator or a related person, as those concepts are
11 further specified by the Commission by regula-
12 tion.

13 “(B) RULE OF CONSTRUCTION.—Nothing
14 in this Act, or any rule or regulation promul-
15 gated under this Act, may be construed to re-
16 sult in an ancillary asset not being treated as
17 a network token.

18 “(2) ANCILLARY ASSET ORIGINATOR.—

19 “(A) IN GENERAL.—The term ‘ancillary
20 asset originator’ means, with respect to a par-
21 ticular ancillary asset, a person that (whether
22 directly or through 1 or more subsidiary or con-
23 trolled entities)—

24 “(i) initially offers, sells, or distributes
25 the ancillary asset; or

1 “(ii) during the 12-month period be-
2 ginning on the date on which the ancillary
3 asset is initially offered, sold, or distrib-
4 uted, controls or causes the initial offer,
5 sale, or distribution of that ancillary asset.

6 “(B) JOINT AND SEVERAL LIABILITY.—

7 For the purposes of this paragraph, if the per-
8 son that initially offered, sold, or distributed an
9 ancillary asset (or otherwise sold, distributed,
10 controlled, or caused the initial offer, sale, or
11 distribution of the ancillary asset) did not re-
12 ceive the largest amount of those ancillary as-
13 sets distributed in the 12-month period fol-
14 lowing the commencement of that offer, sale, or
15 distribution, then that person, solely for pur-
16 poses of subsection (c), shall be jointly and sev-
17 erally considered to be an ancillary asset origi-
18 nator with respect to that ancillary asset (with
19 the person that controlled such offer, sale, or
20 distribution) along with the person (including a
21 person under direct or indirect control of that
22 person) that received the largest amount of
23 those ancillary assets in that period, other than
24 ancillary assets received—

25 “(i) in an intermediary capacity;

1 “(ii) solely through a gratuitous dis-
2 tribution;

3 “(iii) through an offer, sale, or dis-
4 tribution of a security to the public reg-
5 istered under section 5; or

6 “(iv) otherwise in a broad and public
7 manner that the Commission determines,
8 pursuant to regulation, should not subject
9 the person to disclosure requirements
10 under subsection (d).

11 “(C) RULEMAKING.—Not later than 360
12 days after the date of enactment of this section,
13 the Commission shall, after providing notice
14 and the opportunity for comment, issue rules
15 regarding the circumstances under which per-
16 sons that are jointly and severally considered an
17 ancillary asset originator pursuant to subpara-
18 graph (B) are responsible for furnishing the
19 disclosures required under subsection (d) on be-
20 half of the ancillary asset originator.

21 “(3) CERTIFICATION COVERED PARTY.—The
22 term ‘certification covered party’ means—

23 “(A) an ancillary asset originator;

24 “(B) a subsidiary of the ancillary asset
25 originator;

1 “(C) a related person of the ancillary asset
2 originator; or

3 “(D) any entity that directly or indirectly
4 controls or is controlled by a common entity
5 with the ancillary asset originator.

6 “(4) DECENTRALIZED GOVERNANCE SYSTEM;
7 DIGITAL ASSET; DIGITAL ASSET INTERMEDIARY; RE-
8 LATED PERSON; SECURITIES LAWS.—The terms ‘de-
9 centralized governance system’, ‘digital asset’, ‘dig-
10 ital asset intermediary’, ‘related person’, and ‘securi-
11 ties laws’ have the meanings given those terms in
12 section 10001 of the Digital Asset Market Clarity
13 Act.

14 “(5) GRATUITOUS DISTRIBUTION.—

15 “(A) IN GENERAL.—The term ‘gratuitous
16 distribution’—

17 “(i) means a distribution of a network
18 token, including a distribution effected by
19 an agent or other service provider engaged
20 solely in an administrative or ministerial
21 capacity, in exchange for not more than a
22 nominal value of cash, property, services,
23 or other assets in a broad, equitable, and
24 non-discretionary manner; and

1 “(ii) includes, without limitation, the
2 mechanisms and methods of distribution
3 described in subparagraph (B).

4 “(B) MECHANISMS AND METHODS OF DIS-
5 TRIBUTION.—The mechanisms and methods of
6 distribution described in this subparagraph are
7 the following:

8 “(i) SELF STAKING.—The distribution
9 of a unit of a network token, as a pro-
10 grammatic result of validating or staking
11 activity for a distributed ledger system’s
12 consensus mechanism, including the stak-
13 ing of a network token, and the operation
14 of a node, validator, or substantially simi-
15 lar software for such activity where the
16 owner of the staked network token and the
17 operator of the node, validator, or substan-
18 tially similar software are the same person
19 or entity.

20 “(ii) SELF-CUSTODIAL STAKING WITH
21 A THIRD PARTY.—The distribution of a
22 unit of a network token, as a pro-
23 grammatic result of validating or staking
24 activity for a distributed ledger system’s
25 consensus mechanism, including the stak-

1 ing of a network token, and the operation
2 of a node, validator, or substantially simi-
3 lar software for such activity in which—

4 “(I) the owner of the staked net-
5 work token, and operator of the node,
6 validator, or substantially similar soft-
7 ware for such activity are different
8 persons or entities; and

9 “(II) the operator of the node,
10 validator, or substantially similar soft-
11 ware does not maintain custody or
12 control of the staked network token.

13 “(iii) LIQUID STAKING.—The distribu-
14 tion of network tokens, as the issuance,
15 transfer, or redemption of liquid staking
16 tokens representing a pro rata interest in
17 staked network tokens, and their associ-
18 ated rewards, provided that such tokens
19 are issued as administrative or ministerial
20 receipts and do not provide discretionary
21 management authority.

22 “(iv) CUSTODIAL AND ANCILLARY
23 STAKING SERVICES.—

24 “(I) IN GENERAL.—Subject to
25 the rules issued pursuant to subclause

1 (II), the provision of custodial or an-
2 cillary staking services enabling the
3 owner of a network token to partici-
4 pate in validating or staking activity
5 for a distributed ledger system’s con-
6 sensus mechanism that results in the
7 programmatic distribution of a unit of
8 a network token, provided that such
9 custodial or ancillary services are ex-
10 clusively administrative or ministerial
11 in nature.

12 “(II) RULEMAKING TO DEFINE
13 THE CUSTODIAL AND ANCILLARY
14 STAKING SERVICES.—The Commission
15 shall issue rules defining the custodial
16 and ancillary staking services de-
17 scribed in subclause (I) that are exclu-
18 sively administrative or ministerial in
19 nature, consistent with what is nec-
20 essary or appropriate for the public
21 interest or for the protection of inves-
22 tors.

23 “(v) PROGRAMMATIC AND AUTO-
24 MATED DISTRIBUTIONS.—The automated,
25 programmatic, protocol-defined, or rules-

1 based distribution of network tokens
2 achieved through the transparent func-
3 tioning of a distributed ledger system, a
4 distributed ledger, or distributed ledger ap-
5 plications, in which—

6 “(I) distributions occur pursuant
7 to public, transparent, rules-based pa-
8 rameters that are publicly available
9 and are accessible on a permissionless
10 basis, without individualized or real-
11 time negotiation with recipients;

12 “(II) recipients receive network
13 tokens as a direct, programmatic re-
14 sult of objective, verifiable network
15 participation, consumption, or con-
16 tribution, including consensus partici-
17 pation, data availability, bandwidth,
18 governance, or use and interaction
19 with the protocol or application;

20 “(III) the number of network to-
21 kens received is proportionate to the
22 verifiable service, usage, or contribu-
23 tion;

24 “(IV) any expected utility or
25 value of the network tokens arises pri-

1 marily from decentralized network
2 participation and market forces, rather
3 er than the discretionary actions of
4 any single person or affiliated group;
5 and

6 “(V) no person or group has uni-
7 lateral authority to alter, restrict, or
8 direct the issuance parameters or dis-
9 tribution mechanisms of the distrib-
10 uted ledger system, and any modifica-
11 tion occurs only through a decentral-
12 ized governance system.

13 “(vi) TECHNOLOGY-NEUTRAL.—The
14 distribution of a network token employing
15 a mechanism, protocol, or technology not
16 specifically described in clauses (i) through
17 (v), without regard to whether such mecha-
18 nism, protocol, or technology is in exist-
19 ence on the date of enactment of this sec-
20 tion, and without regard to terminology or
21 underlying technical framework, provided
22 such distribution meets the requirements
23 described in subparagraph (A)(i).

24 “(6) INVESTMENT COMPANY.—The term ‘in-
25 vestment company’ has the meaning given the term

1 in section 3(a) of the Investment Company Act of
2 1940 (15 U.S.C. 80a-3(a)).

3 “(7) NETWORK TOKEN.—

4 “(A) IN GENERAL.—The term ‘network
5 token’ means a digital commodity that is intrin-
6 sically linked to a distributed ledger system and
7 that derives, or is reasonably expected to derive,
8 its value from the use of such distributed ledger
9 system, and, pursuant to the Digital Asset Mar-
10 ket Clarity Act and the amendments made by
11 the Digital Asset Market Clarity Act, is treated
12 as a non-security solely for purposes of the se-
13 curities laws.

14 “(B) DISQUALIFYING FINANCIAL
15 RIGHTS.—The term ‘network token’ does not
16 include any of the following:

17 “(i) Any security, other than an in-
18 vestment contract or certificate of interest
19 of participation in any profit-sharing
20 agreement that is described in clause (ii).

21 “(ii) An investment contract or a cer-
22 tificate of interest or participation in any
23 profit-sharing agreement that represents,
24 gives the holder, or is substantially eco-
25 nomically or functionally equivalent to, any

1 of the following, as the Commission shall
2 establish by rule:

3 “(I) A debt or equity interest, or
4 an option on a debt or equity interest,
5 in a person.

6 “(II) Liquidation rights with re-
7 spect to a person.

8 “(III) An entitlement to, or a
9 reasonable expectation of, an interest,
10 dividend, or other payment, or direct
11 or indirect transfer of value, from a
12 person (other than a decentralized
13 governance system).

14 “(IV) An express or implied fi-
15 nancial interest in (including a limited
16 partnership interest or interest in in-
17 tellectual property of), or provided by,
18 a person (other than a decentralized
19 governance system).

20 “(iii) Any interest that is, represents,
21 or is functionally equivalent to an interest
22 in an investment company or a company
23 (as defined in section 2 of the Investment
24 Company Act of 1940 (15 U.S.C. 80a-2))
25 that would be an investment company

1 under section 3(a) of that Act (15 U.S.C.
2 80a–3(a)) but for the exclusions provided
3 from that definition by section 3(c) of that
4 Act (15 U.S.C. 80a–3(c)).

5 “(iv) Any interest that is, represents,
6 or is functionally equivalent to an interest
7 in any entity or person that is not an in-
8 vestment company but holds or will hold
9 assets other than securities.

10 “(C) RULE OF CONSTRUCTION.—A digital
11 commodity—

12 “(i) shall be deemed to be intrinsically
13 linked to a distributed ledger system if the
14 digital commodity is directly related to the
15 functionality or operation of the distrib-
16 uted ledger system or to the activities or
17 services for which the distributed ledger
18 system is created or utilized; and

19 “(ii) shall not be disqualified from
20 being deemed a network token due to the
21 granting of economic interests or voting
22 capabilities with respect to a distributed
23 ledger system or its decentralized govern-
24 ance system, as further clarified by the
25 Commission through the final rules adopt-

1 ed under section 10105 of the Lummis-
2 Gillibrand Responsible Financial Innova-
3 tion Act of 2026.

4 “(b) TREATMENT OF NETWORK TOKENS AND
5 TRANSACTIONS.—

6 “(1) IN GENERAL.—The offer, sale, or distribu-
7 tion of an ancillary asset by, or caused by, an ancil-
8 lary asset originator, including through an under-
9 writer, shall be considered to be an offer, sale, or
10 distribution of an investment contract involving an
11 ancillary asset, except with respect to a gratuitous
12 distribution.

13 “(2) TREATMENT AS NON-SECURITY.—Except
14 as provided in this section, and subject to paragraph
15 (3), a network token shall be treated as a non-secu-
16 rity, to the extent materially consistent with the re-
17 quirements and conditions of this section, for pur-
18 poses of —

19 “(A) section 2(a)(1);

20 “(B) section 3(a)(10) of the Securities Ex-
21 change Act of 1934 (15 U.S.C. 78c(a)(10));

22 “(C) section 2(a)(36) of the Investment
23 Company Act of 1940 (15 U.S.C. 80a-
24 2(a)(36));

1 “(D) section 202(a)(18) of the Investment
2 Advisers Act of 1940 (15 U.S.C. 80b–2(a)(18));

3 “(E) section 16(14) of the Securities In-
4 vestor Protection Act of 1970 (15 U.S.C.
5 78lll(14)); or

6 “(F) any applicable requirement of State
7 law that is functionally equivalent to the provi-
8 sions described in subparagraphs (A) through
9 (E), including any provision of State law that
10 directly or indirectly prohibits, limits, or im-
11 poses any conditions on the use, offer, sale,
12 transfer, or disposition of a network token in a
13 manner that is—

14 “(i) not substantially similar to prohi-
15 bitions, limitations, or conditions imposed
16 by that State relating to assets that are
17 commodities under the laws of that State;
18 and

19 “(ii) inconsistent with this section.

20 “(3) SECONDARY MARKET TREATMENT.—

21 “(A) IN GENERAL.—Except as provided in
22 this section (including the limitation under sub-
23 paragraph (B)), and to the extent materially
24 consistent with the requirements and conditions
25 of this section, the offer, sale, or distribution of

1 a network token by a person shall be treated as
2 not involving the offer, sale, or distribution of
3 a security under—

4 “(i) section 2(a)(1);

5 “(ii) section 3(a)(10) of the Securities
6 Exchange Act of 1934 (15 U.S.C.
7 78c(a)(10));

8 “(iii) section 2(a)(36) of the Invest-
9 ment Company Act of 1940 (15 U.S.C.
10 80a-2(a)(36));

11 “(iv) section 202(a)(18) of the Invest-
12 ment Advisers Act of 1940 (15 U.S.C.
13 80b-2(a)(18));

14 “(v) section 16(14) of the Securities
15 Investor Protection Act of 1970 (15 U.S.C.
16 78lll(14)); and

17 “(vi) any applicable requirement of
18 State law that is functionally equivalent to
19 the provisions described in clauses (i)
20 through (v), including any provision of
21 State law that directly or indirectly pro-
22 hibits, limits, or imposes any conditions on
23 the use, offer, sale, transfer, or disposition
24 of a network token in a manner that is—

1 “(I) not substantially similar to
2 prohibitions, limitations, or conditions
3 imposed by that State relating to as-
4 sets that are commodities under the
5 laws of that State; and

6 “(II) inconsistent with this sec-
7 tion.

8 “(B) LIMITATION.—Subparagraph (A)
9 shall not apply if the applicable network token
10 is offered, sold, or distributed pursuant to the
11 offer, sale, or distribution of a security by an
12 ancillary asset originator or underwriter.

13 “(4) TREATMENT OF GRATUITOUS DISTRIBUTIONS.—
14

15 “(A) IN GENERAL.—A gratuitous distribu-
16 tion, by itself, shall be presumed to not con-
17 stitute an offer, sale, or distribution of a secu-
18 rity for the purposes of—

19 “(i) section 2(a)(1);

20 “(ii) section 3(a)(10) of the Securities
21 Exchange Act of 1934 (15 U.S.C.
22 78c(a)(10));

23 “(iii) section 2(a)(36) of the Invest-
24 ment Company Act of 1940 (15 U.S.C.
25 80a-2(a)(36));

1 “(iv) section 202(a)(18) of the Invest-
2 ment Advisers Act of 1940 (15 U.S.C.
3 80b–2(a)(18));

4 “(v) section 16(14) of the Securities
5 Investor Protection Act of 1970 (15 U.S.C.
6 78lll(14)); or

7 “(vi) any applicable requirement of
8 State law, or any provision of State law
9 that is functionally equivalent to the provi-
10 sions described in clauses (i) through (v),
11 including any provision of State law that
12 directly or indirectly prohibits, limits, or
13 imposes any conditions on the use, offer,
14 sale, transfer, or disposition of a network
15 token in a manner that is—

16 “(I) not substantially similar to
17 prohibitions, limitations, or conditions
18 imposed by that State relating to as-
19 sets that are commodities under the
20 laws of that State; and

21 “(II) inconsistent with this sec-
22 tion.

23 “(B) SAVINGS CLAUSE.—Nothing in this
24 paragraph may be construed to limit, impair, or
25 otherwise affect the anti-fraud or anti-manipu-

1 lation authorities of the Commission, the Com-
2 modity Futures Trading Commission, or a
3 State regulator.

4 “(5) PRIOR CERTIFICATION.—

5 “(A) SUBMISSION AND DEFAULT TREAT-
6 MENT.—

7 “(i) IN GENERAL.—

8 “(I) PRESUMPTION.—For pur-
9 poses of this section, there shall be a
10 rebuttable presumption that a net-
11 work token, including a network token
12 distributed in the manner described in
13 paragraph (4), is an ancillary asset,
14 unless the originator of that network
15 token, or a digital asset intermediary
16 (as provided under subsection (c)(4)),
17 submits to the Commission a com-
18 pleted written certification, supported
19 by reasonable evidence, as defined by
20 the Commission, sufficient to dem-
21 onstrate that the network token is not
22 an ancillary asset.

23 “(II) CONTENTS.—A certification
24 submitted under subclause (I) shall

1 include a statement in accordance
2 with subsection (d)(3)(B)(i).

3 “(ii) NOTIFICATION.—The Commis-
4 sion shall notify the Commodity Futures
5 Trading Commission of each certification
6 made pursuant to clause (i) and of any
7 final agency action with respect to that
8 certification.

9 “(iii) RECIPROCAL NOTICE.—The
10 Commission shall receive a copy of any cer-
11 tification and supporting materials sub-
12 mitted to the Commodity Futures Trading
13 Commission under subsection (d) of sec-
14 tion 5c of the Commodity Exchange Act (7
15 U.S.C. 7a–2).

16 “(B) AUTOMATIC EFFECTIVENESS.—A cer-
17 tification submitted under subparagraph (A) by
18 an originator or a digital asset intermediary
19 shall become effective upon the earlier of—

20 “(i) the date on which the Commis-
21 sion notifies the originator or digital asset
22 intermediary in writing that the Commis-
23 sion does not object to the certification; or

24 “(ii) if the Commission has not issued
25 a rebuttal to the originator or digital asset

1 intermediary in accordance with subpara-
2 graph (C), 60 days after the date on which
3 the originator or digital asset intermediary
4 submits the certification.

5 “(C) COMMISSION DENIAL.—

6 “(i) AUTHORITY TO DENY.—Subject
7 to clauses (ii) and (iii), the Commission
8 may deny a certification submitted under
9 subparagraph (A) by an originator or dig-
10 ital asset intermediary only during the 60-
11 day period described in subparagraph
12 (B)(ii) or upon determining, based on rea-
13 sonable evidence, that a material change in
14 circumstances has occurred after the sub-
15 mission of the certification, whether or not
16 the certification has taken effect.

17 “(ii) NOTICE OF INTENT TO DENY.—
18 If the Commission intends to deny a cer-
19 tification submitted under subparagraph
20 (A), the Commission shall—

21 “(I) either not later than 20
22 business days after the date on which
23 the certification is submitted, or
24 promptly after determining that a ma-
25 terial change in circumstances has oc-

1 curred, provide to the applicable origi-
2 nator or digital asset intermediary no-
3 tice of the intent of the Commission
4 to deny that certification; and

5 “(II) provide to the applicable
6 originator or digital asset inter-
7 mediary a 10-day period following the
8 provision of notice under subclause (I)
9 during which—

10 “(aa) interested persons
11 shall have an opportunity to sub-
12 mit written data, views, and ar-
13 guments relating to that certifi-
14 cation; and

15 “(bb) the Commodity Fu-
16 tures Trading Commission may,
17 at the discretion of the Com-
18 modity Futures Trading Commis-
19 sion, submit input regarding
20 whether the applicable asset—

21 “(AA) satisfies the re-
22 quirements for being consid-
23 ered an ancillary asset; or

24 “(BB) includes any dis-
25 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 applica-
8 ble originator or digital asset inter-
9 mediary, provide an opportunity for
10 the oral presentation of data, views,
11 and arguments by certification cov-
12 ered parties;

13 “(II) if the Commission, acting
14 directly or under delegated authority
15 pursuant to section 4A of the Securi-
16 ties Exchange Act of 1934 (15 U.S.C.
17 78d–1), determines to deny the cer-
18 tification, deny the certification by
19 order after a finding that the applica-
20 ble 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
5 purposes of this subparagraph, the term
6 ‘interested person’ means, with respect to
7 a network token—

8 “(I) the ancillary asset originator
9 with respect to that network token
10 (referred to in this clause as ‘the
11 originator’);

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
18 a common entity with the originator;

19 “(V) any broker or dealer (as
20 those terms are defined in section
21 3(a) of the Securities Exchange Act of
22 1934 (15 U.S.C. 78c(a))), or an ex-
23 change registered pursuant to section
24 6 of that Act (15 U.S.C. 78f), that

1 operates in connection with digital as-
2 sets; or

3 “(VI) any person registered with
4 the Commodity Futures Trading
5 Commission that operates or proposes
6 to operate in connection with digital
7 assets.

8 “(D) CERTIFICATION FILED BY DIGITAL
9 ASSET INTERMEDIARY.—

10 “(i) IN GENERAL.—A certification
11 submitted by a digital asset intermediary
12 under this paragraph shall only become ef-
13 fective if—

14 “(I) the digital asset inter-
15 mediary has—

16 “(aa) conducted a reason-
17 able inquiry of publicly available
18 information, appropriate under
19 the circumstances, regarding
20 whether the applicable originator
21 has engaged in entrepreneurial
22 and managerial efforts with re-
23 spect to the applicable network
24 token during the most recent
25 180-day period, or is likely to en-

1 gage in those efforts in the fu-
2 ture; and

3 “(bb) concluded that the ef-
4 forts described in item (aa) have
5 not occurred or are not reason-
6 ably likely to occur; and

7 “(II) subject to clause (ii), the
8 applicable originator has certified that
9 there is not (and, during the most re-
10 cent 180-day period, there has not
11 been) material, non-public information
12 regarding entrepreneurial or manage-
13 rial efforts with respect to the applica-
14 ble network token in the possession of
15 the originator or a related person.

16 “(ii) LIMITATION.—Clause (i)(II)
17 shall not be required if the applicable dig-
18 ital asset intermediary, after a reasonable
19 inquiry, appropriate under the cir-
20 cumstances, determines that the applicable
21 originator, or any person jointly and sever-
22 ally liable pursuant to subsection
23 (a)(2)(B), is not capable of submitting the
24 applicable certification.

1 “(E) FINAL AGENCY ACTION.—Denial
2 under this paragraph constitutes final agency
3 action reviewable under applicable law.

4 “(F) TOLLING.—Any applicable period
5 specified in this paragraph may be tolled, for
6 periods of not longer than 60 days, during the
7 3-year period following the effective date of the
8 Digital Asset Market Clarity Act, upon a show-
9 ing in writing that the originator or digital
10 asset intermediary has not substantially re-
11 sponded to a request for information from the
12 Commission within a reasonable time.

13 “(G) WITHDRAWAL.—An originator or dig-
14 ital asset intermediary may withdraw a certifi-
15 cation submitted under subparagraph (A) at
16 any time before the certification becomes effec-
17 tive under subparagraph (B).

18 “(H) DESIGNATED COMMISSION OFFICE.—
19 The Commission shall designate an office that
20 shall—

21 “(i) acknowledge receipt of certifi-
22 cations submitted under subparagraph (A);

23 “(ii) support those seeking certifi-
24 cation under subparagraph (A) by pro-
25 viding guidance regarding the mechanics of

1 preparing and submitting those certifi-
2 cations; and

3 “(iii) route certifications submitted
4 under subparagraph (A), together with any
5 associated comments or recommendations,
6 to the appropriate division or office of the
7 Commission for review.

8 “(I) MISSTATEMENTS OR OMISSIONS.—
9 Any material misstatement or omission to state
10 a material fact, including with respect to con-
11 tinuing compliance, in a certification that has
12 become effective under this paragraph shall
13 constitute grounds for the Commission, con-
14 sistent with the securities laws, to issue an
15 order denying, suspending, or revoking the ef-
16 fectiveness of the certification and to pursue
17 any appropriate enforcement action.

18 “(J) COMMISSION REVIEW.—

19 “(i) IN GENERAL.—At any time while
20 a certification submitted under this para-
21 graph is pending before the Commission,
22 the vote of 1 member of the Commission
23 shall be sufficient to bring the certification
24 before the Commission for review.

1 “(ii) EFFECT OF REVIEW.—A review
2 conducted under clause (i) shall not toll,
3 extend, restart, or otherwise modify any
4 deadline or period specified in this para-
5 graph.

6 “(c) DISCLOSURE REQUIREMENTS FOR CERTAIN
7 TRANSACTIONS INVOLVING ANCILLARY ASSETS.—

8 “(1) SPECIFIED INITIAL AND PERIODIC DISCLO-
9 SURE REQUIREMENTS.—

10 “(A) IN GENERAL.—An ancillary asset
11 originator shall be subject to the initial and
12 periodic disclosure requirements under sub-
13 section (d) upon the occurrence of the earlier of
14 the following:

15 “(i) Any offer, sale, or distribution of
16 an ancillary asset after the effective date of
17 the Digital Asset Market Clarity Act by, or
18 that is caused by, that ancillary asset origi-
19 nator pursuant to—

20 “(I) Regulation Crypto, as adopt-
21 ed pursuant to section 10103 of the
22 Lummis-Gillibrand Responsible Fi-
23 nancial Innovation Act of 2026;

24 “(II) the filing of an effective
25 registration statement under this Act;

1 “(III) the filing of an offering
2 statement described in section 3(b)(2);
3 or

4 “(IV) an offering conducted pur-
5 suant to section 4(a)(6).

6 “(ii)(I) The first offer, sale, or dis-
7 tribution of an ancillary asset in the
8 United States after the effective date of
9 the Digital Asset Market Clarity Act that
10 constitutes a public offering, whether by
11 the ancillary asset originator or any other
12 person.

13 “(II) For the purposes of subclause
14 (I), the term ‘public offering’ shall be in-
15 terpreted consistent with the meaning of
16 that term under section 4(a)(2).

17 “(B) EXCLUSION.—Subparagraph (A)
18 shall not apply if—

19 “(i) the aggregate gross proceeds
20 from the offer, sale, or distribution of the
21 applicable ancillary asset (together with
22 any related assets sold in those offers,
23 sales, or distributions) were \$5,000,000 or
24 less (adjusted for inflation) during the 12-
25 month period immediately following the

1 date of the first such offer, sale, or dis-
2 tribution; or

3 “(ii) the average daily aggregate value
4 of trading in the applicable ancillary asset
5 in all spot markets open to the public in
6 the United States for which trading volume
7 is generally available is \$5,000,000 or less
8 (adjusted for inflation) during the 12-
9 month period (or such shorter period as
10 the Commission may determine) imme-
11 diately following the commencement of
12 compliance with the disclosure require-
13 ments under subsection (d) (as determined
14 pursuant to paragraph (2) of this sub-
15 section), based on the knowledge of the an-
16 cillary asset originator after due inquiry
17 (or, if the ancillary asset has not yet trad-
18 ed on spot markets open to the public in
19 the United States, the trading volume is
20 reasonably expected to be \$5,000,000 or
21 less (adjusted for inflation) during the 12-
22 month period immediately following the re-
23 porting date specified by paragraph (2)).

24 “(C) CALCULATION.—For the purposes of
25 this paragraph, the calculation of daily aggre-

1 gate value shall be based on a reasonable cal-
2 culation of public data.

3 “(2) COMMENCEMENT OF COMPLIANCE WITH
4 SPECIFIED INITIAL AND PERIODIC DISCLOSURE RE-
5 QUIREMENTS.—

6 “(A) IN GENERAL.—An ancillary asset
7 originator subject to the requirements of para-
8 graph (1) shall comply with the disclosure re-
9 quirements under subsection (d)—

10 “(i) before—

11 “(I) any initial offer, sale, or dis-
12 tribution described in paragraph
13 (1)(A)(i); or

14 “(II) an offer, sale, or distribu-
15 tion described in paragraph (1)(A)(ii);
16 and

17 “(ii) semiannually thereafter.

18 “(B) EXCLUSION.—The requirements of
19 this paragraph shall not apply to an offer, sale,
20 or distribution of an ancillary asset that occurs
21 after the effective date of the Digital Asset
22 Market Clarity Act if an ancillary asset origi-
23 nator has submitted a certification under sub-
24 section (d)(3)(B) and the Commission has not
25 denied that certification within a 60-day period

1 after the completion of the process under that
2 subsection.

3 “(3) TRANSITION RULE.—

4 “(A) IN GENERAL.—An ancillary asset
5 originator that initially offered, sold, or distrib-
6 uted (or otherwise controlled or caused the
7 offer, sale, or distribution of) a security involv-
8 ing an ancillary asset before the effective date
9 of the Digital Asset Market Clarity Act shall
10 comply with the periodic disclosure require-
11 ments under subsection (d), if applicable, begin-
12 ning on the date that is 1 year after that effec-
13 tive date.

14 “(B) EFFECT ON CERTIFICATION.—An an-
15 cillary asset originator, or any other certifi-
16 cation covered party, subject to this paragraph
17 that meets the requirements of subsection
18 (d)(3) may furnish a certification as provided in
19 that subsection without complying with the
20 periodic disclosure requirements under sub-
21 section (d), if the Commission has not denied
22 that certification within a 60-day period after
23 the completion of the process under that sub-
24 section.

1 “(C) PERIOD OF DISCLOSURES.—The dis-
2 losures required under subparagraph (A) shall
3 apply with respect to the 3-year period pre-
4 ceding the effective date described in that sub-
5 paragraph.

1 “(II) the applicable ancillary
2 asset is—

3 “(aa) offered, sold, or dis-
4 tributed after the effective date
5 of the Digital Asset Market Clar-
6 ity Act pursuant to—

7 “(AA) an investment
8 contract that is offered, sold,
9 or distributed pursuant to
10 Regulation Crypto, as adopt-
11 ed pursuant to section
12 10103 of the Lummis-Gilli-
13 brand Responsible Financial
14 Innovation Act of 2026;

15 “(BB) the filing of an
16 effective registration state-
17 ment under this Act (other
18 than a registration state-
19 ment on the form described
20 in section 239.31 or 239.33
21 of title 17, Code of Federal
22 Regulations, or the suc-
23 cessor to either such form);

1 “(CC) the filing of an
2 offering statement described
3 in section 3(b)(2); or

4 “(DD) an offering con-
5 ducted pursuant to section
6 4(a)(6); or

7 “(bb) first offered or sold
8 after the effective date of the
9 Digital Asset Market Clarity Act
10 in a transaction described in
11 paragraph (1)(A)(ii).

12 “(ii) COMMISSION DETERMINATION.—

13 “(I) IN GENERAL.—If, after no-
14 tice, comment, and the opportunity
15 for a hearing, the Commission deter-
16 mines that it is in the public interest
17 or necessary for the protection of in-
18 vestors, including with respect to an
19 ancillary asset originator incorporated
20 or organized in a foreign jurisdiction,
21 the Commission may require an ancil-
22 lary asset originator, after a transi-
23 tion period, to file the disclosures re-
24 quired under subsection (d).

1 “(II) EXTRATERRITORIAL EF-
2 FECT.—Subclause (I) shall apply
3 extraterritorially.

4 “(C) STANDARD OF LIABILITY.—Notwith-
5 standing any other provision of this Act, it shall
6 be unlawful for a digital asset intermediary to
7 file disclosures under subsection (d) pursuant to
8 this paragraph that contain any material
9 misstatement or omission to state a material
10 fact required to be stated therein, or necessary
11 to make the statements therein not misleading,
12 unless that digital asset intermediary did not
13 know (and, in the exercise of reasonable care,
14 could not have known) of that misstatement or
15 omission.

16 “(5) FAILURE TO COMPLY.—Subject to the re-
17 quirements of this section, an ancillary asset shall
18 not be listed for trading on a digital asset inter-
19 mediary if the Commission and the Commodity Fu-
20 tures Trading Commission jointly find that the an-
21 cillary asset originator that initially offered, sold, or
22 distributed the ancillary asset after the effective date
23 of the Digital Asset Market Clarity Act (or, if a dig-
24 ital asset intermediary is satisfying the requirements
25 of this subsection in lieu of that ancillary asset origi-

1 nator in accordance with paragraph (4), such digital
2 asset intermediary) has materially failed to furnish
3 the required disclosures under this subsection after
4 a reasonable opportunity to cure, as provided by
5 joint rule of the Commission and the Commodity
6 Futures Trading Commission in a manner that is
7 consistent with section 5i(c)(3) of the Commodity
8 Exchange Act and the considerations under sub-
9 section (d)(5).

10 “(d) SPECIFIED INITIAL AND PERIODIC DISCLOSURE
11 REQUIREMENTS.—

12 “(1) IN GENERAL.—

13 “(A) FURNISHING OF INFORMATION.—An
14 ancillary asset originator that is subject to the
15 requirements of paragraph (1) or (3) of sub-
16 section (c), or a digital asset intermediary act-
17 ing in accordance with subsection (c)(4), shall
18 furnish to the Commission, in such form as the
19 Commission may prescribe by rule after pro-
20 viding notice and the opportunity for comment,
21 and until the requirement terminates under
22 paragraph (3) of this subsection, the informa-
23 tion described in paragraph (2) of this sub-
24 section, to the extent that the information is
25 material and known, or reasonably knowable, to

1 the ancillary asset originator or digital asset
2 intermediary.

3 “(B) REQUIREMENTS FOR RULES.—A rule
4 prescribed under subparagraph (A) shall be rea-
5 sonably tailored, including by adjusting the
6 scope, form, and content of required disclo-
7 sures, based on—

8 “(i) the size of the applicable ancillary
9 asset originator in accordance with section
10 10108(a) of the Lummis-Gillibrand Re-
11 sponsible Financial Innovation Act of
12 2026;

13 “(ii) the aggregate amount of ancil-
14 lary assets offered, sold, or distributed by
15 the applicable ancillary asset originator to
16 the public in the United States; and

17 “(iii) whether the applicable ancillary
18 asset and any related distributed ledger
19 system is subject to coordinated control, as
20 defined by the Commission pursuant to
21 rules adopted under section 10104(b) of
22 the Lummis-Gillibrand Responsible Finan-
23 cial Innovation Act of 2026.

24 “(2) CATEGORIES OF INFORMATION.—The in-
25 formation required under paragraph (1) shall in-

1 clude the following with respect to the applicable an-
2 cillary asset originator and the related ancillary
3 asset:

4 “(A) Basic corporate information regard-
5 ing the ancillary asset originator and the ancil-
6 lary asset activities of the ancillary asset origi-
7 nator, which may include the following items, as
8 the Commission shall determine by rule:

9 “(i) The experience of the ancillary
10 asset originator (or persons controlling the
11 ancillary asset originator) in developing an-
12 cillary assets.

13 “(ii) If the ancillary asset originator
14 (or persons controlling the ancillary asset
15 originator) has previously distributed ancil-
16 lary assets, information on the subsequent
17 distribution history of those ancillary as-
18 sets, including price history, if the infor-
19 mation is publicly available.

20 “(iii) The activities that the ancillary
21 asset originator has taken in the relevant
22 disclosure period, and is projecting to take
23 in the 1-year period following the submis-
24 sion of the disclosure, with respect to pro-
25 moting the use, value, or resale of the an-

1 ancillary asset (including any activity to fa-
2 cilitate the creation or maintenance of a
3 trading market for the ancillary asset and
4 any distributed ledger system, application,
5 or system that uses the ancillary asset).

6 “(iv) The anticipated cost of the ac-
7 tivities of the ancillary asset originator de-
8 scribed in clause (iii), whether the ancillary
9 asset originator has unencumbered, liquid
10 funds equal to that amount, and, if the an-
11 cillary asset originator does not have those
12 funds, the anticipated plan of operations of
13 the ancillary asset originator for the por-
14 tion of time where those liquid funds are
15 less than the anticipated cost of the activi-
16 ties of the ancillary asset originator.

17 “(v) The experience of the ancillary
18 asset originator with the use of a distrib-
19 uted ledger system or distributed ledger
20 technology.

21 “(vi) The identities and expertise of
22 the board of directors (or equivalent body)
23 and senior management of the ancillary
24 asset originator, the experience or func-
25 tions of whom are material to the develop-

1 ment or value of the ancillary asset, as well
2 as any personnel changes relating to the
3 ancillary asset originator during the period
4 covered by the disclosure.

5 “(vii) Financial statements of the an-
6 cillary asset originator that are—

7 “(I) if the aggregate amount of
8 such ancillary assets offered, sold, or
9 distributed to the public does not ex-
10 ceed \$25,000,000 in gross proceeds,
11 reviewed by a public accountant that
12 is independent of the ancillary asset
13 originator; or

14 “(II) if the aggregate amount of
15 such ancillary assets offered, sold, or
16 distributed to the public exceeds
17 \$25,000,000 in gross proceeds, au-
18 dited by a public accountant that is
19 independent of the ancillary asset
20 originator.

21 “(viii) A description of any legal pro-
22 ceedings in which the ancillary asset origi-
23 nator is engaged.

24 “(ix) Risk factors arising from the ac-
25 tivities of the ancillary asset originator

1 with respect to the ancillary asset, and not
2 generally applicable to other kinds of ancil-
3 lary assets, that may limit the utility or li-
4 quidity of the ancillary asset, investor de-
5 mand with respect to the ancillary asset, or
6 the market price or value of the ancillary
7 asset.

8 “(x) Information relating to owner-
9 ship of the ancillary asset by—

10 “(I) persons owning not less than
11 10 percent of any class of equity secu-
12 rity or other ownership interest of the
13 ancillary asset originator; and

14 “(II) the board of directors (or
15 equivalent body) and senior manage-
16 ment of the ancillary asset originator,
17 if those individuals, in the aggregate,
18 own not less than 5 percent of the an-
19 cillary asset.

20 “(xi) For any material transactions
21 involving the ancillary asset between the
22 ancillary asset originator and any related
23 person, a description, in the aggregate, of
24 the parties, the number of ancillary assets
25 involved, and a summary of any material

1 features of the transactions, including any
2 material terms or ongoing obligations.

3 “(xii) A summary, in the aggregate by
4 year, of transactions in ancillary assets
5 during the 4-year period preceding the fur-
6 nishing of the disclosure, by the ancillary
7 asset originator and persons that directly
8 or indirectly control the ancillary asset
9 originator.

10 “(xiii) Purchases or similar acquisi-
11 tions of ancillary assets by the ancillary
12 asset originator and affiliates of the ancil-
13 lary asset originator.

14 “(xiv) A statement, made in good
15 faith, from the chief financial officer of the
16 ancillary asset originator or equivalent offi-
17 cial, stating whether the ancillary asset
18 originator reasonably expects to maintain
19 or have the financial resources to continue
20 business as a going concern for the 12-
21 month period following the furnishing of
22 the disclosure, absent a change in cir-
23 cumstances.

24 “(xv) The current state and timeline
25 for the development of the distributed ledg-

1 er system to which the ancillary asset re-
2 lates, detailing if, how, and when the dis-
3 tributed ledger system and the related an-
4 cillary asset are intended to no longer be
5 subject to coordinated control, including by
6 related persons, if the distributed ledger
7 system has not yet received a certification
8 under section 10104(d) of the Lummis-
9 Gillibrand Responsible Financial Innova-
10 tion Act of 2026.

11 “(B) Economic and technical information
12 relating to the ancillary asset, which may in-
13 clude the following items, as the Commission
14 shall determine by rule:

15 “(i) A general description of the ancil-
16 lary asset and the distributed ledger sys-
17 tem to which that ancillary asset relates,
18 including—

19 “(I) a plain-English description
20 of how the applicable distributed ledg-
21 er, distributed ledger system, or dis-
22 tributed ledger application functions;

23 “(II) the intended or known
24 functionality and uses of the ancillary

1 asset and any associated fees for use
2 or disposition of the ancillary asset;

3 “(III) the market for the ancil-
4 lary asset;

5 “(IV) other assets or services
6 that may compete with the ancillary
7 asset;

8 “(V) the total supply of the ancil-
9 lary asset or the manner and rate of
10 the ongoing production or creation of
11 the ancillary asset; and

12 “(VI) the governance and con-
13 sensus mechanism for the ancillary
14 asset and that distributed ledger sys-
15 tem, if applicable, including for vali-
16 dating transactions and implementing
17 changes to the distributed ledger sys-
18 tem, the method of generating or min-
19 ing ancillary assets, and any process
20 for burning or destroying units of the
21 ancillary asset on a distributed ledger
22 system.

23 “(ii) If the ancillary asset originator
24 has offered, sold, or otherwise provided an-
25 cillary assets to affiliates, investors, em-

1 employees, intermediaries, or resellers, a de-
2 scription of the amount of assets offered,
3 sold, or otherwise provided to such persons
4 and a summary of any material resale re-
5 strictions or other material obligations
6 arising from related contracts, agreements,
7 or other arrangements.

8 “(iii) If ancillary assets were distrib-
9 uted by the ancillary asset originator with-
10 out charge or upon meeting certain condi-
11 tions, a description of the distributions, in
12 the aggregate, along with the identity of
13 any recipient that received more than 5
14 percent of the total amount of ancillary as-
15 sets (calculated as a percentage of the
16 total supply of such asset at the time of
17 distribution).

18 “(iv) The amount of ancillary assets
19 owned by the ancillary asset originator.

20 “(v) For the 12-month period fol-
21 lowing the furnishing of the disclosure, a
22 description of the current state and antici-
23 pated timeline for the development of the
24 distributed ledger system to which that an-
25 cillary asset relates, including—

1 “(I) plans of the ancillary asset
2 originator to support (or to cease sup-
3 porting) the use or development of the
4 ancillary asset, including markets for
5 the ancillary asset and that distrib-
6 uted ledger system;

7 “(II) the various roles that exist
8 or are intended to exist in connection
9 with any applicable distributed ledger,
10 distributed ledger system, or distrib-
11 uted ledger application, such as users,
12 service providers, developers, trans-
13 action validators, and governance par-
14 ticipants;

15 “(III) a discussion of any mecha-
16 nisms by which control or authority
17 are exerted with respect to that dis-
18 tributed ledger system, if applicable,
19 or the related ancillary asset; and

20 “(IV) any critical operational de-
21 pendencies of any applicable distrib-
22 uted ledger, distributed ledger system,
23 or distributed ledger application or of
24 the related ancillary asset.

1 “(vi) Risk factors that may materially
2 affect the liquidity of the ancillary asset,
3 investor demand with respect to the ancil-
4 lary asset, or the market price or value of
5 the ancillary asset.

6 “(vii) To the extent available to the
7 ancillary asset originator, the average daily
8 price for a constant unit of value of the
9 ancillary asset during the relevant report-
10 ing period, as well as the 12-month high
11 and low prices for the ancillary asset, as
12 calculated based on the 3 exchanges with
13 the largest trading volume in that ancillary
14 asset.

15 “(viii) If applicable, and subject to cy-
16 bersecurity best practices, information re-
17 lating to any external audit of the code
18 and functionality of the ancillary asset, in-
19 cluding the entity performing the audit
20 and the experience of the entity in con-
21 ducting similar audits.

22 “(ix) Information relating to custodial
23 services available for the ancillary asset.

1 “(x) Information on intellectual prop-
2 erty rights claimed or disputed relating to
3 the ancillary asset.

4 “(xi) A description of the technology
5 underlying the initial distribution and trad-
6 ing of the ancillary asset, including the
7 source code for the ancillary asset, if appli-
8 cable, and technical requirements for hold-
9 ing, accessing, and transferring the ancil-
10 lary asset.

11 “(xii) If applicable, a description of
12 the steps necessary to independently ac-
13 cess, search, and verify the transaction his-
14 tory of the ancillary asset.

15 “(C) In addition to the information ex-
16 pressly required to be included under subpara-
17 graphs (A) and (B), the ancillary asset origi-
18 nator or digital asset intermediary, as applica-
19 ble, shall provide such further material informa-
20 tion, if any, as may be necessary to ensure that
21 the statements made in the disclosure are not,
22 in light of the circumstances under which the
23 statements are made, materially misleading.

24 “(3) TERMINATION OF REQUIREMENTS.—

1 “(A) TERMINATION.—The obligation of an
2 ancillary asset originator to provide disclosures
3 under paragraph (1) shall terminate on the
4 date that a certification becomes effective under
5 subparagraph (B), including through an ap-
6 proval or deemed effectiveness.

7 “(B) CERTIFICATION.—

8 “(i) IN GENERAL.—A certification
9 covered party may submit to the Commis-
10 sion a certification, based on the knowl-
11 edge of the certification covered party after
12 due inquiry and supported by reasonable
13 evidence, that states—

14 “(I) that—

15 “(aa) during the 180-day
16 period preceding the date on
17 which the certification covered
18 party submits the certification,
19 and as of the date of submission,
20 no certification covered party has
21 engaged in more than a nominal
22 level of entrepreneurial or mana-
23 gerial efforts (as defined by the
24 Commission by rule), which shall
25 not, for the purposes of this

1 clause, include providing adminis-
2 trative services alone;

3 “(bb) any efforts described
4 in item (aa) were not a primary
5 factor in determining the value of
6 the related ancillary asset (which
7 may include that any essential
8 promises made by the certifi-
9 cation covered party have been
10 fulfilled); and

11 “(cc) a certification is effec-
12 tive under section 10104(d) of
13 the Lummis-Gillibrand Respon-
14 sible Financial Innovation Act of
15 2026;

16 “(II) in good faith that the cer-
17 tification covered party does not rea-
18 sonably expect there to be any efforts
19 that would render the certification
20 covered party unable to provide a new
21 certification following the date of the
22 certification; and

23 “(III) that substantially all mate-
24 rial information that is reasonably ex-
25 pected to contribute to the value of

1 the ancillary assets offered, sold, or
2 distributed to the public by the ancil-
3 lary asset originator is, and is reason-
4 ably expected to remain, available to
5 the public.

6 “(ii) CHANGE IN CIRCUMSTANCES.—

7 “(I) EFFECTIVENESS OF THE
8 CERTIFICATION.—A certification
9 under clause (i) shall remain effective
10 until the date on which any certifi-
11 cation covered party engages in entre-
12 preneurial or managerial efforts that
13 would render the certification covered
14 party unable to meet the standards of
15 the certification.

16 “(II) NEW DISCLOSURES RE-
17 QUIRED.—On and after the date de-
18 scribed in subclause (I), the certifi-
19 cation covered party undertaking ef-
20 forts described in that subclause shall
21 be responsible for furnishing to the
22 Commission the disclosures required
23 under paragraph (1), including a de-
24 scription of the change in cir-
25 cumstances.

1 “(III) PERIODIC DISCLOSURES.—

2 The furnishing of disclosures pursu-
3 ant to subclause (II) shall restart the
4 schedule for periodic disclosures under
5 paragraph (1).

6 “(IV) PRIOR CERTIFICATIONS.—

7 A certification submitted under clause
8 (i) before a change in circumstances
9 shall not be deemed false or mis-
10 leading solely by reason of subsequent
11 reengagement under this clause.

12 “(iii) COMMISSION DENIAL.—

13 “(I) IN GENERAL.—The Commis-
14 sion may deny a certification sub-
15 mitted under clause (i) by a certifi-
16 cation covered party by—

17 “(aa) issuing a written no-
18 tice of objection to the certifi-
19 cation submitted under clause (i)
20 or upon determining that more
21 than a nominal level of entrepre-
22 neurial or managerial efforts has
23 been undertaken by any certifi-
24 cation covered party after the

1 submission of the certification;
2 and

3 “(bb) providing to the cer-
4 tification covered party 10 days
5 notice of the intent of the Com-
6 mission to deny that certification,
7 during which period interested
8 persons shall have an opportunity
9 to submit written data, views,
10 and arguments relating to that
11 certification.

12 “(II) REQUIREMENTS AFTER NO-
13 TICE OF INTENT.—After the 10-day
14 period described in subclause (I)(bb),
15 the Commission shall—

16 “(aa) upon request of the
17 certification covered party, pro-
18 vide an opportunity for the oral
19 presentation of data, views, and
20 arguments by any interested per-
21 sons; and

22 “(bb) hold a vote on whether
23 to grant or deny the certification,
24 based on a finding as to whether
25 the applicable ancillary asset

1 meets the standard for certifi-
2 cation under clause (i).

3 “(III) FINAL AGENCY ACTION.—
4 Denial under this clause constitutes
5 final agency action reviewable under
6 applicable law.

7 “(iv) AUTOMATIC EFFECTIVENESS.—
8 If the Commission fails to issue a written
9 notice of objection or non-objection within
10 90 days after submission of a certification
11 under clause (i), the certification shall be
12 deemed to be effective.

13 “(v) WITHDRAWAL.—A certification
14 covered party may withdraw a certification
15 submitted under clause (i) at any time be-
16 fore that certification is approved or de-
17 nied.

18 “(vi) DESIGNATED COMMISSION OF-
19 FICE.—The Commission shall designate an
20 office that shall—

21 “(I) acknowledge the receipt of
22 certifications submitted under clause
23 (i);

24 “(II) support certification cov-
25 ered parties seeking certification

1 under clause (i) by providing guidance
2 regarding the mechanics of preparing
3 and submitting those certifications;
4 and

5 “(III) route certifications sub-
6 mitted under clause (i), together with
7 any associated comments or rec-
8 ommendations, to the appropriate di-
9 vision or office of the Commission for
10 review.

11 “(vii) ADVANCE REVIEW.—

12 “(I) IN GENERAL.—A certifi-
13 cation covered party may submit a
14 certification under clause (i) before
15 the offer, sale, or distribution of a
16 network token.

17 “(II) INTENDED ORIGINATOR.—
18 In submitting for a certification for
19 advance review under subclause (I), a
20 certification covered party shall iden-
21 tify the person intending to offer, sell,
22 or distribute the applicable network
23 token, and that person shall be treat-
24 ed as the applicable ancillary asset

1 originator for the purposes of this
2 subparagraph.

3 “(viii) TOLLING.—Any applicable pe-
4 riod specified in this subparagraph may be
5 tolled, for periods of not longer than 60
6 days, during the 3-year period following
7 the effective date of the Digital Asset Mar-
8 ket Clarity Act, upon a showing in writing
9 that the submitting certification covered
10 party has not substantially responded to a
11 request for information from the Commis-
12 sion within a reasonable time.

13 “(ix) MISSTATEMENTS OR OMIS-
14 SIONS.—Any material misstatement or
15 omission to state a material fact, including
16 with respect to continuing compliance, in a
17 certification that has become effective
18 under this subparagraph shall constitute
19 grounds for the Commission, consistent
20 with the securities laws, to—

21 “(I) issue an order denying, sus-
22 pending, or revoking the effectiveness
23 of that certification; and

24 “(II) pursue any appropriate en-
25 forcement action.

1 “(4) VOLUNTARY DISCLOSURE.—An ancillary
2 asset originator may voluntarily furnish to the Com-
3 mission the information required under this sub-
4 section if the ancillary asset originator determines
5 that it is reasonably likely that the ancillary asset
6 originator will become subject to the requirements of
7 paragraph (1) or (3) of subsection (c) in the future.

8 “(5) RULEMAKING CONSIDERATIONS.—In
9 adopting rules under this subsection, the Commis-
10 sion shall—

11 “(A) require only such information as the
12 Commission finds to be necessary or appro-
13 priate to protect investors, maintain fair, or-
14 derly, and efficient markets, and facilitate cap-
15 ital formation, innovation, and efficiency;

16 “(B) include in any final versions of those
17 rules a cost-benefit analysis evaluating the ef-
18 fects of any such rule on innovation, efficiency,
19 competition, maintaining fair and orderly mar-
20 kets, and capital formation, including the com-
21 petitiveness of United States market partici-
22 pants; and

23 “(C) act jointly with the Commodity Fu-
24 tures Trading Commission to establish a proc-
25 ess for implementing the requirements of this

1 subsection, including with respect to listing and
2 disclosures, that is consistent and coordinated
3 with the listing process for digital asset inter-
4 mediaries.

5 “(6) LIMITATIONS.—Rules adopted under this
6 subsection shall not require the inclusion of financial
7 statements of an ancillary asset originator, except
8 with respect to the disclosure of financial informa-
9 tion under paragraph (2).

10 “(e) EXEMPTIONS.—The Commission may, by order,
11 exempt an ancillary asset originator or digital asset inter-
12 mediary, or any class of ancillary asset originators or dig-
13 ital asset intermediaries, from specified requirements
14 under subsection (d) if it is in the public interest or for
15 the protection of investors, consistent with the purposes
16 of this section and subject to such conditions as the Com-
17 mission determines necessary to protect investors and in
18 the public interest.

19 “(f) CONFIDENTIAL TREATMENT OF CERTAIN IN-
20 FORMATION.—Subject to Commission rules and proce-
21 dures, an ancillary asset originator required to furnish to
22 the Commission disclosures under subsection (d), or a dig-
23 ital asset intermediary furnishing those disclosures in lieu
24 of such an ancillary asset originator, may submit a request
25 for confidential treatment of information included in such

1 disclosures pursuant to procedures the Commission shall
2 establish and that are modeled on or identical to section
3 230.406 of title 17, Code of Federal Regulations, or any
4 successor regulation.

5 “(g) EFFECT OF FAILURE TO COMPLY.—The failure
6 of an ancillary asset originator or digital asset inter-
7 mediary to comply with a provision of this section shall
8 not, by itself, cause an ancillary asset offered, sold, or dis-
9 tributed by that ancillary asset originator (or that the an-
10 cillary asset originator caused to be offered, sold, or dis-
11 tributed) to be a security under any applicable law.

12 “(h) LIABILITY FOR FALSE OR MISLEADING STATE-
13 MENTS.—

14 “(1) IN GENERAL.—It shall be unlawful for an
15 ancillary asset originator, in any initial and periodic
16 disclosure, certification, or other document furnished
17 under this section, to make an untrue statement of
18 a material fact or omit to state a material fact re-
19 quired to be stated therein or necessary to make the
20 statements therein not misleading.

21 “(2) RULE OF CONSTRUCTION.—Nothing in
22 this subsection may be construed as limiting the ap-
23 plication of section 17(a) or section 240.10b–5 of
24 title 17, Code of Federal Regulations (or any suc-
25 cessor regulation) to false or misleading disclosure

1 statements or preventing any private right of action
2 otherwise available under the securities laws.

3 “(i) SPECIAL DISPOSITION RESTRICTIONS BY RE-
4 LATED PERSONS.—

5 “(1) IN GENERAL.—The Commission shall
6 adopt rules, consistent with section 10104 of the
7 Lummis-Gillibrand Responsible Financial Innovation
8 Act of 2026, establishing limitations on the disposi-
9 tion of certain ancillary assets with specified charac-
10 teristics by related persons.

11 “(2) CONSIDERATIONS.—In adopting rules
12 under paragraph (1), the Commission shall consider
13 what is necessary or appropriate to protect investors,
14 promote capital formation, and maintain fair and or-
15 derly markets, which may include the prevention of
16 insider self-dealing or other abuses of a privileged
17 position.

18 “(j) SAFE HARBOR FOR FORWARD-LOOKING STATE-
19 MENTS.—In any action against an ancillary asset origi-
20 nator or digital asset intermediary arising under this Act
21 that is based on an untrue statement of a material fact
22 or omission of a material fact necessary to make the state-
23 ment not misleading, no liability shall arise with respect
24 to any forward-looking statement (including any state-
25 ment of plans, objectives, projections, expectations, or as-

1 sumptions concerning future performance, financial posi-
2 tion, development milestones, asset utility, system adop-
3 tion, or market conditions) made in an ancillary asset dis-
4 closure, statement, or other document furnished pursuant
5 to this section, if the statement is—

6 “(1) identified as forward-looking; and

7 “(2) accompanied by meaningful cautionary
8 language that identifies important factors that could
9 cause actual results to differ materially.

10 “(k) TRANSACTIONS BEFORE EFFECTIVE DATE.—

11 “(1) PRIMARY TRANSACTIONS.—Notwith-
12 standing any other provision of law, neither the
13 Commission nor any private plaintiff may initiate,
14 pursue, or maintain any action, or an appeal of an
15 action, for a violation of section 5 or 12(a)(1) of this
16 Act arising from any offer, sale, or distribution of
17 ancillary assets occurring before the effective date of
18 the Digital Asset Market Clarity Act, provided that
19 the ancillary asset originator or a certification cov-
20 ered party complies with any applicable require-
21 ments under subsection (c)(3).

22 “(2) PRIMARY TRANSACTIONS RELATED TO
23 FRAUD.—Nothing in paragraph (1) shall limit the
24 ability of the Commission to bring an action based

1 on the anti-fraud or anti-manipulation authorities of
2 the Commission.

3 “(3) SECONDARY TRANSACTIONS.—Notwith-
4 standing any other provision of law, the offer, sale,
5 or distribution of a network token by a person occur-
6 ring before the effective date of the Digital Asset
7 Market Clarity Act shall be treated as not involving
8 the offer, sale, or distribution of a security under—

9 “(A) section 2(a)(1);

10 “(B) section 3(a) of the Securities Ex-
11 change Act of 1934 (15 U.S.C. 78c(a));

12 “(C) section 2(a) of the Investment Com-
13 pany Act of 1940 (15 U.S.C. 80a–2(a));

14 “(D) section 202(a) of the Investment Ad-
15 visers Act of 1940 (15 U.S.C. 80b–2(a));

16 “(E) section 16 of the Securities Investor
17 Protection Act of 1970 (15 U.S.C. 78lll); or

18 “(F) any applicable requirement of State
19 law that is functionally equivalent to the provi-
20 sions described in subparagraphs (A) through
21 (E), including any provision of State law that
22 directly or indirectly prohibits, limits, or im-
23 poses any conditions on the use, offer, sale,
24 transfer, or disposition of a network token in a
25 manner that is—

1 “(i) not substantially similar to prohi-
2 bitions, limitations, or conditions imposed
3 by that State relating to assets that are
4 commodities under the laws of that State;
5 and

6 “(ii) inconsistent with this section.

7 “(4) NO INFERENCE OF LIABILITY.—Nothing
8 in paragraph (1), (2), or (3) may be construed as
9 an admission, acknowledgment, or inference of liabil-
10 ity for any act, transaction, or conduct occurring be-
11 fore the effective date of the Digital Asset Market
12 Clarity Act.

13 “(5) RULES OF CONSTRUCTION.—Nothing in
14 this subsection may be construed to—

15 “(A) impair vested rights or contractual
16 obligations lawfully established before the effec-
17 tive date of the Digital Asset Market Clarity
18 Act; or

19 “(B) limit the authority of the Commission
20 to bring an action against an ancillary asset
21 originator or a related person for securities
22 fraud or manipulation in connection with a
23 statement, a disclosure, or conduct by that an-
24 cillary asset originator or related person, except
25 that the Commission may not exercise that au-

1 thority to treat a network token as a security
2 or regulate secondary market trading.

3 “(l) RULES OF CONSTRUCTION.—Nothing in this sec-
4 tion may be construed to—

5 “(1) preclude the Commission from bringing an
6 appropriate action or entering into a settlement
7 agreement relating to a violation or alleged violation
8 of this section;

9 “(2) permit compliance with this section to be
10 used in any administrative or judicial proceeding as
11 evidence that an ancillary asset is a security;

12 “(3) prohibit the offer, sale, or distribution of
13 a digital asset in reliance on an exemption from reg-
14 istration under this Act, other than Regulation
15 Crypto (as adopted pursuant to section 10103 of the
16 Lummis-Gillibrand Responsible Financial Innovation
17 Act of 2026); or

18 “(4) require more than 1 person to furnish the
19 disclosures required under subsection (d), unless
20 otherwise provided by the Commission by rule.

21 “(m) ANTI-EVASION.—

22 “(1) ANTI-EVASION.—The Commission may
23 issue such regulations as the Commission considers
24 necessary or appropriate in the public interest or for

1 the protection of investors to administer and prevent
2 willful evasion of—

3 “(A) this section;

4 “(B) sections 10103 and 10104 of the
5 Lummis-Gillibrand Responsible Financial Inno-
6 vation Act of 2026; and

7 “(C) with respect to an ancillary asset
8 originator and related persons, the securities
9 laws amended by the Lummis-Gillibrand Re-
10 sponsible Financial Innovation Act of 2026.

11 “(2) CONSIDERATIONS.—In adopting rules
12 under this section—

13 “(A) the form, label, and written docu-
14 mentation of an agreement, contract, or trans-
15 action, or an entity, shall not be dispositive in
16 determining whether the agreement, contract,
17 or transaction, or the entity, has been entered
18 into or structured to willfully evade the require-
19 ments of this section;

20 “(B) the Commission may consider wheth-
21 er, based on the totality of facts and cir-
22 cumstances, the principal purpose of any ar-
23 rangement, allocation of rights, interposition of
24 entities, or sequencing of steps is to willfully
25 circumvent the requirements of this section or

1 the restrictions set forth in section 10104 of the
2 Lummis-Gillibrand Responsible Financial Inno-
3 vation Act of 2026, by satisfying the literal
4 terms while defeating the purpose and policy of
5 this section;

6 “(C) for purposes of subparagraph (B),
7 factors that may be considered, without being
8 dispositive, in determining whether a principal
9 purpose to willfully circumvent this section ex-
10 ists may include—

11 “(i) removal of a disqualifying finan-
12 cial right described in subsection (a)(7)(B)
13 from the instrument coupled with its re-in-
14 troduction through a substantially equiva-
15 lent right held by a related person or con-
16 trolled vehicle, including, by way of exam-
17 ple, any nominally independent foundation,
18 decentralized autonomous organization,
19 laboratory, or similar arrangement;

20 “(ii) circular or non-commercial flows
21 of value among related persons designed to
22 simulate network utility; and

23 “(iii) timing of steps designed to trig-
24 ger, accelerate, or delay certification or ter-
25 mination of disclosure obligations without

1 a material change in circumstances relat-
2 ing to the asset; and

3 “(D) the Commission shall provide that
4 evasion shall not have occurred if an agreement,
5 contract, or transaction is entered into for a le-
6 gitimate business purpose and is not structured
7 with a principal purpose of willfully circum-
8 venting the requirements of this section.

9 “(n) FIDUCIARY OBLIGATIONS.—

10 “(1) FIDUCIARY DUTIES UNDER STATE LAW.—

11 Nothing in this section, or in any rule issued under
12 this section, may be construed to limit, preempt, or
13 otherwise affect any fiduciary duty of an ancillary
14 asset originator, or of any director, officer, or con-
15 trolling person of an ancillary asset originator, aris-
16 ing under the laws of any State.

17 “(2) PRESERVATION OF FIDUCIARY AND OTHER
18 DUTIES TO CUSTOMERS, CLIENTS, AND SHARE-
19 HOLDERS.—Nothing in this section, or in any rule
20 issued under this section, may be construed to limit,
21 preempt, or otherwise affect any fiduciary duty that
22 any person owes to a customer, client, or share-
23 holder under any other provision of Federal or State
24 law, including in connection with the offer, sale,

1 transfer, distribution, or custody of an ancillary
2 asset.

3 “(o) SAVINGS CLAUSE.—Except as provided by the
4 Digital Asset Market Clarity Act and the amendments
5 made by that Act, nothing in this section may be con-
6 strued to limit the authority of the Commission under the
7 securities laws.”.

8 (b) RULEMAKING.—Not later than 360 days after the
9 date of enactment of this Act, the Commission shall con-
10 duct a notice and comment rulemaking as necessary or
11 appropriate to carry out section 4B of the Securities Act
12 of 1933, as added by subsection (a).

13 **SEC. 10103. EXEMPTION AND RULEMAKING FOR CERTAIN**
14 **TRANSACTIONS INVOLVING ANCILLARY AS-**
15 **SETS.**

16 (a) ADOPTION OF REGULATION CRYPTO.—The Com-
17 mission shall adopt rules under the Securities Act of 1933
18 (15 U.S.C. 77a et seq.) and the Securities Exchange Act
19 of 1934 (15 U.S.C. 78a et seq.), which shall be referred
20 to collectively as “Regulation Crypto”, to implement sub-
21 sections (b), (c), and (d) of this section.

22 (b) EXEMPTION FOR CERTAIN TRANSACTIONS IN-
23 VOLVING ANCILLARY ASSETS.—

24 (1) EXEMPTION.—

1 (A) IN GENERAL.—Rules adopted by the
2 Commission under this section shall provide
3 that the registration requirements of the Secu-
4 rities Act of 1933 (15 U.S.C. 77a et seq.) shall
5 not apply to an offer, sale, or distribution of an
6 investment contract involving an ancillary asset,
7 if the offer, sale, or distribution does not exceed
8 the greater of—

9 (i) \$50,000,000 in gross proceeds per
10 calendar year for a period of not longer
11 than 4 years; or

12 (ii) 10 percent of the total dollar value
13 of those ancillary assets that are out-
14 standing, as of the date of that offer, sale,
15 or distribution.

16 (B) CONTINUED APPLICATION OF CERTAIN
17 PROVISIONS.—Sections 12(a)(2) and 17 of the
18 Securities Act of 1933 (15 U.S.C. 77l(a)(2),
19 77q) shall apply with respect to an offer, sale,
20 or distribution of an investment contract involv-
21 ing an ancillary asset that is described in sub-
22 paragraph (A).

23 (2) LIMITATION.—An ancillary asset originator
24 may not raise more than \$200,000,000 in total

1 gross proceeds in reliance on the rules adopted
2 under subsection (a).

3 (3) REVIEW AND ADJUSTMENT FOR INFLA-
4 TION.—

5 (A) IN GENERAL.—Not later than 2 years
6 after the date of enactment of this Act, and
7 every 2 years thereafter, the Commission
8 shall—

9 (i) review the amounts described in
10 paragraphs (1)(A)(i) and (2);

11 (ii) adjust the amounts described in
12 paragraphs (1)(A)(i) and (2) to account
13 for inflation; and

14 (iii) increase the amounts described in
15 paragraphs (1)(A)(i) and (2) as the Com-
16 mission determines appropriate, if that ac-
17 tion would be in the public interest and
18 consistent with the protection of investors.

19 (B) REPORT.—If the Commission, after
20 conducting a review under subparagraph (A),
21 determines not to increase the amount de-
22 scribed in paragraph (1)(A)(i) or (2) (other
23 than to adjust that amount for inflation, as re-
24 quired under subparagraph (A)(ii) of this para-
25 graph), the Commission shall submit to the

1 Committee on Banking, Housing, and Urban
2 Affairs of the Senate and the Committee on Fi-
3 nancial Services of the House of Representa-
4 tives a report detailing the reasons that the
5 Commission did not increase that amount.

6 (c) CONDITIONS FOR EXEMPTION.—The following
7 conditions shall apply to the exemption provided under
8 subsection (b):

9 (1) INITIAL DISCLOSURES.—Not later than 30
10 days before the date on which the applicable ancil-
11 lary asset originator, any affiliate of the ancillary
12 asset originator, or any underwriter of an invest-
13 ment contract, offers, sells, or distributes an ancil-
14 lary asset in reliance on the rules adopted under
15 subsection (a), the ancillary asset originator shall
16 furnish to the Commission the disclosures required
17 under section 4B(d) of the Securities Act of 1933,
18 as added by this division, subject to the periodic
19 semiannual disclosure requirements of that section.

20 (2) COORDINATED CONTROL.—If the applicable
21 ancillary asset is reliant on a distributed ledger sys-
22 tem that, together with that ancillary asset, is sub-
23 ject to coordinated control, including by related per-
24 sons, the restrictions on disposition under section
25 10104 shall apply.

1 (3) CRITERIA.—The applicable ancillary asset
2 originator may not be—

3 (A) a company that is not organized
4 under, and subject to, the laws of a State or
5 territory of the United States or the District of
6 Columbia;

7 (B) a development-stage company that ei-
8 ther—

9 (i) has no specific business plan or
10 purpose; or

11 (ii) has indicated that the business
12 plan of the company is to merge with or
13 acquire an unidentified company;

14 (C) an investment company (as defined in
15 section 3(a) of the Investment Company Act of
16 1940 (15 U.S.C. 80a–3(a))) or a company (as
17 defined in section 2 of that Act (15 U.S.C.
18 80a–2)) that would be an investment company
19 under section 3(a) of that Act (15 U.S.C. 80a–
20 3(a)) but for the exclusions provided from that
21 definition by section 3(c) of that Act (15 U.S.C.
22 80a–3(c)), provided that, solely for the purposes
23 of evaluating eligibility to rely on the exemption
24 provided under subsection (b), an ancillary
25 asset originator shall not be deemed to be an

1 investment company solely by virtue of invest-
2 ing, reinvesting, owning, holding, or trading an-
3 cillary assets, including ancillary assets offered
4 for sale by the ancillary asset originator;

5 (D) a person issuing fractional undivided
6 interests in other commodities;

7 (E) a person that is or has been subject to
8 any order of the Commission entered pursuant
9 to section 12(j) of the Securities Exchange Act
10 of 1934 (15 U.S.C. 78l(j)) after the date of en-
11 actment of this Act and during the 5-year pe-
12 riod preceding the offer and sale;

13 (F) a person that is or has been disquali-
14 fied pursuant to section 230.506(d) of title 17,
15 Code of Federal Regulations, or any successor
16 regulation, unless waived by order of the Com-
17 mission;

18 (G) a person that is or has been disquali-
19 fied pursuant to section 230.251 through
20 230.263 of title 17, Code of Federal Regula-
21 tions (commonly referred to as “Regulation
22 A”), or any successor regulations, unless waived
23 by order of the Commission; or

24 (H) a person convicted of a felony offense
25 involving insider trading, embezzlement,

1 cybercrime, money laundering, financing of ter-
2 rorism, or financial fraud, within the last 10
3 years.

4 (4) FURNISHING NOTICE OF RELIANCE.—The
5 applicable ancillary asset originator shall electroni-
6 cally furnish to the Commission a notice of reliance
7 on the rules adopted under subsection (a) not fewer
8 than 30 days before the date on which the ancillary
9 asset originator first offers, sells, or distributes an
10 ancillary asset in reliance on those rules, which shall
11 contain the following information:

12 (A) The name of the ancillary asset origi-
13 nator.

14 (B) A statement by a person duly author-
15 ized by the ancillary asset originator that the
16 conditions of those rules are satisfied.

17 (C) The website where the summary docu-
18 ments of the ancillary asset originator, if any,
19 may be found and made available for public
20 consumption.

21 (D) An email address at which the ancil-
22 lary asset originator may be contacted.

23 (5) PUBLIC AVAILABILITY.—The Commission
24 shall require that the disclosures furnished to the
25 Commission under section 4B(d) of the Securities

1 Act of 1933, as added by this division, be made pub-
2 licly available in a manner that provides timely and
3 continuing access.

4 (6) FORM AND MANNER.—The disclosures fur-
5 nished to the Commission under section 4B(d) of the
6 Securities Act of 1933, as added by this division,
7 shall be prepared, furnished, and made public in the
8 form and manner prescribed by the Commission, in-
9 cluding through the use of electronic furnishing, web
10 posting, machine-readable formats, and plain-
11 English legends, as the Commission determines nec-
12 essary or appropriate in the public interest or for
13 the protection of investors.

14 (d) STATUS UNDER SECURITIES LAWS.—

15 (1) IN GENERAL.—A disclosure furnished under
16 section 4B of the Securities Act of 1933, as added
17 by this division, including an initial or periodic dis-
18 closure furnished under subsection (d) of such sec-
19 tion 4B, and any other document furnished under
20 the rules adopted under subsection (a) of this sec-
21 tion, shall be deemed to be—

22 (A) a “prospectus” solely—

23 (i) for purposes of section 12(a)(2) of
24 the Securities Act of 1933 (15 U.S.C.
25 77l(a)(2)); and

1 (ii) with respect to the person that is
2 the purchasing party in a transaction made
3 in reliance on the rules adopted under sub-
4 section (a); and

5 (B) a “statement” solely for purposes of—

6 (i) section 17(a) of the Securities Act
7 of 1933 (15 U.S.C. 77q(a));

8 (ii) section 10(b) of the Securities Ex-
9 change Act of 1934 (15 U.S.C. 78j(b));
10 and

11 (iii) section 240.10b–5 of title 17,
12 Code of Federal Regulations, or any suc-
13 cessor regulation.

14 (2) REGISTRATION STATEMENT.—

15 (A) IN GENERAL.—A disclosure furnished
16 under section 4B of the Securities Act of 1933,
17 as added by this division, including an initial or
18 periodic disclosure furnished under subsection
19 (d) of such section 4B, or any other document
20 furnished pursuant to the rules adopted under
21 subsection (a), shall not be deemed to be a
22 “registration statement” for purposes of section
23 11 of the Securities Act of 1933 (15 U.S.C.
24 77k) or to have been filed under the Securities
25 Exchange Act of 1934 (15 U.S.C. 78a et seq.).

1 (B) CIVIL LIABILITY.—Liability under sec-
2 tion 12(a)(2) of the Securities Act of 1933 (15
3 U.S.C. 77l(a)(2)) relating to a disclosure fur-
4 nished under section 4B of the Securities Act of
5 1933, as added by this division, including an
6 initial or periodic disclosure furnished under
7 subsection (d) of such section 4B, or any other
8 document furnished pursuant to the rules
9 adopted under subsection (a), shall only apply
10 to the person making statements in that disclo-
11 sure or other document, and only a person that
12 purchased an ancillary asset in a transaction in-
13 volving disclosures provided pursuant to the
14 rules adopted under subsection (a) shall have a
15 claim under such section 12(a)(2).

16 (3) FORWARD-LOOKING STATEMENTS.—In any
17 private action against an ancillary asset originator
18 under this title or the amendments made by this
19 title that is based on an untrue statement of a mate-
20 rial fact or omission of a material fact necessary to
21 make the statement not misleading, no liability shall
22 arise with respect to any forward-looking statement
23 (including a statement of plans, objectives, projec-
24 tions, expectations, or assumptions concerning fu-
25 ture performance, financial position, development

1 milestones, digital asset utility, system adoption, or
2 market conditions) made in a disclosure, statement,
3 or other document furnished pursuant to section 4B
4 of the Securities Act of 1933, as added by this divi-
5 sion, including an initial or periodic disclosure fur-
6 nished under subsection (d) of such section 4B, or
7 furnished under this section, if the statement is—

8 (A) identified as forward-looking; and

9 (B) accompanied by meaningful cautionary
10 language that identifies important factors that
11 could cause actual results to differ materially.

12 **SEC. 10104. SPECIAL DISPOSITION RESTRICTIONS BY RE-**
13 **LATED PERSONS.**

14 (a) DEFINITIONS.—In this section:

15 (1) CERTIFICATION COVERED PARTY.—The
16 term “certification covered party” means, with re-
17 spect to an ancillary asset—

18 (A) the ancillary asset originator;

19 (B) a subsidiary of the ancillary asset
20 originator;

21 (C) a related person of the ancillary asset
22 originator; or

23 (D) any entity that directly or indirectly
24 controls or is controlled by a common entity
25 with an ancillary asset originator.

1 (2) COVERED TOKEN.—The term “covered
2 token” means any unit of an ancillary asset that was
3 acquired from the ancillary asset originator with re-
4 spect to that ancillary asset or an agent or under-
5 writer thereof.

6 (3) DISTRIBUTED LEDGER CONTROL PERSON.—
7 The term “distributed ledger control person” means,
8 with respect to a distributed ledger system, any per-
9 son or group of persons under common control,
10 other than a decentralized governance system, that
11 has the unilateral authority, directly or indirectly,
12 through any contract, arrangement, understanding,
13 relationship, or otherwise, to control or materially
14 alter the functionality, operation, or rules of con-
15 sensus or agreement of the distributed ledger system
16 or a related ancillary asset.

17 (b) COORDINATED CONTROL.—

18 (1) IN GENERAL.—The Commission shall adopt
19 rules, based on the criteria described in paragraph
20 (2), to define the circumstances under which a dis-
21 tributed ledger system, together with a related ancil-
22 lary asset, is considered to be under coordinated
23 control.

24 (2) CONSIDERATIONS.—In adopting rules under
25 paragraph (1), the Commission shall consider the

1 following criteria as indicia that a distributed ledger
2 system described in that paragraph, together with
3 the related ancillary asset, is considered to be under
4 coordinated control:

5 (A) OPEN DIGITAL SYSTEM.—The extent
6 to which the distributed ledger system is not—

7 (i) a distributed ledger, the protocol of
8 which is freely and publicly available;

9 (ii) a distributed ledger application
10 the source code of which is—

11 (I) freely and publicly available
12 via open-source code; and

13 (II) recorded on a distributed
14 ledger described in clause (i); or

15 (iii) an analogue to a distributed ledg-
16 er or distributed ledger application de-
17 scribed in clause (i) or (ii), as determined
18 by the Commission by rule or order.

19 (B) PERMISSIONLESS AND CREDIBLY NEU-
20 TRAL DIGITAL SYSTEM.—The extent to which a
21 person or group of persons under common con-
22 trol has—

23 (i) the unilateral authority, via oper-
24 ation of the distributed ledger system, to
25 restrict, censor, or prohibit use of the dis-

1 tributed ledger system, including any appli-
2 cable system-based user activity; or

3 (ii) private permissions, hard-coded
4 privileges, or similar capabilities granted
5 by the source code of the distributed ledger
6 system that provides preferential treatment
7 compared to other similarly situated per-
8 sons.

9 (C) DISTRIBUTED DIGITAL NETWORK.—

10 The extent to which a person or group of per-
11 sons under common control has beneficial own-
12 ership of, in the aggregate, more than 49 per-
13 cent of the total amount of outstanding units of
14 the ancillary asset or voting power with respect
15 to any governance system that relates to the
16 distributed ledger system.

17 (D) AUTONOMOUS DISTRIBUTED LEDGER
18 SYSTEM.—The extent to which—

19 (i) the distributed ledger system has
20 not yet reached an autonomous state; and

21 (ii) a person or group of persons
22 under common control has the unilateral
23 authority, directly or indirectly, to alter or
24 change the functionality, operation, or

1 rules of consensus or agreement of the dis-
2 tributed ledger system.

3 (E) ECONOMIC INDEPENDENCE.—The ex-
4 tent to which the primary programmatic mecha-
5 nisms of the distributed ledger system that are
6 intended to facilitate substantial value accrual
7 to the ancillary asset through the functioning of
8 the distributed ledger system are not yet func-
9 tional.

10 (3) SAFE HARBORS.—

11 (A) IN GENERAL.—The Commission shall
12 establish safe harbors under which a distributed
13 ledger system, together with a related ancillary
14 asset, will not be considered to be under coordi-
15 nated control for the purposes of section
16 10103(c)(2).

17 (B) DECENTRALIZED GOVERNANCE SYS-
18 TEMS.—

19 (i) IN GENERAL.—For the purposes of
20 this section, a decentralized governance
21 system shall not be considered to be a per-
22 son or a group of persons under common
23 control.

24 (ii) DISTRIBUTED LEDGER SYS-
25 TEMS.—For the purposes of this section, a

1 distributed ledger system, together with
2 any related ancillary asset, shall not be
3 precluded from being considered to not be
4 under coordinated control solely based on a
5 functional, administrative, clerical, or min-
6 isterial action of a decentralized govern-
7 ance system, including any such action
8 taken by a person acting on behalf of and
9 at the direction of that decentralized gov-
10 ernance system, as determined by the
11 Commission and consistent with the pro-
12 tection of investors, maintenance of fair,
13 orderly, and efficient markets, and the fa-
14 cilitation of capital formation.

15 (C) EMERGENCY MEASURES.—For the
16 purposes of this section, a pre-defined, tem-
17 porary, rules-based cybersecurity emergency
18 measure that is exercised by an incident re-
19 sponse or security council exclusively in re-
20 sponse to a specific and documented cybersecu-
21 rity incident or imminent threat pursuant to
22 publicly disclosed, on-chain authorization mech-
23 anisms, that is strictly limited in scope and du-
24 ration solely to address that cybersecurity inci-
25 dent or imminent threat, and that is exercised

1 without unilateral control by any single person,
2 shall not alone constitute common control or an
3 agreement to work in concert, if those rules and
4 mechanisms, including the procedures and oper-
5 ational limits governing the emergency measure,
6 are disclosed in publicly available written docu-
7 mentation reasonably available to the applicable
8 Federal agency by a decentralized autonomous
9 organization or similar legal entity sufficiently
10 in advance of any exercise of the emergency
11 measure.

12 (D) NONEXCLUSIVE.—The safe harbors
13 established under subparagraphs (A), (B), and
14 (C) shall not be exclusive and the Commission
15 shall consider such other circumstances as the
16 Commission finds in the public interest or for
17 the protection of investors.

18 (4) EVIDENCE.—The Commission may, in
19 adopting rules under this subsection, require such
20 certifications, third party verifications, or other evi-
21 dence as the Commission determines necessary or
22 appropriate to determine whether a distributed ledg-
23 er system is under coordinated control for the pur-
24 poses of section 10103(c)(2).

1 (5) RULE OF CONSTRUCTION.—For purposes of
2 this subsection—

3 (A) the existence or termination of coordi-
4 nated control shall be determined independently
5 of whether entrepreneurial or managerial ef-
6 forts described in section 4B of the Securities
7 Act of 1933, as added by this division, have
8 been completed; and

9 (B) the elimination of coordinated control
10 shall be a prerequisite to the completion of ef-
11 forts described in subparagraph (A).

12 (c) SPECIAL RESTRICTIONS ON DISPOSITION.—The
13 Commission shall adopt rules that provide that, with re-
14 spect to transactions involving an ancillary asset for which
15 disclosures are required pursuant to section 4B(d) of the
16 Securities Act of 1933, as added by this division, when
17 a sale of that ancillary asset is made by a related person,
18 the following restrictions on that sale shall apply:

19 (1) SALES PRIOR TO CERTIFICATION.—If the
20 covered token was acquired after the effective date
21 of this Act and principally relies on a distributed
22 ledger system, the covered token may be sold by a
23 related person before that distributed ledger system
24 is certified as not subject to coordinated control,
25 pursuant to subsection (d), if—

1 (A) with respect to that distributed ledger
2 system, the disclosures required pursuant to
3 section 4B(d) of the Securities Act of 1933, as
4 added by this division, have been furnished;

5 (B) the holder of the covered token has
6 held the units for not less than 12 months; and

7 (C) the amount of covered tokens sold in
8 any 12-month period by the related person is—

9 (i) not greater than an amount to be
10 determined by the Commission pursuant to
11 notice and comment rulemaking not later
12 than 360 days after the date of enactment
13 of this Act, which rulemaking shall con-
14 sider what is necessary or appropriate in
15 the public interest, including, among other
16 things, the protection of investors, whether
17 the action will promote efficiency, competi-
18 tion, and capital formation, and how to
19 foster the development of distributed ledg-
20 er systems that are not subject to coordi-
21 nated control; and

22 (ii) in no case equal to or greater than
23 the amount determined by the Commission
24 pursuant to the rulemaking described in
25 paragraph (2)(C).

1 (2) SALES AFTER CERTIFICATION.—If the cov-
2 ered token was acquired after the effective date of
3 this Act and principally relies on a distributed ledger
4 system that is certified as not subject to coordinated
5 control pursuant to subsection (d), the covered token
6 may be sold by a related person, if—

7 (A) with respect to that distributed ledger
8 system, the disclosures required pursuant to
9 section 4B(d) of the Securities Act of 1933, as
10 added by this division, have been furnished;

11 (B) the holder of the covered token has
12 held the units for not less than 6 months; and

13 (C) the amount of covered tokens sold in
14 any 12-month period by the related person is
15 not greater than an amount to be determined
16 by the Commission pursuant to rulemaking that
17 shall not be less than 10 percent of the total
18 amount of outstanding units of such ancillary
19 assets.

20 (3) SALES OF PRE-EXISTING COVERED TO-
21 KENS.—If the covered token was acquired before the
22 effective date of this Act and principally relies on a
23 distributed ledger system, the covered token may be
24 sold by a related person if—

1 (A) in the case that the distributed ledger
2 system has not been certified as not subject to
3 coordinated control pursuant to subsection
4 (d)—

5 (i) the disclosures required pursuant
6 to section 4B(d) of the Securities Act of
7 1933, as added by this division, have been
8 furnished; and

9 (ii) the holder of the covered token
10 has held the units for not less than 12
11 months; and

12 (B) in the case that the distributed ledger
13 system has been certified as not subject to co-
14 ordinated control pursuant to subsection (d),
15 the holder of the covered token has held the
16 units for not less than 6 months.

17 (4) LIMITATIONS ON TRANSACTIONS BY DIS-
18 TRIBUTED LEDGER CONTROL PERSONS.—If the
19 holder of an ancillary asset that principally relies on
20 a distributed ledger system that has been certified as
21 not subject to coordinated control is a distributed
22 ledger control person with respect to that distributed
23 ledger system, that control person may resell that
24 ancillary asset if—

1 (A) that control person furnishes notice to
2 the Commission, in a form and manner deter-
3 mined by the Commission, that the person has
4 or intends to obtain an authority, permission,
5 privilege, or capability described in subsection
6 (b)(2)(B) with respect to the distributed ledger
7 system;

8 (B) that distributed ledger control person
9 furnishes disclosures to the Commission, in a
10 form and manner determined by the Commis-
11 sion, describing the material activities, as deter-
12 mined by the Commission, of the control per-
13 son;

14 (C) with respect to that distributed ledger
15 system, disclosures have been furnished pursu-
16 ant to section 4B(d) of the Securities Act of
17 1933, as added by this division; and

18 (D) that control person has satisfied such
19 other requirements applicable to that control
20 person that may be established by the Commis-
21 sion to prevent manipulation or distortion of
22 the value of the ancillary asset, including resale
23 restrictions consistent with those applied to re-
24 lated 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
5 the Commission a written certification, in such form
6 and manner as the Commission may specify by rule
7 consistent with subsection (b), stating that the dis-
8 tributed ledger system is not under coordinated con-
9 trol.

10 (2) AUTOMATIC EFFECTIVENESS.—A certifi-
11 cation furnished under paragraph (1) shall become
12 effective, and the distributed ledger system shall be
13 deemed not to be under coordinated control, on the
14 date that is the earlier of—

15 (A) the date on which the Commission no-
16 tifies the certification covered party in writing
17 that the Commission does not object to the cer-
18 tification; or

19 (B) if the Commission has not denied the
20 certification under paragraph (3), the date that
21 is 90 days after the date on which the certifi-
22 cation is furnished, or such shorter period as
23 the Commission may determine by rule.

24 (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
14 of the Commission to deny that certifi-
15 cation.

16 (B) REQUIREMENTS AFTER NOTICE OF IN-
17 TENT.—After the 10-day period described in
18 subparagraph (A)(ii), the Commission shall—

19 (i) conduct a hearing; and

20 (ii) vote to deny the certification if
21 there is a finding that the applicable ancil-
22 lary asset does not meet the standard for
23 certification that the operations of the dis-
24 tributed ledger system are not under such
25 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)
11 shall inure to, and be recoverable by, the holders of
12 the ancillary asset, irrespective of any intention of
13 holding the asset.

14 (2) ENFORCEMENT.—An action to recover prof-
15 it 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
4 action within 60 days after a written
5 request by any owner of not less than
6 5 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 RESTRIC-
14 TIONS.—The Commission shall adopt rules that provide
15 for the following exemptions from, or waivers to, disposi-
16 tion restrictions described in subsection (c):

17 (1) MATERIAL HARDSHIP EXEMPTION.—

18 (A) IN GENERAL.—Subject to subpara-
19 graph (B), the Commission shall adopt rules
20 and procedures to exempt parties from related
21 person restrictions with respect to an ancillary
22 asset where those restrictions conflict with an
23 obligation or requirement arising from one of
24 the following material hardships on a related

1 person with respect to the ancillary asset or the
2 ancillary 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 pro-
13 cedures adopted under subparagraph (A) shall
14 be designed to mitigate the risk that parties
15 may seek to structure holdings to evade resale
16 restrictions and exempt or waive the application
17 of resale restrictions only to the extent nec-
18 essary to address the identified material hard-
19 ship.

20 (2) LIQUIDITY PROVISION EXEMPTION.—The
21 Commission shall adopt rules to exempt from dis-
22 position restrictions parties buying or selling an an-
23 cillary asset through regular two-sided bidding and
24 offering for the purposes of providing market liquid-
25 ity, provided that such activities are not undertaken

1 for the purpose of evading the requirements of this
2 section.

3 (3) AGENCY EXEMPTION.—The Commission
4 shall adopt rules that exempt a party acting as a
5 custodian, trading platform, broker, dealer or other
6 agent from being treated as the owner of customer
7 or client assets or from being restricted in facili-
8 tating sales on behalf of a customer or client if the
9 agent is otherwise 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
15 of which are created and redeemed by author-
16 ized participants and registered with the Com-
17 mission; and

18 (B) passive pooled investment vehicles,
19 whether or not the shares of which are reg-
20 istered with the Commission.

21 (g) RELATED PERSON DISCLOSURE REQUIRE-
22 MENTS.—The Commission shall adopt rules that provide
23 for reporting to the Commission certain information with
24 respect to ancillary asset holdings or transactions relating

1 to ancillary assets by related persons, subject to the dis-
2 position restrictions provided in subsection (c):

3 (1) DISCLOSURE REPORTS.—

4 (A) DISCLOSURE OF RELATED PERSON
5 STATUS.—Any person, or group of persons
6 under common control, directly or indirectly,
7 that acquire beneficial ownership of 10 percent
8 or more of the total amount of outstanding
9 units of any such ancillary asset, measured as
10 of the end of any calendar quarter, shall furnish
11 initial and continuing reports as determined by
12 the Commission.

13 (B) SALES OF COVERED TOKENS BY RE-
14 LATED PERSON PRIOR TO CERTIFICATION OF
15 NON-CONTROL.—Quarterly reports relating to
16 the number of ancillary assets sold by a related
17 person in a form as required by the Commis-
18 sion.

19 (C) SALES OF COVERED TOKENS BY RE-
20 LATED PERSON AFTER CERTIFICATION OF NON-
21 CONTROL.—Quarterly reports relating to the
22 number of ancillary assets sold by a related per-
23 son that holds, at any point during the applica-
24 ble calendar quarter, in excess of 5 percent of
25 the total amount of outstanding units of such

1 ancillary asset in a form as required by the
2 Commission.

3 (D) SALES OF PRE-EXISTING COVERED TO-
4 KENS BY RELATED PERSON.—Quarterly reports
5 relating to the number of ancillary assets sold
6 by a related person that holds in excess of 5
7 percent of the total amount of outstanding
8 units of such ancillary asset in a form as re-
9 quired by the Commission.

10 (2) CONFIDENTIAL TREATMENT.—The Com-
11 mission may provide for confidential treatment of in-
12 formation provided under this subsection, or may ex-
13 empt certain related persons from the requirement
14 to furnish a report required under this subsection,
15 pursuant to procedures the Commission shall estab-
16 lish and that are modeled on or identical to section
17 230.406 of title 17, Code of Federal Regulations, or
18 any successor regulation.

19 (3) GOOD-FAITH FURNISHING STANDARD.—

20 (A) IN GENERAL.—Any obligation to fur-
21 nish information under this section applies only
22 to the furnisher acting on its own behalf and is
23 limited to information that is material and
24 known, or reasonably knowable after due in-
25 quiry, to that furnisher.

1 (B) RELIANCE.—A furnisher described in
2 subparagraph (A) may reasonably rely on pub-
3 lic sources and third-party attestations where
4 appropriate.

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
10 obtain without breaching legal privilege, con-
11 tractual confidentiality, or other applicable law.

12 (D) OTHER PERSONS.—Any person other
13 than the furnisher may, in good faith and ab-
14 sent knowledge to the contrary, presume that a
15 report required under paragraph (1) has been
16 timely furnished.

17 (4) LIFE CYCLE EVENT CONSIDERATIONS.—The
18 Commission shall adopt rules establishing stream-
19 lined processes for the following life cycle events:

20 (A) SUCCESSOR DISCLOSURES IN COR-
21 PORATE TRANSACTIONS.—The transfer of dis-
22 closure obligations under this section to a suc-
23 cessor entity in the event of a merger, acquisi-
24 tion, or sale of substantially all assets relating

1 to the ancillary asset activities, including a no-
2 tice of succession.

3 (B) CESSATION OF WORK.—The cessation
4 or 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
8 entrepreneurial or managerial efforts with re-
9 spect to the ancillary asset or its associated dis-
10 tributed ledger system, including a notice of
11 cessation of work.

12 (C) CONTRACTUAL TERMINATION.—The
13 termination of disclosure obligations under this
14 section that attach solely by virtue of a person's
15 status as a related person when a contractual
16 arrangement with the ancillary asset originator
17 or distributed ledger system has concluded, in-
18 cluding a notice of cessation of contractual rela-
19 tionship.

20 (h) RULE OF CONSTRUCTION.—Nothing in this sec-
21 tion 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 10103, or any other effective

1 registration statement or exemption from registra-
2 tion under the Securities Act of 1933 (15 U.S.C.
3 77a et seq.), as amended by this division.

4 **SEC. 10105. CHARACTERISTICS OF NETWORK TOKENS.**

5 (a) IN GENERAL.—Not later than 1 year after the
6 date of enactment of this Act, the Commission shall adopt
7 rules 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 division, if the market value of the
12 network token is primarily derived, or is reasonably
13 expected to be primarily derived, from a distributed
14 ledger system or from the broader adoption and use
15 of such a system, including where—

16 (A) the mechanisms of the distributed
17 ledger system collect, receive, accrue, or dis-
18 tribute consideration from the functioning of
19 the distributed 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

1 performance of, the distributed ledger system to
2 which the network token relates or its decen-
3 tralized governance system; or

4 (D) for a network token that meets the
5 definition of an ancillary asset, the value of the
6 network token appreciates or depreciates due to
7 the efforts of the ancillary asset originator or
8 related 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 division.

14 (b) EFFECT OF RULINGS AND ACTIONS BEFORE
15 DATE OF ENACTMENT.—

16 (1) IN GENERAL.—If, before the date of enact-
17 ment of this Act, a court of the United States, in
18 a 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 pursu-
21 ant to that offer, sale, or distribution shall not be
22 considered to be a security under any provision of
23 law described in subsection (b)(2) of section 4B of
24 the Securities Act of 1933, as added by this division.

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
6 division, if, on January 1, 2026, any units of that
7 network token were the principal asset of an ex-
8 change-traded product—

9 (A) not registered under the Investment
10 Company Act of 1940 (15 U.S.C. 80a–1 et
11 seq.); and

12 (B) the shares of which are listed and
13 traded on a national securities exchange reg-
14 istered under section 6 of the Securities Ex-
15 change Act of 1934 (15 U.S.C. 78f).

16 **SEC. 10106. EXEMPTIVE AUTHORITY.**

17 (a) CONTINUED APPLICABILITY.—Nothing in this di-
18 vision, or any amendment made by this division, may be
19 construed to amend, limit, impair, or otherwise affect the
20 authority of the Commission to grant an exemption pursu-
21 ant to any provision of law that is in effect on the day
22 before the date of enactment of this Act, including pursu-
23 ant to any of the 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
2 of 1934 (15 U.S.C. 78mm).

3 (3) Section 6(c) of the Investment Company
4 Act of 1940 (15 U.S.C. 80a–6(c)).

5 (4) Section 206A of the Investment Advisers
6 Act of 1940 (15 U.S.C. 80b–6a).

7 (5) Section 304(d) of the Trust Indenture Act
8 of 1939 (15 U.S.C. 77ddd(d)).

9 (6) Section 4(g) of the Securities Investor Pro-
10 tection Act of 1970 (15 U.S.C. 78ddd(g)).

11 (b) GENERAL EXEMPTIVE AUTHORITY.—Section 28
12 of the Securities Act of 1933 (15 U.S.C. 77z–3) is amend-
13 ed, in the matter preceding the matter relating to Sched-
14 ule A—

15 (1) by striking “by rule or regulation” and in-
16 serting “by rule, regulation, or order”; and

17 (2) by adding at the end the following: “The
18 Commission shall, by rule or regulation, determine
19 the procedures under which an exemptive order
20 under this section shall be granted and may, in the
21 sole discretion of the Commission, decline to enter-
22 tain any application for an order of exemption under
23 this section.”.

1 **SEC. 10107. MODERNIZATION OF RECORDKEEPING RE-**
2 **QUIREMENTS.**

3 The Commission shall adopt rules to modernize the
4 recordkeeping requirements under the Securities Ex-
5 change Act of 1934 (15 U.S.C. 78a et seq.), the Invest-
6 ment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.), and
7 the Investment Company Act of 1940 (15 U.S.C. 80a–
8 1 et seq.), including to facilitate the utilization of distrib-
9 uted ledger records.

10 **SEC. 10108. MODERNIZATION OF SECURITIES REGULA-**
11 **TIONS FOR DIGITAL ASSET ACTIVITIES.**

12 (a) TAILORING OF EXISTING REQUIREMENTS.—The
13 Commission shall—

14 (1) amend, rescind, replace, or supplement by
15 rule, order, guidance, exemptive relief, or any other
16 appropriate action (provided such action is con-
17 sistent with chapter 5 of title 5, United States Code,
18 and other applicable law) each regulation, form, in-
19 terpretive statement, or other requirement within the
20 jurisdiction of the Commission that is not otherwise
21 amended by this division (or required to be amended
22 because of a provision of this division or an amend-
23 ment made by this division), to the extent that such
24 provision applies to any digital asset activity, includ-
25 ing any activity involving a security that is issued,
26 recorded, or transferred using distributed ledger

1 technology, to the extent that the provision is out-
2 dated, unnecessary, or unduly burdensome in light
3 of the unique technological characteristics of digital
4 assets or substantially similar technology, which may
5 include regulatory provisions governing—

6 (A) customer protection, including custody
7 of digital assets or substantially similar tech-
8 nology;

9 (B) transfer agent rules;

10 (C) books and records, or recordkeeping
11 requirements;

12 (D) clearance and settlement rules;

13 (E) broker-dealer, alternative trading sys-
14 tem, and exchange rules;

15 (F) issuer disclosure and ongoing reporting
16 requirements tailored to digital asset securities
17 or substantially similar technology involving se-
18 curities; and

19 (G) the use of vaults, digital asset receipts,
20 or receipts involving substantially similar tech-
21 nology, vault tokens, or liquidity provider to-
22 kens; and

23 (2) in imposing future obligations as those obli-
24 gations relate to digital assets or substantially simi-

1 lar technology, do so in a manner consistent with the
2 requirements described in paragraph (1).

3 (b) RULE OF CONSTRUCTION.—Nothing in this sec-
4 tion may be construed to limit the authority of the Com-
5 mission to pursue claims relating to fraud, manipulation,
6 or deceptive practices involving digital assets or substan-
7 tially similar technology.

8 (c) USE OF EXISTING AUTHORITY.—When consid-
9 ering, proposing, adopting, or engaging in any rule or pro-
10 gram or developing new rules or programs, including those
11 mandated or authorized under this division, or any amend-
12 ment made by this division, the activities of the Commis-
13 sion (which may include the solicitation of data and other
14 input from investors, regulated entities, and market par-
15 ticipants or the representatives of any of those persons)
16 shall be considered actions taken under subsection (e) of
17 section 19 of the Securities Act of 1933 (15 U.S.C. 77s)
18 and shall be subject to subsection (f) of that section.

19 (d) CONTINUED APPLICABILITY OF STATE CON-
20 SUMER PROTECTION LAWS.—Except as expressly pro-
21 vided by this division, or an amendment made by this divi-
22 sion, nothing in this division (or in any such amendment)
23 shall preempt any State consumer protection law, includ-
24 ing common law, or a remedy available under any such
25 law.

1 (e) PREEMPTION FOR EXEMPTIONS AND DIGITAL
2 ASSET ACTIVITIES UNDER THE SECURITIES ACT.—Sec-
3 tion 18 of the Securities Act of 1933 (15 U.S.C. 77r) is
4 amended—

5 (1) in subsection (b)—

6 (A) in paragraph (3)—

7 (i) in the paragraph heading, by in-
8 sserting “IN QUALIFIED TRANSACTIONS OR”
9 after “SALES”;

10 (ii) in the first sentence, by inserting
11 “in a qualified transaction or” after “the
12 security”; and

13 (iii) in the second sentence—

14 (I) by striking “term ‘qualified
15 purchaser’” and inserting “terms
16 ‘qualified transaction’ and ‘qualified
17 purchaser’”;

18 (II) by inserting “and categories
19 of transactions, including secondary
20 transactions,” after “securities”; and

21 (III) by inserting “and with due
22 regard to the facilitation of capital
23 formation and the promotion of inno-
24 vation” before the period at the end;
25 and

1 (B) in paragraph (4)—

2 (i) in subparagraph (A), by inserting
3 “or, if the issuer is not required to file
4 such reports, where the Commission other-
5 wise determines, consistent with the public
6 interest and the protection of investors and
7 with due regard to the facilitation of cap-
8 ital formation and the promotion of inno-
9 vation” before the semicolon at the end;

10 (ii) in subparagraph (D)(ii), by insert-
11 ing “in a qualified transaction or” after
12 “offered or sold”;

13 (iii) in subparagraph (F), by striking
14 “or” at the end;

15 (iv) in subparagraph (G), by striking
16 the period at the end and inserting “; or”;
17 and

18 (v) by adding at the end the following:

19 “(H) Commission rules or regulations
20 issued under section 28, except that this sub-
21 paragraph does not apply to rules or regula-
22 tions adopted before the date of enactment of
23 this subparagraph.”.

24 (f) EXEMPTING NETWORK TOKENS FROM STATE SE-
25 CURITIES LAWS.—

1 (1) IN GENERAL.—Section 18(b) of the Securi-
2 ties Act of 1933 (15 U.S.C. 77r(b)) is amended by
3 adding at the end the following:

4 “(5) EXEMPTION IN CONNECTION WITH NET-
5 WORK TOKENS.—A network token, as defined in sec-
6 tion 4B(a), shall be treated as a covered security.”.

7 (2) RULE OF CONSTRUCTION.—Nothing in this
8 section, section 4B of the Securities Act of 1933 (as
9 added by this division), or the amendments made by
10 this section may be construed to limit the authority
11 (as of the day before the date of enactment of this
12 Act) described in section 18(c)(1) of the Securities
13 Act of 1933 (15 U.S.C. 77r(c)(1)) of a securities
14 commission (or any agency or office performing like
15 functions) of any State with respect to a covered se-
16 curity or any security.

17 (g) PREEMPTION FOR ANCILLARY ASSET ACTIVITIES
18 UNDER THE SECURITIES ACT OF 1933.—Section 18(b)
19 of the Securities Act of 1933 (15 U.S.C. 77r(b)), as
20 amended by subsection (f), is amended by adding at the
21 end the following:

22 “(6) LIMITATIONS ON STATE LAW REGARDING
23 ANCILLARY ASSETS.—

1 “(A) DEFINITIONS.—In this paragraph,
2 the term ‘ancillary asset’ has the meaning given
3 the term in section 4B(a).

4 “(B) EXEMPTION IN CONNECTION WITH
5 ANCILLARY ASSETS.—An ancillary asset of-
6 ferred, sold, or distributed in reliance on Regula-
7 tion Crypto, as adopted under section 10103 of
8 the Lummis-Gillibrand Responsible Financial
9 Innovation Act of 2026, shall be treated as a
10 covered security.”.

11 (h) PRESERVATION OF REGULATION BEST INTER-
12 EST.—

13 (1) IN GENERAL.—Subject to paragraph (2),
14 nothing in this division, any amendment made by
15 this division, or any rule issued under this division
16 or pursuant to any such amendment may be con-
17 strued to limit, preempt, or otherwise affect the obli-
18 gations of a broker or dealer registered with the
19 Commission under section 15 of the Securities Ex-
20 change Act of 1934 (15 U.S.C. 78o) or section
21 240.15l–1 of title 17, Code of Federal Regulations
22 (commonly known as “Regulation Best Interest”), or
23 any successor regulation.

1 (2) APPLICATION.—Paragraph (1) shall not
2 apply with respect to any person registered with the
3 Commodity Futures Trading Commission.

4 (i) PRESERVATION OF INVESTMENT ADVISER FIDU-
5 CIARY DUTIES.—Nothing in this division, any amendment
6 made by this division, or any rule issued under this divi-
7 sion or pursuant to any such amendment may be con-
8 strued to limit, preempt, or otherwise affect the fiduciary
9 obligations of an investment adviser (as defined in section
10 202(a) of the Investment Advisers Act of 1940 (15 U.S.C.
11 80b–2(a))) under section 206 of that Act (15 U.S.C. 80b–
12 6), any rule or regulation issued under such section 206,
13 or any other provision of Federal or State law, including
14 in connection with investment advice regarding a digital
15 commodity.

16 **SEC. 10109. INSIDER TRADING WITH RESPECT TO ANCIL-**
17 **LARY ASSET TRANSACTIONS.**

18 (a) DEFINITION.—In this section, the term “distrib-
19 uted ledger control person” has the meaning given the
20 term in section 10104(a).

21 (b) APPLICATION OF SECURITIES LAWS.—Any provi-
22 sion of the securities laws, or any regulation issued under
23 the securities laws, including any duty that arises under
24 the securities laws or under such a regulation, that applies
25 with respect to a person that purchases, sells, or offers

1 to sell a security, security-based swap, or security-based
2 swap agreement while in possession of material nonpublic
3 information, or communicates such information in connec-
4 tion with or in the transaction, shall apply to any offer,
5 sale, or purchase of a security, security-based swap, or se-
6 curity-based swap agreement in which an ancillary asset
7 is offered, sold, or purchased, including any offer, sale,
8 or purchase conducted pursuant to Regulation Crypto, as
9 adopted pursuant to section 10103, whether conducted by
10 an ancillary asset originator, a related person, or any
11 other person.

12 (c) RULEMAKING.—

13 (1) IN GENERAL.—The Commission shall adopt
14 rules to implement subsection (b), which shall—

15 (A) include rules providing an affirmative
16 defense for an offer, sale, or purchase of an an-
17 cillary asset made pursuant to a written plan
18 adopted before the applicable person became
19 aware of material nonpublic information, which
20 shall be consistent with section 240.10b5–1 of
21 title 17, Code of Federal Regulations, or any
22 successor regulation; and

23 (B) be interpreted and applied in a manner
24 that is consistent with, and may not be con-
25 strued to expand or contract, the principles of,

1 and judicial precedent interpreting (by the Su-
2 preme Court of the United States), the securi-
3 ties laws and the regulations issued under the
4 securities laws, as those principles and that ju-
5 dicial precedent are in effect, as of the day be-
6 fore the date of enactment of this Act.

7 (2) CONSIDERATIONS.—In adopting rules under
8 paragraph (1), the Commission shall consider, sub-
9 ject to subsection (e), whether, and under what cir-
10 cumstances, an offer, sale, purchase, or communica-
11 tion should be addressed by those rules, including
12 by—

13 (A) a distributed ledger control person,
14 any person acting on behalf of, or in concert
15 with, an ancillary asset originator, related per-
16 son, or distributed ledger control person, or a
17 person that obtained material nonpublic infor-
18 mation in the course of a relationship of trust
19 and confidence with an ancillary asset origi-
20 nator or related person, where material non-
21 public information regarding an ancillary asset
22 originator or an ancillary asset was—

23 (i) obtained pursuant to or in breach
24 of a duty of trust or confidence;

1 (ii) deceptively obtained through theft,
2 bribery, misrepresentation, or espionage or
3 in violation of any Federal law protecting
4 computer data; or

5 (iii) obtained from an ancillary asset
6 originator or related person, the conduct of
7 which is described in subparagraph (B); or
8 (B) an ancillary asset originator or related
9 person that purchases, sells, or otherwise dis-
10 tributes an ancillary asset, or communicates
11 material nonpublic information regarding an
12 ancillary asset originator or ancillary asset,
13 while aware of material nonpublic information
14 that is required to be disclosed in any disclosure
15 furnished, or required to be furnished, under
16 section 4B of the Securities Act of 1933, as
17 added by this division, or Regulation Crypto, as
18 adopted pursuant to section 10103.

19 (d) ENFORCEMENT.—A violation of subsection (b), or
20 any rule adopted under subsection (c), shall be treated as
21 a violation of the securities laws and subject to the pen-
22 alties under sections 21A and 32 of the Securities Ex-
23 change Act of 1934 (15 U.S.C. 78u–1, 78ff) and to all
24 other remedies available under the securities laws.

1 (e) RULE OF CONSTRUCTION.—Consistent with sec-
2 tion 4B(b)(3) of the Securities Act of 1933, as added by
3 this division, nothing in this section may be construed to
4 apply the securities laws, or any regulation issued under
5 the securities laws (including any rule adopted under sub-
6 section (c)), to any secondary market transaction in an
7 ancillary asset that is not otherwise a transaction in a se-
8 curity, security-based swap, or security-based swap agree-
9 ment.

10 **SEC. 10110. SECURITIES INVESTOR PROTECTION CORPORA-**
11 **TION APPLICABILITY.**

12 Section 16(14) of the Securities Investor Protection
13 Act of 1970 (15 U.S.C. 78ll(14)) is amended by inserting
14 after the second sentence the following: “The term ‘secu-
15 rity’ does not include a digital commodity.”.

16 **SEC. 10111. INVESTOR AND CONSUMER PROTECTION EN-**
17 **FORCEMENT.**

18 (a) PRESERVATION OF CERTAIN RIGHTS, AUTHORI-
19 TIES, LAWS, AND OBLIGATIONS.—Subject to subsection
20 (b), nothing in this division, any amendment made by this
21 division, or any rule, requirement, or regulation promul-
22 gated pursuant to this division may be construed to pro-
23 hibit, limit, impair, or otherwise affect—

24 (1) any person from bringing a civil action to
25 enforce any private right of action for fraud, deceit,

1 manipulation, or deceptive practices, to the extent
2 that such private right of action is expressly pro-
3 vided for in this division or an amendment made by
4 this division, or is otherwise available under Federal
5 law, including with respect to conduct involving an
6 ancillary asset, network token, digital commodity, or
7 any transaction, disclosure, certification, notice, re-
8 port, statement, communication, or other document
9 involving any such asset;

10 (2) except as expressly provided in this division
11 or an amendment made by this division, any Federal
12 or State regulator, acting within the scope of author-
13 ity otherwise provided by law, from bringing an ad-
14 ministrative or civil enforcement action under—

15 (A) the Commodity Exchange Act (7
16 U.S.C. 1 et seq.), including the provisions of
17 that Act that are added or amended by this Act
18 and relate to digital commodities and the juris-
19 diction of the Commodity Futures Trading
20 Commission;

21 (B) the Securities Act of 1933 (15 U.S.C.
22 77a et seq.), as amended by this Act, the Secu-
23 rities Exchange Act of 1934 (15 U.S.C. 78a et
24 seq.), as amended by this Act, or the Invest-

1 ment Advisers Act of 1940 (15 U.S.C. 80b–1 et
2 seq.);

3 (C) State commodities laws, subject to the
4 provisions of this Act, and the amendments
5 made by this Act, relating to the jurisdiction of
6 the Commodity Futures Trading Commission;
7 or

8 (D) section 18(c)(1) of the Securities Act
9 of 1933 (15 U.S.C. 77r(c)(1)), or any function-
10 ally equivalent anti-fraud or anti-manipulation
11 provision of State securities law (including any
12 State securities law with respect to a security or
13 a transaction in a security to the extent en-
14 forcement of that anti-fraud or anti-manipula-
15 tion provision of State securities law is not pre-
16 empted by section 18 of the Securities Act of
17 1933 (15 U.S.C. 77r)), with respect to an in-
18 vestment contract involving an ancillary asset,
19 or other transaction involving any such asset,
20 for which this division or an amendment made
21 by this division expressly preserves or provides
22 for the application of anti-fraud or anti-manipu-
23 lation authority;

24 (3) except as expressly provided in this division
25 or an amendment made by this division, any gen-

1 erally applicable State law, including a law relating
2 to fraud, deceit, unfair or deceptive acts or practices,
3 consumer protection, banking, payments, property,
4 contracts, criminal law, or unlawful conduct or prac-
5 tices, or the remedies available under any such law,
6 with respect to conduct involving a digital asset, an-
7 cillary asset, network token, or digital commodity, or
8 any transaction, activity, person, or service involving
9 any such asset, provided that such law does not im-
10 pose any licensing, registration, qualification, or
11 other requirement that is expressly preempted, or
12 otherwise expressly limited, by this division or an
13 amendment made by this division;

14 (4) the fiduciary obligations of an investment
15 adviser, as defined in section 202(a) of the Invest-
16 ment Advisers Act of 1940 (15 U.S.C. 80b-2(a)),
17 under section 206 of that Act (15 U.S.C. 80b-6),
18 any rule or regulation issued under such section
19 206, or any other provision of Federal or State law,
20 including in connection with investment advice re-
21 garding a digital asset, ancillary asset, network
22 token, digital commodity, or substantially similar
23 technology; or

24 (5) any right or remedy under Federal con-
25 sumer financial law, including under section 1011 of

1 the Consumer Financial Protection Act of 2010 (12
2 U.S.C. 5491) or the Federal Trade Commission Act
3 (15 U.S.C. 41 et seq.), or authority under Federal
4 consumer financial law with respect to any person,
5 subject to the limitations under section 1027 of the
6 Consumer Financial Protection Act of 2010 (12
7 U.S.C. 5517), including subsections (i) and (j) of
8 such section 1027.

9 (b) LIMITATIONS AND RULES OF CONSTRUCTION.—

10 Nothing in subsection (a) may be construed to—

11 (1) preserve, create, or authorize any Federal
12 or State registration, licensing, qualification, or
13 merit-review requirement under State law with re-
14 spect to an ancillary asset, network token, digital
15 commodity, transaction, person, or activity, to the
16 extent that such requirement is preempted or other-
17 wise limited by this division or an amendment made
18 by this division;

19 (2) create, preserve, or authorize any private
20 right of action under Federal or State law with re-
21 spect to an ancillary asset, network token, digital
22 commodity, or transaction involving any such asset;

23 (3) permit any claim, action, proceeding, re-
24 quirement, liability, obligation, or remedy to be
25 brought, maintained, imposed, or enforced under

1 Federal or State securities or commodities law to the
2 extent that such claim, action, proceeding, require-
3 ment, liability, obligation, or remedy depends upon,
4 is predicated on, or would require a determination
5 that an ancillary asset, network token, digital com-
6 modity, or any transaction, activity, person, or serv-
7 ice involving any such asset has a status or charac-
8 terization under Federal or State securities or com-
9 modities law that is contrary to an express classi-
10 fication or treatment provided by this division or an
11 amendment made by this division;

12 (4) expand, contract, or otherwise alter the ju-
13 risdiction, exclusive or otherwise, of the Commission,
14 the Commodity Futures Trading Commission, or
15 any State regulator;

16 (5) limit, impair, or otherwise affect the treat-
17 ment of any asset, transaction, or interest as a cov-
18 ered security for purposes of section 18 of the Secu-
19 rities Act of 1933 (15 U.S.C. 77r); or

20 (6) create any new private right of action under
21 Federal or State law, except that nothing in this
22 paragraph may be construed to limit, impair, or oth-
23 erwise affect any private right of action preserved
24 under subsection (a)(1), expressly provided in this

1 division or an amendment made by this division, or
2 otherwise available under Federal law.

3 **TITLE II—PROTECTING AGAINST**
4 **ILLICIT FINANCE**

5 **SEC. 10201. TREATMENT UNDER THE BANK SECRECY ACT**
6 **AND SANCTIONS LAWS.**

7 (a) AMENDMENT.—Section 5312(c)(1)(A) of title 31,
8 United States Code, is amended—

9 (1) by inserting “digital commodity broker, dig-
10 ital commodity dealer,” after “futures commission
11 merchant,”; and

12 (2) by inserting before the period the following:
13 “and any digital commodity exchange registered, or
14 required to register, under that Act that permits di-
15 rect customer access”.

16 (b) BANK SECRECY ACT REQUIREMENTS.—

17 (1) REGULATIONS.—The Secretary of the
18 Treasury, acting through the Director of the Finan-
19 cial Crimes Enforcement Network, and in consulta-
20 tion with the Commodity Futures Trading Commis-
21 sion, shall issue requirements consistent with the re-
22 quirements of futures commission merchants to
23 apply the Bank Secrecy Act to digital commodity
24 brokers, digital commodity dealers, and digital com-
25modity exchanges that are tailored to the size and

1 complexity of such entities, including by requiring
2 each such entity to—

3 (A) establish and maintain an anti-money
4 laundering and countering the financing of ter-
5 rorism program, which shall include—

6 (i) an appropriate risk assessment;

7 (ii) the development of internal poli-
8 cies, procedures, and controls;

9 (iii) the designation of a compliance
10 officer;

11 (iv) an ongoing employee training pro-
12 gram; and

13 (v) an independent audit function to
14 test such program;

15 (B) retain appropriate records of trans-
16 actions;

17 (C) monitor and report suspicious activity,
18 which may include use of appropriate distrib-
19 uted ledger analytics; and

20 (D) maintain an effective customer identi-
21 fication program to identify and verify account
22 holders and carry out appropriate customer due
23 diligence.

24 (2) COMPLIANCE WITH SANCTIONS.—A digital
25 commodity broker, digital commodity dealer, or dig-

1 ital commodity exchange shall comply with all laws
2 and regulations related to United States sanctions
3 administered by the Office of Foreign Assets Con-
4 trol.

5 (c) SENSE OF CONGRESS.—It is the sense of Con-
6 gress that nothing in this section shall limit the applica-
7 bility of any law imposing or authorizing the imposition
8 of economic sanctions by the United States.

9 **SEC. 10202. DIGITAL ASSET EXAMINATION STANDARDS.**

10 (a) DEFINITIONS.—In this section:

11 (1) FEDERAL FUNCTIONAL REGULATOR.—The
12 term “Federal functional regulator” has the mean-
13 ing given the term in section 509 of the Gramm-
14 Leach-Bliley Act (15 U.S.C. 6809).

15 (2) FINANCIAL INSTITUTION.—The term “fi-
16 nancial institution” has the meaning given the term
17 in section 5312(a)(2) of title 31, United States
18 Code.

19 (b) EXAMINATION AND REVIEW.—The Secretary of
20 the Treasury, in consultation with Federal functional reg-
21 ulators, shall establish, coordinated to the extent feasible,
22 risk-based examination standards to assess financial insti-
23 tutions involved in the digital asset sector for compliance
24 with anti-money laundering and countering the financing
25 of terrorism requirements under the Bank Secrecy Act.

1 **SEC. 10203. PREVENTING ILLICIT FINANCE THROUGH**
2 **PARTNERSHIP ACT.**

3 (a) **SHORT TITLE.**—This section may be cited as the
4 “Preventing Illicit Finance Through Partnership Act”.

5 (b) **DEFINITIONS.**—In this section:

6 (1) **BANK.**—The term “bank” has the meaning
7 given the term in section 1010.100 of title 31, Code
8 of Federal Regulations (or any corresponding similar
9 regulation).

10 (2) **CERTIFIED OR RECOGNIZED INFORMATION-**
11 **SHARING OR INTERDICTION NETWORK.**—The term
12 “certified or recognized information-sharing or inter-
13 diction network” means a real-time, secure, public-
14 private mechanism that—

15 (A) facilitates the detection, interdiction,
16 and prevention of illicit finance violations
17 through rapid information exchange between
18 government and regulated entities; and

19 (B) is—

20 (i) certified by the Secretary of the
21 Treasury for the purpose of supporting
22 interdiction and investigative actions con-
23 sistent with law enforcement or regulatory
24 authorities; or

25 (ii) recognized by the Secretary of the
26 Treasury as an existing (as of the day be-

1 fore the date of enactment of this Act), ef-
2 fective public-private partnership network
3 that meets standards for security, account-
4 ability, and participation that are equiva-
5 lent to the standards that would be re-
6 quired by the Secretary of the Treasury for
7 certification under clause (i).

8 (3) COVERED AGENCY.—The term “covered
9 agency” means—

10 (A) the Department of Justice, including
11 the Federal Bureau of Investigation and the
12 Drug Enforcement Administration;

13 (B) the Department of the Treasury, in-
14 cluding the Financial Crimes Enforcement Net-
15 work, the Internal Revenue Service, and the Of-
16 fice of Foreign Assets Control;

17 (C) the Department of Homeland Security;
18 and

19 (D) any Federal, State, or local law en-
20 forcement agency, or office of an attorney gen-
21 eral of a State, that the Secretary of the Treas-
22 ury, in consultation with the Director, des-
23 ignates for participation in the pilot program
24 established under subsection (c).

1 (4) DESIGNATED PRIVATE SECTOR ENTITY.—

2 The term “designated private sector entity” means
3 a private sector entity designated under subsection
4 (d).

5 (5) DIRECTOR.—The term “Director” means
6 the Director of the Financial Crimes Enforcement
7 Network.

8 (6) ILLICIT FINANCE VIOLATION.—The term
9 “illicit finance violation” means the illicit use of dig-
10 ital assets.

11 (7) ILLICIT USE.—The term “illicit use” in-
12 cludes fraud, money laundering, terrorist financing,
13 the purchase and sale of illicit goods, trafficking of
14 fentanyl (including fentanyl precursors and trade in
15 other illicit drugs), sanctions evasion, theft of funds,
16 funding of illegal activities, transactions relating to
17 child sexual abuse material or elder fraud abuse, and
18 any other financial transaction involving the pro-
19 ceeds of specified unlawful activity, as defined in
20 section 1956(c) of title 18, United States Code.

21 (8) MONEY SERVICES BUSINESS.—The term
22 “money services business” has the meaning given
23 the term in section 1010.100 of title 31, Code of
24 Federal Regulations (or any corresponding similar
25 regulation).

1 (c) ESTABLISHMENT OF PILOT PROGRAM.—The Sec-
2 retary of the Treasury shall establish a pilot program
3 under which covered agencies and designated private sec-
4 tor entities securely share information focused on potential
5 illicit finance violations and threats and emerging risks re-
6 lating to illicit finance violations.

7 (d) DESIGNATION OF PRIVATE SECTOR ENTITIES.—

8 (1) REQUIRED ACTION.—

9 (A) INITIAL COMPANIES.—Not later than
10 90 days after the date of enactment of this Act,
11 the Director and the Secretary shall designate
12 10 private sector entities that are money serv-
13 ices businesses, 10 private sector entities that
14 are digital commodity brokers, digital com-
15 modity dealers, or digital commodity exchanges,
16 and 10 private sector entities that are banks to
17 participate in the pilot program established
18 under subsection (c), if such entities agree and
19 volunteer to participate in the program.

20 (B) BIENNIAL REVIEW.—Not less fre-
21 quently than once every 6 months, the Director
22 shall review and, as appropriate, replace the
23 private sector entities designated under this
24 paragraph.

1 (C) RULE OF CONSTRUCTION.—Nothing in
2 this section may be construed as—

3 (i) requiring an entity to participate
4 in the pilot program established under this
5 section; or

6 (ii) enabling the Director to select an
7 entity to participate in the pilot program
8 without the consent of such entity.

9 (2) OPTIONAL DESIGNATION.—In addition to
10 the 30 private sector entities designated under para-
11 graph (1), the Director may designate—

12 (A) 1 or more information sharing and
13 analysis centers to participate in the pilot pro-
14 gram;

15 (B) 1 or more participants in a certified or
16 recognized information sharing or interdiction
17 network; or

18 (C) 1 or more private sector entities, as
19 appropriate, relating to a particular type of il-
20 licit activity.

21 (3) NOTIFICATION TO STATE REGULATORS.—If
22 a private sector entity that is designated under this
23 subsection is licensed or supervised by a State bank-
24 ing supervisor or State credit union supervisor, the
25 private sector entity shall, not later than 14 days

1 after the date of that designation, notify that State
2 banking supervisor or State credit union supervisor,
3 as applicable, regarding that designation.

4 (e) INFORMATION SHARING WITH PRIVATE SECTOR
5 ENTITIES.—A covered agency that initiates an investiga-
6 tion into a potential illicit finance violation, or identifies
7 a threat or emerging risk relating to an illicit finance vio-
8 lation, may share with any designated private sector entity
9 such information about the investigation, threat, or
10 emerging risk as the covered agency determines is appro-
11 priate.

12 (f) USE OF INFORMATION BY PRIVATE SECTOR EN-
13 TITIES.—Information received by a designated private sec-
14 tor entity under this section may not be used for any pur-
15 pose other than identifying and reporting on activities that
16 may involve illicit finance violations or threats and emerg-
17 ing risks relating to illicit finance violations, unless other-
18 wise prescribed by regulation or permitted by the covered
19 agency sharing the information.

20 (g) MEANS OF SHARING INFORMATION.—The cov-
21 ered agencies and designated private sector entities may
22 share information about potential illicit finance violations,
23 or threats and emerging risks relating to illicit finance vio-
24 lations, with each other—

- 1 (1) through a portal established by the Sec-
2 retary of the Treasury or a similar mechanism deter-
3 mined appropriate by the Secretary of the Treasury;
4 (2) through secure email;
5 (3) at monthly meetings, which shall be facili-
6 tated by the Secretary of the Treasury; or
7 (4) through a certified or recognized informa-
8 tion-sharing or interdiction network.

9 (h) **LIMITATION ON LIABILITY.**—A designated pri-
10 vate sector entity that transmits, receives, or shares infor-
11 mation for the purposes of identifying and reporting ac-
12 tivities that may constitute illicit finance violations, or
13 threats and emerging risks relating to illicit finance viola-
14 tions, shall not be liable to any person for such disclosure
15 or for any failure to provide notice of such disclosure to
16 the person who is the subject of such disclosure or any
17 other person identified in such disclosure.

18 (i) **SUNSET.**—The pilot program established under
19 subsection (c) shall terminate on the date that is 5 years
20 after the date of enactment of this Act, unless made per-
21 manent through notice and comment rulemaking by the
22 Department of the Treasury.

23 **SEC. 10204. FINANCIAL TECHNOLOGY PROTECTION ACT.**

24 (a) **SHORT TITLE.**—This section may be cited as the
25 “Financial Technology Protection Act”.

1 (b) DEFINITIONS.—In this section:

2 (1) APPROPRIATE CONGRESSIONAL COMMIT-
3 TEES.—The term “appropriate congressional com-
4 mittees” means—

5 (A) the Committee on Banking, Housing,
6 and Urban Affairs of the Senate;

7 (B) the Committee on Agriculture, Nutri-
8 tion, and Forestry of the Senate;

9 (C) the Committee on Financial Services of
10 the House of Representatives; and

11 (D) the Committee on Agriculture of the
12 House of Representatives.

13 (2) DISTRIBUTED LEDGER ANALYTICS COM-
14 PANY.—The term “distributed ledger analytics com-
15 pany” means any business providing software, re-
16 search, or other services (such as tracing tools,
17 geofencing, transaction screening, the collection of
18 business data, and sanctions screening) that—

19 (A) support private and public sector in-
20 vestigations and risk management activities;
21 and

22 (B) involve cryptographically secured dis-
23 tributed ledgers or any similar technology or
24 implementation.

1 (3) EMERGING TECHNOLOGIES.—The term
2 “emerging technologies” means the critical and
3 emerging technology areas listed in the Critical and
4 Emerging Technologies List developed by the Fast
5 Track Action Subcommittee on Critical and Emerg-
6 ing Technologies of the National Science and Tech-
7 nology Council, including any updates to such list.

8 (4) FOREIGN TERRORIST ORGANIZATION.—The
9 term “foreign terrorist organization” means an or-
10 ganization that is designated as a foreign terrorist
11 organization under section 219 of the Immigration
12 and Nationality Act (8 U.S.C. 1189).

13 (5) ILLICIT USE.—The term “illicit use” in-
14 cludes fraud, money laundering, terrorist financing,
15 the purchase and sale of illicit goods, trafficking of
16 fentanyl (including fentanyl precursors and trade in
17 other illicit drugs), sanctions evasion, theft of funds,
18 funding of illegal activities, transactions related to
19 child sexual abuse material or elder fraud abuse, and
20 any other financial transaction involving the pro-
21 ceeds of specified unlawful activity (as defined in
22 section 1956(c) of title 18, United States Code).

23 (6) STATE SPONSOR OF TERRORISM.—The term
24 “state sponsor of terrorism” means a country deter-
25 mined by the Secretary of State to have repeatedly

1 provided support for acts of international terrorism
2 under section 40 of the Arms Export Control Act
3 (22 U.S.C. 2780) or section 620A of the Foreign
4 Assistance Act of 1961 (22 U.S.C. 2371).

5 (7) **TERRORIST.**—The term “terrorist” includes
6 a person carrying out domestic terrorism or inter-
7 national terrorism (as such terms are defined, re-
8 spectively, under section 2331 of title 18, United
9 States Code).

10 (8) **TRANSNATIONAL ORGANIZED CRIME.**—The
11 term “transnational organized crime” has the mean-
12 ing given the term in section 284 of title 10, United
13 States Code.

14 (c) **INDEPENDENT FINANCIAL TECHNOLOGY WORK-**
15 **ING GROUP TO COMBAT TERRORISM, NARCOTICS TRAF-**
16 **FICKING, AND ILLICIT FINANCING.**—

17 (1) **ESTABLISHMENT.**—There is established the
18 Independent Financial Technology Working Group
19 to Combat Terrorism, Narcotics Trafficking, and Il-
20 licit Financing (in this section referred to as the
21 “Working Group”), which shall consist of the fol-
22 lowing:

23 (A) The Secretary of the Treasury or their
24 designee, who shall serve as the chair of the
25 Working Group.

1 (B) A senior-level representative from each
2 of the following:

3 (i) The Department of the Treasury.

4 (ii) The Office of Terrorism and Fi-
5 nancial Intelligence.

6 (iii) The Internal Revenue Service.

7 (iv) The Department of Justice.

8 (v) The Federal Bureau of Investiga-
9 tion.

10 (vi) The Drug Enforcement Adminis-
11 tration.

12 (vii) The Department of Homeland
13 Security.

14 (viii) The United States Secret Serv-
15 ice.

16 (ix) The Department of State.

17 (x) The Office of the Director of Na-
18 tional Intelligence.

19 (C) At least 7 individuals appointed by the
20 Secretary of the Treasury to represent the fol-
21 lowing:

22 (i) Digital asset companies.

23 (ii) Distributed ledger analytics com-
24 panies.

25 (iii) Financial institutions.

1 (iv) Institutions or organizations en-
2 gaged in research.

3 (v) Institutions or organizations fo-
4 cused on individual privacy and civil lib-
5 erties.

6 (vi) State financial regulators.

7 (vii) State or local law enforcement
8 agencies.

9 (D) Such additional individuals as the Sec-
10 retary of the Treasury may appoint as nec-
11 essary to accomplish the duties described in
12 paragraph (2).

13 (2) DUTIES.—The Working Group shall—

14 (A) conduct research on the illicit use of
15 digital assets and other related emerging tech-
16 nologies, including by terrorists, foreign ter-
17 rorist organizations, state sponsors of ter-
18 rorism, and transnational organized crime
19 groups; and

20 (B) develop legislative and regulatory pro-
21 posals to improve anti-money laundering,
22 counter-terrorist, and other counter-illicit fi-
23 nancing efforts in the United States.

24 (3) REPORTS.—

1 (A) IN GENERAL.—Not later than 1 year
2 after the date of enactment of this Act, and an-
3 nually for the 3 years thereafter, the Working
4 Group shall submit to the Secretary of the
5 Treasury, the heads of each agency represented
6 in the Working Group pursuant to paragraph
7 (1)(B), and the appropriate congressional com-
8 mittees a report containing the findings and de-
9 terminations made by the Working Group in
10 the previous year and any legislative and regu-
11 latory proposals developed by the Working
12 Group.

13 (B) FINAL REPORT.—Before the date on
14 which the Working Group terminates under
15 paragraph (4)(A), the Working Group shall
16 submit to the appropriate congressional com-
17 mittees a final report detailing the findings,
18 recommendations, and activities of the Working
19 Group, including any final results from the re-
20 search conducted by the Working Group.

21 (4) SUNSET.—

22 (A) IN GENERAL.—The Working Group
23 shall terminate on the later of—

24 (i) the date that is 4 years after the
25 date of enactment of this Act; or

1 (ii) the date on which the Working
2 Group completes any wind-up activities de-
3 scribed in subparagraph (B).

4 (B) AUTHORITY TO WIND UP ACTIVI-
5 TIES.—If there are research, proposals, or other
6 related activities of the Working Group ongoing
7 as of the date that is 4 years after the date of
8 enactment of this Act, the Working Group may
9 temporarily continue working in order to wind
10 up such activities.

11 (C) RETURN OF APPROPRIATED FUNDS.—
12 On the date on which the Working Group ter-
13 minates under subparagraph (A), any unobli-
14 gated funds appropriated to carry out this sub-
15 section shall be transferred to the Treasury.

16 **SEC. 10205. DIGITAL ASSET KIOSKS.**

17 (a) REGISTRATION.—Section 5330 of title 31, United
18 States Code, is amended—

19 (1) in subsection (d)—

20 (A) in paragraph (1)(A), by inserting “,
21 any person who owns, operates, or manages a
22 digital asset kiosk in the United States or its
23 territories,” after “similar instruments”; and

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

1 “(3) DIGITAL ASSET; DIGITAL ASSET ADDRESS;
2 DIGITAL ASSET KIOSK; DIGITAL ASSET KIOSK OPER-
3 ATOR.—The terms ‘digital asset’, ‘digital asset ad-
4 dress’, ‘digital asset kiosk’, and ‘digital asset kiosk
5 operator’ have the meanings given those terms, re-
6 spectively, in section 5337.”; and

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

8 “(f) REGISTRATION OF DIGITAL ASSET KIOSK LOCA-
9 TIONS.—

10 “(1) IN GENERAL.—Not later than 90 days
11 after the effective date of this subsection, and not
12 less than once every 90 days thereafter, the Sec-
13 retary of the Treasury shall require digital asset
14 kiosk operators to submit an updated list containing
15 the physical address of each digital asset kiosk
16 owned or operated by the digital asset kiosk oper-
17 ator.

18 “(2) FORM AND MANNER OF REGISTRATION.—
19 Each submission by a digital asset kiosk operator
20 pursuant to paragraph (1) shall include—

21 “(A) the legal name of the digital asset
22 kiosk operator;

23 “(B) any fictitious or trade name of the
24 digital asset kiosk operator;

1 “(C) the physical address of each digital
2 asset kiosk owned, operated, or managed by the
3 digital asset kiosk operator that is located in
4 the United States or the territories of the
5 United States;

6 “(D) the start date of operation of each
7 digital asset kiosk;

8 “(E) the end date of operation of each dig-
9 ital asset kiosk, if applicable; and

10 “(F) each digital asset address used by the
11 digital asset kiosk operator.

12 “(3) FALSE AND INCOMPLETE INFORMATION.—

13 The filing of false or materially incomplete informa-
14 tion in a submission required under paragraph (1)
15 shall be deemed a failure to comply with the require-
16 ments of this subsection.”.

17 (b) PREVENTING FRAUDULENT TRANSACTIONS AT
18 DIGITAL ASSET KIOSKS.—

19 (1) IN GENERAL.—Subchapter II of chapter 53
20 of title 31, United States Code, is amended by add-
21 ing at the end the following:

22 **“§ 5337. Digital asset kiosk fraud prevention**

23 “(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 anal-
6 ysis of data from public distributed ledgers, and as-
7 sociated transaction information, to provide risk-spe-
8 cific information about digital asset transactions and
9 digital 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
17 a digital asset kiosk can be sent or from which a
18 digital asset sold through a digital asset kiosk can
19 be 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.—
4 The term ‘digital asset kiosk transaction’ means the
5 purchase or sale of digital assets via a digital asset
6 kiosk.

7 “(8) DIGITAL ASSET WALLET.—The term ‘dig-
8 ital asset wallet’ means a software application or
9 other mechanism providing a means for holding,
10 storing, and transferring digital assets.

11 “(9) FINCEN.—The term ‘FinCEN’ means the
12 Financial Crimes Enforcement Network of the De-
13 partment of the Treasury.

14 “(10) NEW CUSTOMER.—The term ‘new cus-
15 tomer,’ with respect to a digital asset kiosk operator,
16 means a customer during the 14-day period begin-
17 ning on the date of the first digital asset kiosk
18 transaction of the customer with the digital asset
19 kiosk operator.

20 “(11) TRANSACTION HASH.—The term ‘trans-
21 action hash’ means a unique identifier made up of
22 a string of characters that act as a record of and
23 provide proof that a transaction was verified and
24 added to the distributed ledger.

25 “(b) DISCLOSURES.—

1 “(1) IN GENERAL.—Before entering into a dig-
2 ital asset transaction with a customer, a digital asset
3 kiosk operator shall disclose in a clear, conspicuous,
4 and easily readable manner—

5 “(A) all relevant terms and conditions of
6 the digital asset kiosk transaction, including—

7 “(i) the amount of the digital asset
8 kiosk transaction;

9 “(ii) the type and nature of the digital
10 asset kiosk transaction;

11 “(iii) a warning that the digital asset
12 kiosk transaction is final, is not refund-
13 able, and may not be reversed; and

14 “(iv) the type and amount of any fees
15 or other expenses paid by the customer;

16 “(B) a warning relating to consumer fraud
17 including—

18 “(i) that consumer fraud often starts
19 with contact from a stranger, and that the
20 customer should never send money to
21 someone the customer does not know;

22 “(ii) the most common types of fraud-
23 ulent schemes involving digital asset ki-
24 osks, such as—

1 “(I) impersonation of a govern-
2 ment official or a bank representative;

3 “(II) threats of jail time or fi-
4 nancial penalties;

5 “(III) offers of a job or reward in
6 exchange for payment, or offers of
7 deals that seem too good to be true;

8 “(IV) claims of a frozen bank ac-
9 count or credit card;

10 “(V) requests for donations to
11 charity or disaster relief; or

12 “(VI) payment to an individual
13 the customer has never met; and

14 “(iii) a statement that the customer
15 should contact law enforcement if they sus-
16 pect fraudulent activity, such as scams, in-
17 cluding contact information for a relevant
18 law enforcement or government agency.

19 “(2) ADDITIONAL DISCLOSURES.—FinCEN
20 may adopt rules relating to additional disclosures re-
21 quired to be made to customers prior to engaging in
22 a transaction.

23 “(c) ACKNOWLEDGMENT OF DISCLOSURES.—Each
24 time a customer uses a digital asset kiosk, the digital asset
25 kiosk operator shall ensure acknowledgment of all disclo-

1 sures required under subsection (b) via confirmation of
2 consent of the customer at the digital asset kiosk.

3 “(d) RECEIPTS.—Upon completion of each digital
4 asset kiosk transaction, the digital asset kiosk operator
5 shall provide the customer with a receipt, which shall in-
6 clude the following information:

7 “(1) The name and contact information of the
8 digital asset kiosk operator, including a telephone
9 number for a customer service helpline.

10 “(2) The name of the customer.

11 “(3) The type, value, date, and precise time of
12 the digital asset kiosk transaction, transaction hash,
13 and each applicable digital asset address.

14 “(4) The amount of the digital asset kiosk
15 transaction expressed in United States dollars.

16 “(5) All fees charged.

17 “(6) A statement that the customer should con-
18 tact law enforcement if they suspect fraudulent ac-
19 tivity, such as scams, including contact information
20 for a relevant law enforcement or government agen-
21 cy.

22 “(7) The exchange rate applied.

23 “(8) Any additional information the digital
24 asset kiosk operator determines appropriate.

1 “(e) PHYSICAL RECEIPTS AVAILABLE.—A physical
2 version of the receipt required under subsection (d) shall
3 be issued to the customer at the time of the digital asset
4 kiosk transaction, if the customer opts for such a physical
5 version of the receipt.

6 “(f) ANTI-FRAUD POLICY.—

7 “(1) IN GENERAL.—Each digital asset kiosk op-
8 erator shall establish, maintain, and implement a
9 written anti-fraud policy if required by, and con-
10 sistent with, applicable State law in those States
11 where the digital asset kiosk operator is licensed.

12 “(2) FEDERAL STANDARD.—A digital asset
13 kiosk operator operating in any State that does not
14 require an anti-fraud policy under paragraph (1)
15 shall establish, maintain, and implement an anti-
16 fraud policy that, at a minimum, includes—

17 “(A) the identification and assessment of
18 fraud-related areas;

19 “(B) procedures and controls to protect
20 against risks identified under subparagraph
21 (A);

22 “(C) allocation of responsibility for moni-
23 toring the risks identified under subparagraph
24 (A); and

1 “(D) procedures for the periodic evaluation
2 and revision of the anti fraud procedures, con-
3 trols, and monitoring mechanisms under sub-
4 paragraphs (B) and (C).

5 “(g) APPOINTMENT OF COMPLIANCE OFFICER.—
6 Each digital asset kiosk operator shall designate and em-
7 ploy a compliance officer who—

8 “(1) is qualified to coordinate and monitor com-
9 pliance with this section and all other applicable
10 Federal and State laws, rules, and regulations;

11 “(2) is employed full-time by the digital asset
12 kiosk operator;

13 “(3) is not the chief executive officer of the dig-
14 ital asset kiosk operator; and

15 “(4) does not own or control more than 10 per-
16 cent of any interest in the digital asset kiosk oper-
17 ator.

18 “(h) USE OF DISTRIBUTED LEDGER ANALYTICS AND
19 WALLET PINNING.—

20 “(1) IN GENERAL.—Each digital asset kiosk op-
21 erator shall use distributed ledger analytics to pre-
22 vent sending a digital asset to a digital asset wallet
23 known to be affiliated with fraudulent activity at the
24 time of a digital asset kiosk transaction and to de-

1 tect transaction patterns indicative of fraud or other
2 illicit activities.

3 “(2) WALLET PINNING.—Each digital asset
4 kiosk operator shall maintain restrictions that pre-
5 vent more than 1 customer of the digital asset kiosk
6 operator from using the same digital wallet address.

7 “(3) COMPLIANCE.—The Director of FinCEN
8 may request evidence from any digital asset kiosk
9 operator to confirm compliance with this subsection.

10 “(i) CONFIRMATION REQUIRED BEFORE NEW CUS-
11 TOMER TRANSACTIONS.—Before entering into a digital
12 asset kiosk transaction valued at \$500 or more with a new
13 customer, the digital asset kiosk operator shall obtain con-
14 firmation from the new customer that—

15 “(1) the new customer wishes to proceed with
16 the digital asset kiosk transaction; and

17 “(2) the new customer is not being fraudulently
18 induced into engaging in the transaction.

19 “(j) HOLDING PERIOD.—

20 “(1) IN GENERAL.—No digital asset kiosk oper-
21 ator shall execute a transaction on behalf of a new
22 customer that sends digital assets to a specific wallet
23 address unless at least 72 hours have elapsed since
24 the initiation of the transaction by the new cus-
25 tomer.

1 “(2) RIGHT TO CANCEL.—With respect to a
2 transaction that is subject to the restriction under
3 paragraph (1), the new customer described in that
4 paragraph—

5 “(A) shall have the right, at any time be-
6 fore the expiration of the 72-hour period de-
7 scribed in that paragraph, to cancel that trans-
8 action and receive a full refund of the amount
9 paid by the customer in connection with that
10 transaction, including any fees; and

11 “(B) if the new customer seeks to exercise
12 the right under subparagraph (A) during the
13 72-hour period described in that subparagraph
14 and is unable to contact the applicable digital
15 asset kiosk operator during that period, that
16 digital asset kiosk operator shall—

17 “(i) treat that transaction as canceled;
18 and

19 “(ii) provide a full refund of the
20 amount paid by the customer in connection
21 with the transaction, including any fees.

22 “(k) TRANSACTION LIMITS WITH RESPECT TO NEW
23 CUSTOMERS.—The Secretary of the Treasury shall pre-
24 scribe by regulation the threshold amounts for reporting
25 or limiting digital asset kiosk transactions, including ag-

1 gregate or single-day deposit and withdrawal limits, as the
2 Secretary determines are reasonably necessary to deter
3 fraud and illicit finance. Such regulations shall consider
4 the unique risks and functionalities of digital asset kiosks
5 and may provide for exceptions, adjustments, or exclusions
6 as deemed appropriate by the Secretary.

7 “(l) INTERIM TRANSACTION LIMITS.—Until the ef-
8 fective date of regulations prescribed under subsection (k),
9 a digital asset kiosk operator shall not permit a new cus-
10 tomer to conduct transactions exceeding \$3,500 in the ag-
11 gregate within any 24-hour period.

12 “(m) REFUNDS.—A digital asset kiosk operator shall
13 issue a refund for a customer’s transaction fees within 30
14 days if—

15 “(1) the customer was fraudulently induced into
16 engaging in the digital asset kiosk transaction; and

17 “(2) the customer files a complaint to the dig-
18 ital asset kiosk operator, which includes—

19 “(A) the name, address, and phone num-
20 ber of the customer;

21 “(B) the transaction hash of the digital
22 asset kiosk transaction or information sufficient
23 to establish the type, value, date, and time of
24 the digital asset kiosk transaction; and

1 “(C) a copy of a report to a State or local
2 law enforcement or government agency made
3 not later than 30 days after the digital asset
4 kiosk transaction.

5 “(n) CUSTOMER SERVICE HELPLINE.—Each digital
6 asset kiosk operator shall provide live customer service
7 during business hours, the phone number for which is reg-
8 ularly monitored and displayed in a clear, conspicuous,
9 and easily readable manner upon each digital asset kiosk.
10 During non-business hours, the digital asset kiosk oper-
11 ator shall maintain an alternative customer service system
12 that may include an automated chatbot, an online com-
13 plaint reporting portal, or other customer service mecha-
14 nism.

15 “(o) COMMUNICATIONS WITH LAW ENFORCE-
16 MENT.—Each digital asset kiosk operator performing
17 business in the United States shall have a dedicated meth-
18 od of contact, such as a phone number, email address, or
19 other contact method, for law enforcement and regulatory
20 agencies to contact the digital asset kiosk operator. This
21 contact method shall be displayed and available on the dig-
22 ital asset kiosk operator’s website.

23 “(p) CIVIL PENALTIES AND STATE ENFORCE-
24 MENT.—Any State regulator may bring a civil action or
25 other appropriate proceeding to enforce the provisions of

1 this section and may assess or collect civil penalties or
2 other remedies for violations of this section, as provided
3 under applicable State law.

4 “(q) RULE OF CONSTRUCTION.—Nothing in this sec-
5 tion may be construed to prohibit a State from enacting
6 a law, rule, or regulation that provides greater protection
7 to customers.”.

8 (2) TECHNICAL AND CONFORMING AMEND-
9 MENT.—The table of sections for subchapter II of
10 chapter 53 of title 31, United States Code, is
11 amended by adding at the end the following:

“5337. Digital asset kiosk fraud prevention.”.

12 **SEC. 10206. STUDY ON ILLICIT USE OF DIGITAL ASSETS.**

13 (a) DEFINITIONS.—In this section:

14 (1) FOREIGN TERRORIST ORGANIZATION.—The
15 term “foreign terrorist organization” means an or-
16 ganization that is designated as a foreign terrorist
17 organization under section 219 of the Immigration
18 and Nationality Act (8 U.S.C. 1189).

19 (2) TRANSNATIONAL ORGANIZED CRIMINAL.—
20 The term “transnational organized criminal” means
21 an individual who participates in transnational orga-
22 nized crime, as defined in section 284(i) of title 10,
23 United States Code.

24 (b) REVIEW.—Not later than 1 year after the date
25 of enactment of this Act, the Secretary of the Treasury,

1 in consultation with the Attorney General, shall conduct
2 a comprehensive review of how foreign terrorist organiza-
3 tions and transnational organized criminals utilize digital
4 assets in connection with illicit activities.

5 (c) REPORT.—Not later than 180 days after com-
6 pleting the review under subsection (b), the Secretary of
7 the Treasury shall submit to the Committee on Agri-
8 culture, Nutrition, and Forestry and the Committee on
9 Banking, Housing, and Urban Affairs of the Senate and
10 the Committee on Agriculture and the Committee on Fi-
11 nancial Services of the House of Representatives a report
12 on the findings of the Secretary, including—

13 (1) an assessment of how foreign terrorist orga-
14 nizations and transnational organized criminals uti-
15 lize digital assets in connection with illicit activities;
16 and

17 (2) recommendations to assist the Commission
18 and the Commodity Futures Trading Commission in
19 strengthening compliance and enforcement of digital
20 assets-related entities registered with their respective
21 agencies.

22 (d) ADDITIONAL AGENCIES.—The Secretary of the
23 Treasury may, in the sole discretion of the Secretary of
24 the Treasury, solicit input for the report required under
25 subsection (c) from any or all of the Federal functional

1 regulators, as defined in section 509 of the Gramm-Leach-
2 Bliley Act (15 U.S.C. 6809), and the Commodity Futures
3 Trading Commission.

4 (e) CLASSIFIED ANNEX.—The report required under
5 subsection (c) may include a classified annex, as appro-
6 priate.

7 **TITLE III—RESPONSIBLE INNO-**
8 **VATION IN DECENTRALIZED**
9 **FINANCE**

10 **SEC. 10301. RULEMAKING ON APPLICATION OF EXISTING**
11 **SECURITIES INTERMEDIARY REQUIREMENTS**
12 **AND EXISTING BANK SECRECY ACT REQUIRE-**
13 **MENTS TO NON-DECENTRALIZED FINANCE**
14 **TRADING PROTOCOLS.**

15 (a) DEFINITIONS.—In this section:

16 (1) DECENTRALIZED FINANCE TRADING PRO-
17 TOCOL.—The term “decentralized finance trading
18 protocol” means a distributed ledger system through
19 which multiple participants can execute a financial
20 transaction—

21 (A) in accordance with an automated rule
22 or algorithm that is predetermined and non-dis-
23 cretionary; and

24 (B) without reliance on a person other
25 than the user to maintain custody or control of

1 any digital assets subject to the financial trans-
2 action.

3 (2) NON-DECENTRALIZED FINANCE TRADING
4 PROTOCOL.—

5 (A) IN GENERAL.—The term “non-decen-
6 tralized finance trading protocol” means a de-
7 centralized finance trading protocol that meets
8 1 or more of the following:

9 (i) A person or group of persons
10 under common control, or acting pursuant
11 to an agreement, arrangement, or under-
12 standing to act in concert, has the author-
13 ity, directly or indirectly, through any con-
14 tract, arrangement, understanding, rela-
15 tionship, or otherwise, to control or materi-
16 ally alter the functionality, operation, or
17 rules of consensus or agreement of the de-
18 centralized finance trading protocol.

19 (ii) The decentralized finance trading
20 protocol does not operate, execute, and en-
21 force its operations and transactions based
22 solely on pre-established, transparent rules
23 encoded directly within the source code of
24 the distributed ledger system.

1 (iii) A person or group of persons
2 under common control, or acting pursuant
3 to an agreement, arrangement, or under-
4 standing to act in concert, has the author-
5 ity, via operation of the decentralized fi-
6 nance trading protocol, to restrict, censor,
7 or prohibit the use of the decentralized fi-
8 nance trading protocol, including any ap-
9 plicable system-based user activity.

10 (B) SPECIAL RULE.—For purposes of sub-
11 paragraph (A), a decentralized governance sys-
12 tem, solely by virtue of the operation of the de-
13 centralized governance system, shall not be con-
14 sidered to be a person or a group of persons
15 under common control or acting pursuant to an
16 agreement, arrangement, or understanding to
17 act in concert.

18 (C) EXCLUSIONS.—For purposes of this
19 section, participation in an incident-response or
20 security council, as described in subsection (f),
21 shall not, by itself, be deemed to constitute con-
22 trol of a non-decentralized finance trading pro-
23 tocol.

24 (D) SCOPING.—In implementing this sec-
25 tion, the Commission and the Department of

1 the Treasury shall construe the term “non-de-
2 centralized finance trading protocol” in a man-
3 ner consistent with section 15H of the Securi-
4 ties Exchange Act of 1934, as added by section
5 10601.

6 (b) RULES.—

7 (1) IN GENERAL.—The Commission, in con-
8 sultation with the Department of the Treasury, shall
9 adopt tailored, clear, and specific rules, after notice
10 and comment, that clarify how a person, or group of
11 persons under common control, or acting pursuant
12 to an agreement, arrangement, or understanding to
13 act in concert, that controls a non-decentralized fi-
14 nance trading protocol and is subject to the Securi-
15 ties Exchange Act of 1934 (15 U.S.C. 78a et seq.),
16 as amended by this division, shall comply with appli-
17 cable requirements under that Act, including with
18 respect to registration, conduct, disclosure, record-
19 keeping, supervision, and other requirements under
20 the securities laws.

21 (2) REQUIREMENTS.—The rulemaking required
22 under paragraph (1) shall—

23 (A) ensure that the rules adopted pursuant
24 to that rulemaking are consistent with the pur-
25 poses of the securities laws, including the public

1 interest, the protection of investors, and the
2 maintenance of fair and orderly markets;

3 (B) protect the rights of software devel-
4 opers, publishers, and users to create, publish,
5 and use code and software in a manner con-
6 sistent with the First Amendment to the Con-
7 stitution of the United States;

8 (C) provide legal clarity for the develop-
9 ment, publication, and operation of distributed
10 ledger systems and the components therein in a
11 manner consistent with the purposes of this sec-
12 tion; and

13 (D) result in, by operation of law, the ap-
14 plication and enforcement by the Department of
15 the Treasury, where applicable and pursuant to
16 existing law, as in effect on the day before the
17 date of enactment of this Act, of anti-money
18 laundering and countering the financing of ter-
19 rorism requirements under the Bank Secrecy
20 Act and other Federal law with respect to any
21 person or group of persons that the Commission
22 determines, through that rulemaking, is re-
23 quired to register, or comply as a registrant,
24 under the Securities Exchange Act of 1934 (15
25 U.S.C. 78a et seq.).

1 (3) APPLICATION.—

2 (A) IN GENERAL.—Any person or group of
3 persons determined under this subsection to be
4 required to register, or comply as a registrant,
5 under the Securities Exchange Act of 1934 (15
6 U.S.C. 78a et seq.) (referred to in this para-
7 graph as the “Exchange Act”) shall be subject
8 to that Act and the Bank Secrecy Act to the ex-
9 tent applicable under existing law, as in effect
10 on the day before the date of enactment of this
11 Act, consistent with the treatment of similarly
12 situated participants under the Exchange Act.

13 (B) RULEMAKING.—The Secretary of the
14 Treasury, in consultation with the Commission,
15 shall adopt tailored, clear, and specific rules,
16 after providing notice and the opportunity to
17 comment, that define compliance with obliga-
18 tions under the Bank Secrecy Act and other
19 Federal laws relating to anti-money laundering
20 and countering the financing of terrorism with
21 respect to any person, or group of persons
22 under common control (or acting pursuant to
23 an agreement, arrangement, or understanding
24 to act in concert), that—

1 (i) controls the operation of a non-de-
2 centralized finance trading protocol identi-
3 fied in the rulemaking conducted under
4 paragraph (1);

5 (ii) is required to register, or comply
6 as a registrant, under the Exchange Act,
7 as determined in the rulemaking conducted
8 under paragraph (1); and

9 (iii) is caused to be treated as a finan-
10 cial institution under the Bank Secrecy Act
11 pursuant to existing law, as in effect on
12 the day before the date of enactment of
13 this Act, as a result of registration or com-
14 pliance described in clause (ii).

15 (c) ACTIVITY-BASED APPLICATION.—Rules adopted
16 under subsection (b)(1) shall require the Commission to
17 determine the applicable requirements only with respect
18 to securities-related activities, based on the functions per-
19 formed by the controlling person or group of persons, in-
20 cluding brokerage, dealing, trading, execution, clearing, or
21 custody of securities, without regard to technological form,
22 distributed architecture, or purportedly decentralized
23 characterization.

24 (d) RULES OF CONSTRUCTION.—

1 (1) REGISTRATION NOT REQUIRED.—Nothing
2 in this section, nor any rule adopted under this sec-
3 tion, may be construed to—

4 (A) require a distributed ledger system or
5 any software code to register with the Commis-
6 sion in its own capacity; or

7 (B) prohibit the launch, deployment, or op-
8 eration of a distributed ledger system.

9 (2) NO EXPANSION OF STATUTORY AUTHOR-
10 ITY.—Notwithstanding any rulemaking required
11 under subsection (b), and notwithstanding any ac-
12 tion the Commission or the Secretary of the Treas-
13 ury may take under that subsection, nothing in this
14 section, including any such rulemaking, may be con-
15 strued to—

16 (A) expand or contract the statutory au-
17 thority of the Commission or the Department of
18 the Treasury, as in effect on the day before the
19 date of enactment of this Act, under the Bank
20 Secrecy Act; or

21 (B) limit the use of the authority described
22 in subparagraph (A) to determine, pursuant to
23 that rulemaking, the applicability of existing
24 statutory requirements, as in effect on the day

1 before the date of enactment of this Act, to per-
2 sons or activities described in this section.

3 (3) NO PRESUMPTION OF APPLICABILITY.—

4 Nothing in this section may be construed to create
5 a presumption that any person or activity described
6 in this section is or is not subject to the Securities
7 Exchange Act of 1934 (15 U.S.C. 78a et seq.) or
8 the Bank Secrecy Act absent a determination made
9 pursuant to a rulemaking required under this sec-
10 tion.

11 (e) PRESERVATION OF EXISTING AUTHORITIES.—

12 Nothing in this section may be construed to—

13 (1) limit the authority of the Commission under
14 the securities laws to investigate violations, bring ac-
15 tions, or issue subpoenas with respect to persons de-
16 termined, pursuant to rulemaking, to be subject to
17 the securities laws under this section; or

18 (2) limit the authority of the Secretary of the
19 Treasury under the Bank Secrecy Act, including to
20 investigate violations or bring actions with respect to
21 persons determined, pursuant to rulemaking, to be
22 subject to the Bank Secrecy Act.

23 (f) NON-DECENTRALIZED FINANCE TRADING PRO-
24 TOCOLS.—

1 (1) IN GENERAL.—In adopting rules under sub-
2 section (b), the Commission shall treat a decentral-
3 ized governance system and any person participating
4 in the decentralized governance system as separate
5 persons unless such persons are under common con-
6 trol or acting pursuant to an agreement, arrange-
7 ment, or understanding to act in concert.

8 (2) EMERGENCY MEASURES.—

9 (A) IN GENERAL.—Pre-defined, temporary
10 rules-based cybersecurity emergency measures
11 exercised by an incident-response or security
12 council exclusively in response to a specific and
13 documented cybersecurity incident or imminent
14 threat and pursuant to publicly disclosed, on-
15 chain authorization mechanisms, strictly limited
16 in scope and duration solely to address such
17 specific and documented cybersecurity incident
18 or imminent threat, and without unilateral con-
19 trol by any single person, shall not, by them-
20 selves, constitute common control or an agree-
21 ment, arrangement, or understanding to act in
22 concert, provided that such rules and authori-
23 ties, including the procedures and operational
24 limits governing such emergency measures, are
25 disclosed in publicly available written docu-

1 mentation reasonably available to the applicable
2 Federal regulator, by a decentralized govern-
3 ance system or similar legal entity sufficiently
4 in advance of any exercise of such emergency
5 powers.

6 (B) PROHIBITION.—The emergency meas-
7 ures described in subparagraph (A) may not be
8 used to implement protocol upgrades, govern-
9 ance decisions, or economic changes that are
10 unrelated to the mitigation of the applicable cy-
11 bersecurity incident or imminent threat, as de-
12 scribed in that subparagraph.

13 (3) STANDARDS.—The standards criteria for
14 temporary rules-based cybersecurity emergency
15 measures under paragraph (2) shall be established
16 by rulemaking pursuant to subsection (b).

17 **SEC. 10302. ILLICIT FINANCE OBLIGATIONS FOR DISTRIB-**
18 **UTED LEDGER MESSAGING SYSTEMS.**

19 (a) DEFINITIONS.—In this section:

20 (1) DISTRIBUTED LEDGER MESSAGING SYS-
21 TEM.—The term “distributed ledger messaging sys-
22 tem”—

23 (A) means a web-hosted software applica-
24 tion that provides a user with the ability to cre-
25 ate or submit an instruction, communication, or

1 message to a distributed ledger application or
2 decentralized finance trading protocol for the
3 purpose of executing a transaction by the user;
4 and

5 (B) does not include—

6 (i) a distributed ledger application;

7 (ii) a distributed ledger protocol;

8 (iii) a distributed ledger system;

9 (iv) a decentralized finance trading
10 protocol;

11 (v) any client, node, validator, or
12 other form of computational infrastructure
13 with respect to a distributed ledger system;
14 or

15 (vi) any software or hardware wallet
16 that facilitates the custody of an individual
17 of their digital assets.

18 (2) UNITED STATES SANCTION LAW.—The
19 term “United States sanction law” means any Fed-
20 eral law imposing, or authorizing the imposition of,
21 economic sanctions.

22 (b) GUIDANCE.—Not later than 360 days after the
23 date of enactment of this Act, the Secretary of the Treas-
24 ury shall issue guidance with respect to the economic sanc-
25 tions and anti-money laundering and countering the fi-

1 nancing of terrorism obligations, risk management prac-
2 tices, or compliance considerations, applicable to a distrib-
3 uted ledger messaging system that is owned or operated
4 by a United States person, as defined in any law imposing
5 or authorizing the imposition of economic sanctions, which
6 may include—

7 (1) the use of commercially reasonable distrib-
8 uted ledger-analytics screening measures, through
9 industry-standard distributed ledger-analytics tools,
10 to identify wallet addresses that are owned by sanc-
11 tioned persons, involve jurisdictions or financial in-
12 stitutions subject to United States sanctions, or ac-
13 tivity prohibited by United States sanctions;

14 (2) blocking, rejecting, preventing the routing
15 of, or otherwise restricting attempted transactions
16 prohibited by United States sanction laws;

17 (3) blocking or restricting transactions that ex-
18 hibit indicators of ransomware activity, illicit finance
19 typologies, or any other pattern that presents a sig-
20 nificant and identifiable illicit finance risk based on
21 a commercially reasonable distributed ledger-ana-
22 lytics assessment to identify transactions that in-
23 volve ransomware activity and other illicit finance
24 activity; and

1 (4) implementing and maintaining risk-based
2 measures, consistent with applicable law, to identify,
3 mitigate, and address anti-money laundering and
4 countering the financing of terrorism risks, includ-
5 ing—

6 (A) monitoring for risk indicators and lim-
7 iting exposure to illicit-finance risks, which may
8 include restricting, limiting, or otherwise miti-
9 gating exposure to high-risk transactions; and

10 (B) complying, as applicable, with special
11 measures implemented by the Secretary of the
12 Treasury under section 5318A of title 31,
13 United States Code.

14 (c) ENFORCEMENT AND PENALTIES.—The Secretary
15 of the Treasury and any other Federal agency with rel-
16 evant jurisdiction have the authority, as applicable, to en-
17 force this section using their existing authorities, as of the
18 day before the date of enactment of this Act, under appli-
19 cable law.

20 (d) RULES OF CONSTRUCTION.—Nothing in this sec-
21 tion may be construed to—

22 (1) alter or amend any laws imposing or au-
23 thorizing imposition of economic sanctions by the
24 United States, including those that apply to United

1 States persons that own or operate a distributed
2 ledger messaging system;

3 (2) expand or contract the applicability of—

4 (A) economic sanctions, anti-money laun-
5 dering, or any other illicit finance laws in effect
6 as of the day before the date of enactment of
7 this Act to any person, including any person
8 that owns or operates a distributed ledger mes-
9 saging system; or

10 (B) the definition of a “financial institu-
11 tion” under applicable laws, which shall not
12 apply to non-controlling developers or providers
13 as defined in section 10604(b)(3); or

14 (3) restrict the authority of the Secretary of the
15 Treasury to implement, administer, and enforce, in-
16 cluding by imposing civil money penalties, any law
17 imposing or authorizing the imposition of economic
18 sanctions or any law to prevent money laundering or
19 illicit finance otherwise provided by Federal law to
20 the Secretary of the Treasury.

21 **SEC. 10303. SPECIAL MEASURE RELATING TO CERTAIN**
22 **TRANSMITTALS OF FUNDS.**

23 Section 5318A of title 31, United States Code, is
24 amended—

1 (1) in subsection (a)(2)(C), by striking “sub-
2 section (b)(5)” and inserting “paragraph (5) or (6)
3 of subsection (b)”;

4 (2) in subsection (b), by adding at the end the
5 following:

6 “(6) SPECIAL MEASURE FOR CERTAIN TRANS-
7 MITTALS OF FUNDS.—If the Secretary of the Treas-
8 ury finds that a jurisdiction outside of the United
9 States, 1 or more financial institutions operating
10 outside of the United States, or 1 or more classes
11 of transactions within, or involving, a jurisdiction
12 outside of the United States is of primary money
13 laundering concern in connection with illicit finance
14 through the use of digital assets, as defined in sec-
15 tion 2 of the GENIUS Act (12 U.S.C. 5901), the
16 Secretary may, by order, regulation, or otherwise as
17 permitted by law, prohibit, or impose conditions
18 upon, certain transmittals of funds (to be defined by
19 the Secretary by regulation) by any domestic finan-
20 cial institution or domestic financial agency, if such
21 transmittal of funds involves any such institution,
22 class of transaction, or type of account.”.

23 **SEC. 10304. OFFSHORE STABLECOIN REPORT.**

24 (a) DEFINITIONS.—In this section:

1 (1) MATERIAL VOLUME OF TRANSACTIONS.—

2 The term “material volume of transactions” means
3 a sustained level of transaction activity that is—

4 (A) publicly observable;

5 (B) exceeds de minimis usage over a 12-
6 month period; and

7 (C) is reasonably likely to affect the illicit
8 finance or national security risk exposure of the
9 United States.

10 (2) PAYMENT STABLECOIN.—The term “pay-
11 ment stablecoin” has the meaning given the term in
12 section 2 of the GENIUS Act (12 U.S.C. 5901).

13 (3) UNITED STATES-DEPENDENT OFFSHORE
14 STABLECOIN.—The term “United States-dependent
15 offshore stablecoin” means a payment stablecoin—

16 (A) that is not issued by a permitted pay-
17 ment stablecoin issuer or any foreign payment
18 stablecoin issuer registered with the Comp-
19 troller (as those terms are defined in section 2
20 of the GENIUS Act (12 U.S.C. 5901));

21 (B) that is issued by a person operating
22 outside of the United States; and

23 (C) the value of which is supported or
24 backed by a reserve of assets that has a sub-

1 stantial nexus to the United States, which may
2 include—

3 (i) obligations of the United States,
4 including United States Treasury securi-
5 ties and repurchase agreements backed by
6 United States Treasury securities and
7 funds held as deposits at any bank subject
8 to the jurisdiction of the United States;

9 (ii) deposits maintained at a banking
10 entity or insured depository institution lo-
11 cated in the United States, including cor-
12 respondent or payable-through accounts;

13 (iii) securities issued or guaranteed by
14 the United States or any agency or instru-
15 mentality thereof; or

16 (iv) assets custodied, cleared, or set-
17 tled through payment, clearing, or settle-
18 ment systems located in the United States.

19 (b) REPORT.—Not later than June 30 of the second
20 calendar year that begins after the date of enactment of
21 this Act, and every 4 years thereafter for not more than
22 3 reports, the Secretary of the Treasury shall submit to
23 the Committee on Banking, Housing, and Urban Affairs
24 of the Senate and the Committee on Financial Services
25 of the House of Representatives, and make available on

1 the website of the Department of the Treasury, a report
2 assessing whether there is credible, articulable, and pub-
3 licly supportable evidence of significant illicit finance
4 threats or vulnerabilities associated with any United
5 States-dependent offshore stablecoin employed in a mate-
6 rial volume of transactions.

7 (c) CONTENTS.—Each report required under sub-
8 section (b) shall include—

9 (1) an assessment of the illicit finance risk of
10 each United States-dependent offshore stablecoin
11 employed in a material volume of transactions;

12 (2) an assessment of the controls employed by
13 the issuers of United States-dependent offshore
14 stablecoins to address the use of such stablecoins in
15 illicit finance, as available;

16 (3) data and information regarding the volume
17 of United States-dependent offshore stablecoins as-
18 sessed to be employed in connection with illicit fi-
19 nance, as available;

20 (4) a general description of the relationships be-
21 tween United States-dependent offshore stablecoins
22 and the financial system of the United States, in-
23 cluding principal channels of interaction; and

24 (5) such other information or analysis as the
25 Secretary of the Treasury deems relevant to assess-

1 ing the illicit finance risks of United States-depend-
2 ent offshore stablecoins.

3 (d) CLASSIFIED ANNEX.—Each report required
4 under subsection (b) shall be submitted in unclassified
5 form, but may contain a classified annex.

6 (e) NATIONAL STRATEGY.—The reporting require-
7 ment under subsection (b) may be met as part of the na-
8 tional strategy for combating terrorist and other illicit fi-
9 nancing required under sections 261 and 262 of the Coun-
10 tering America’s Adversaries Through Sanctions Act
11 (Public Law 115–44; 131 Stat. 934) for the reporting
12 years.

13 (f) RULE OF CONSTRUCTION.—Nothing in this sec-
14 tion may be construed to authorize—

15 (1) the disclosure of any information that is
16 protected from disclosure under Federal law; and

17 (2) the collection or use of any information
18 other than publicly available data or information
19 lawfully obtained by the Department of the Treasury
20 under existing authorities, as of the day before the
21 date of enactment of this Act.

22 **SEC. 10305. TEMPORARY HOLD FOR CERTAIN DIGITAL**
23 **ASSET TRANSACTIONS.**

24 (a) DEFINITIONS.—In this section:

1 (1) COVERED AGENCY.—The term “covered
2 agency” means any State or Federal law enforce-
3 ment agency, including the Department of the
4 Treasury.

5 (2) COVERED PERSON.—The term “covered
6 person” means a person that is—

7 (A) a permitted payment stablecoin issuer;

8 (B) a foreign payment stablecoin issuer (as
9 defined in section 2 of the GENIUS Act (12
10 U.S.C. 5901)) registered with the Office of the
11 Comptroller of the Currency pursuant to section
12 18(c) of that Act (12 U.S.C. 5916(c)); or

13 (C) a digital asset service provider, as that
14 term is defined in section 2 of the GENIUS Act
15 (12 U.S.C. 5901).

16 (3) PAYMENT STABLECOIN; PERMITTED PAY-
17 MENT STABLECOIN ISSUER.—The terms “payment
18 stablecoin” and “permitted payment stablecoin
19 issuer” have the meanings given those terms in sec-
20 tion 2 of the GENIUS Act (12 U.S.C. 5901).

21 (4) QUALIFIED WRITTEN REQUEST.—The term
22 “qualified written request” means a written commu-
23 nication issued by an authorized official of a covered
24 agency that—

1 (A) identifies a specific wallet, address, ac-
2 count, or transaction reasonably suspected of
3 being linked to illicit activity;

4 (B) requests a covered person initiate an
5 action with respect to the specified wallet, ad-
6 dress, account, or transaction reasonably sus-
7 pected of being linked to illicit activity, includ-
8 ing delaying the execution of a transaction, con-
9 version, or withdrawal involving digital assets;
10 and

11 (C) includes a designated agency contact.

12 (5) TEMPORARY HOLD.—The term “temporary
13 hold” means a restriction applied by a covered per-
14 son that delays execution of a transaction, conver-
15 sion, or withdrawal involving digital assets for a rea-
16 sonable period of time, not to exceed 30 calendar
17 days, which may be extended for an additional 150
18 calendar days pursuant to a qualified written re-
19 quest.

20 (b) PROTECTION FROM PRIVATE CAUSES OF AC-
21 TION.—

22 (1) IN GENERAL.—Any covered person that, in
23 good faith and in compliance with this section, or
24 any person complying with a temporary lawful order
25 under subsection (c) that, voluntarily implements a

1 temporary hold shall not be held liable pursuant to
2 any Federal or State private right of action for im-
3 plementing the temporary hold, provided that—

4 (A) the covered person or other person, as
5 applicable—

6 (i) implements the temporary hold
7 based on a reasonable belief the trans-
8 action, conversion, or withdrawal relates to
9 a violation or attempted violation of State
10 or Federal law; or

11 (ii) implements the temporary hold
12 after receiving a qualified written request
13 from a covered agency;

14 (B) the covered person—

15 (i) makes reasonable efforts to notify
16 the affected customer of the temporary
17 hold;

18 (ii) reasonably determines that notifi-
19 cation would impede actual or potential
20 law enforcement efforts; or

21 (iii) receives a qualified written re-
22 quest from a covered agency that requests
23 notification not be attempted; and

24 (C) the covered person notifies as soon as
25 reasonably practicable an appropriate State or

1 Federal law enforcement agency or the Federal
2 Trade Commission, provided that such notifica-
3 tion is not required when the covered person
4 has received a qualified written request from a
5 covered agency.

6 (2) DOCUMENTATION.—A covered person
7 shall—

8 (A) maintain for the 3-year period fol-
9 lowing the implementation of a temporary hold
10 documentation of the basis for applying a tem-
11 porary hold; and

12 (B) make available the documentation de-
13 scribed in subparagraph (A) upon the request
14 of a covered agency or the Federal Trade Com-
15 mission.

16 (c) COMPLIANCE WITH TEMPORARY LAWFUL OR-
17 DERS.—A permitted payment stablecoin issuer shall com-
18 ply with any valid writ, process, order, rule, decree, com-
19 mand, or other requirement issued or promulgated under
20 Federal law by a court of competent jurisdiction that—

21 (1) requires a person to freeze or prevent the
22 transfer of payment stablecoins;

23 (2) specifies the payment stablecoins or ac-
24 counts subject to blocking with reasonable particu-
25 larity; and

1 (3) is subject to judicial or administrative re-
2 view 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
6 take action to freeze, seize, or block digital assets
7 that is not otherwise required under existing Federal
8 or State law, as in effect on the day before the date
9 of enactment 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 Fed-
3 eral Trade Commission, respectively.

4 **SEC. 10306. VOLUNTARY CYBERSECURITY PROGRAM FOR**
5 **DECENTRALIZED 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 sub-
10 sections (b) and (d) of section 15H of the Securities
11 Exchange Act of 1934, as added by section 10601.

12 (2) DIRECTOR.—The term “Director” means
13 the Director of NIST.

14 (3) NIST.—The term “NIST” means the Na-
15 tional Institute of Standards and Technology.

16 (b) ESTABLISHMENT OF PROGRAM.—The Director
17 shall, in consultation with the Commission and the Com-
18 modity Futures Trading Commission, establish a vol-
19 untary program for the adoption by persons developing de-
20 centralized finance trading protocols or engaging in cov-
21 ered activities of applicable cybersecurity standards pub-
22 lished by NIST.

23 (c) DEVELOPMENT OF PROGRAM CRITERIA.—

24 (1) REQUEST FOR INFORMATION.—The Direc-
25 tor shall issue a request for information in the Fed-

1 eral Register to gather input from experts and in-
2 dustry stakeholders on—

3 (A) cybersecurity threats, vulnerabilities,
4 and risks to decentralized finance trading pro-
5 tocols;

6 (B) auditing and code security standards,
7 including best practices for code audits;

8 (C) consumer protection and code trans-
9 parency best practices on decentralized finance
10 trading protocols; and

11 (D) existing NIST standards, as of the day
12 before the date of enactment of this Act, and
13 their applicability to decentralized finance trad-
14 ing protocols.

15 (2) REPORT.—The Director shall develop a re-
16 port on the software development of decentralized fi-
17 nance protocols to assess technical input from para-
18 graph (1).

19 (3) PUBLICATION OF PROGRAM CRITERIA.—
20 After evaluating input provided under paragraph
21 (1), the Director shall release a special publication
22 containing a detailed evaluation of cybersecurity best
23 practices and existing applicable standards, as of the
24 day before the date of enactment of this Act, for de-
25 centralized finance trading protocols, to provide pro-

1 gram criteria to software developers and industry
2 stakeholders under the voluntary program, which
3 shall include a summary of public comments and re-
4 sponses as to how input was incorporated.

5 (4) REQUESTS FOR REVISION.—

6 (A) IN GENERAL.—After the Director pub-
7 lishes the program criteria under paragraph
8 (3), the Director shall issue a request for com-
9 ment in the Federal Register to gather input on
10 the workability of the program.

11 (B) PETITION.—The public may petition
12 the Director to reevaluate certain aspects of the
13 program criteria published under paragraph
14 (3).

15 (5) PROGRAM UPDATES.—As the technology un-
16 derpinning decentralized finance trading protocols
17 evolves, the Director shall update the special publi-
18 cation under paragraph (3) in compliance with sub-
19 section (d).

20 (d) PROGRAM.—

21 (1) APPLICATION.—A person seeking evaluation
22 of a decentralized finance trading protocol or a cov-
23 ered activity under the program established under
24 subsection (b) shall submit to the Director an appli-
25 cation at such time and in such manner as the Di-

1 rector considers appropriate for purposes of the pro-
2 gram.

3 (2) REVIEW.—In carrying out the program es-
4 tablished under subsection (b), the Director shall re-
5 view each application submitted by a person under
6 paragraph (1) of this subsection.

7 (3) DETERMINATION.—In carrying out a review
8 under paragraph (2) of an application regarding a
9 decentralized finance trading protocol or covered ac-
10 tivity, the Director shall determine whether the pro-
11 tocol or activity is in compliance with existing appli-
12 cable standards, frameworks, and guidelines pub-
13 lished by the Director under subsection (c).

14 (4) NOTICE.—For each determination made
15 under paragraph (3) pursuant to an application by
16 a person of a decentralized finance trading protocol
17 or covered activity, the Director shall transmit to the
18 person a notice of the determination.

19 (e) BENEFITS OF PROGRAM.—

20 (1) DISPLAY.—A person that receives notice
21 under subsection (d)(4) that the Director has deter-
22 mined that a decentralized finance trading protocol
23 or a covered activity has adopted the applicable cy-
24 bersecurity standards published by NIST, the person

1 may publicly display a designation, seal, or other
2 identifier issued by the Director.

3 (2) TREATMENT OF ADOPTION.—In adopting a
4 regulation or guidance relating to this section, a
5 Federal agency shall consider adoption of cybersecu-
6 rity standards under the program required by sub-
7 section (b) as evidence of good faith compliance with
8 the law.

9 (f) RULE OF CONSTRUCTION RELATING TO PREEMP-
10 TION.—Nothing in this section may be construed to pre-
11 empt any otherwise applicable provision of law of a State.

12 **SEC. 10307. AMENDMENTS TO MONETARY INSTRUMENT**
13 **DEFINITION.**

14 (a) DEFINITIONS.—In this section:

15 (1) SELF-HOSTED WALLET.—The term “self-
16 hosted wallet” means a digital interface—

17 (A) that is used to secure and transfer dig-
18 ital assets; and

19 (B) under which the owner of digital assets
20 secured and transferred under subparagraph
21 (A) retains independent control over those dig-
22 ital assets.

23 (2) UNITED STATES SANCTION LAW.—The term
24 “United States sanction law” has the meaning given
25 the term in section 10302(a).

1 (b) MONETARY INSTRUMENTS.—Section
2 5312(a)(3)(D) of title 31, United States Code, is amended
3 by inserting “, including digital assets (as defined in sec-
4 tion 2 of the GENIUS Act (12 U.S.C. 5901)), as may
5 be applicable,” after “value”.

6 (c) TREASURY RISK ASSESSMENT.—As part of the
7 national strategy for combating terrorist and other illicit
8 financing required under sections 261 and 262 of the
9 Countering America’s Adversaries Through Sanctions Act
10 (Public Law 115–44; 131 Stat. 934), the Secretary of the
11 Treasury shall consider—

12 (1) illicit activity, such as money laundering
13 and sanctions evasion, involving self-hosted wallets;

14 (2) the effectiveness of and gaps in existing (as
15 of the day before the date of enactment of this Act)
16 methods, techniques, and strategies used by regu-
17 lated financial institutions in detecting illicit activity,
18 such as money laundering, involving self-hosted wal-
19 lets;

20 (3) any illicit actors, including nation state ac-
21 tors, that pose a high risk of facilitating illicit activ-
22 ity through the use of self-hosted wallets;

23 (4) the benefits of the use of self-hosted wallets
24 to—

1 (A) enhance user privacy and civil liberties
2 through direct asset custody; and

3 (B) expand financial inclusion and access
4 for communities underserved by traditional fi-
5 nancial institutions;

6 (5) end user and counterparty risks associated
7 with self-hosted wallets, including consumer fraud,
8 cybersecurity, and identity verification;

9 (6) the use of hardware self-hosted wallets to
10 smuggle digital assets for financing cross-border il-
11 licit activity;

12 (7) the use of hardware self-hosted wallets for
13 tax evasion and asset concealment; and

14 (8) other considerations the Secretary may de-
15 termine appropriate.

16 (d) GUIDANCE.—The Secretary of the Treasury may
17 issue guidance for financial institutions that transact with
18 self-hosted wallets based on the results of the research on
19 benefits and risks required under subsection (c), which
20 shall not—

21 (1) require a regulated entity to collect, with re-
22 spect to any transaction, personally identifiable in-
23 formation about the controller of a self-hosted wallet
24 when the controller is not both the customer of the
25 regulated entity and a party to such transaction, ex-

1 cept as required by Federal law, including United
2 States sanctions laws and regulations or lawful proc-
3 ess; or

4 (2) be construed to hinder, restrict, or other-
5 wise impair the authority of any Federal agency to
6 investigate, detect, counteract, or prevent illegal ac-
7 tivity.

8 **SEC. 10308. RISK MANAGEMENT STANDARDS FOR DIGITAL**
9 **ASSET INTERMEDIARIES.**

10 (a) IN GENERAL.—Before conducting trading activity
11 (including display of trading interest, entering orders,
12 routing orders, and effecting transactions) through a de-
13 centralized finance trading protocol, a digital asset inter-
14 mediary shall implement risk management standards as
15 described in subsection (b) with respect to trading using
16 that decentralized finance trading protocol.

17 (b) REQUIREMENTS.—The risk management stand-
18 ards applicable to a digital asset intermediary shall be
19 comprised of the following:

20 (1) Conducting an effective risk analysis with
21 respect to the decentralized finance trading protocol,
22 including—

23 (A) money laundering and sanctions eva-
24 sion risks, including whether trading will in-

1 involve activity relating to a primary money laun-
2 dering concern;

3 (B) fraud and market manipulation;

4 (C) operational and cybersecurity risk, in-
5 cluding settlement; and

6 (D) implementing robust policies and pro-
7 cedures to mitigate the risks identified under
8 this 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, cyber intrusions,
13 money laundering, and sanctions evasion occurring
14 on the decentralized finance trading protocol, which
15 may include the use of alternative tools that will
16 properly target such risks, including distributed
17 ledger analytics tools.

18 (4) Implementing an effective risk-based proce-
19 dure for determining whether to execute, reject, or
20 suspend an incoming or outgoing transaction relat-
21 ing to the decentralized finance trading protocol, as
22 applicable, including a determination based on sus-
23 pected risk of money laundering, sanctions evasion,
24 fraud, or market manipulation.

1 (5) Consistent with this subsection, imple-
2 menting other reasonable standards which may be
3 required by rule.

4 (c) EXAMINATIONS.—

5 (1) COMPLIANCE.—The Commission or the
6 Commodity Futures Trading Commission, or other
7 appropriate self-regulatory organization, shall verify
8 compliance with the requirements of this section as
9 part of a regular examination of the digital asset
10 intermediary at the frequency and under the condi-
11 tions otherwise provided by law or rule.

12 (2) RULE OF CONSTRUCTION.—Nothing in this
13 section may be construed to limit the authority of
14 the Financial Crimes Enforcement Network or the
15 Office of Foreign Assets Control from conducting
16 examinations, investigations, or enforcement actions
17 relating 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 con-
21 sultation with the Commission and the Commodity
22 Futures Trading Commission, shall adopt rules to
23 implement the money laundering and sanctions eva-
24 sion risk analysis standards of this section.

1 (2) The Commission and the Commodity Fu-
2 tures Trading Commission shall adopt rules to im-
3 plement this section other than the provisions de-
4 scribed in paragraph (1).

5 (3) Rules adopted under this paragraph shall be
6 reasonably tailored to the size of the applicable dig-
7 ital asset intermediary and risks of the digital asset
8 intermediary that are reasonably knowable to the
9 digital asset intermediary.

10 **SEC. 10309. 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 con-
15 tracts, that obfuscate or eliminate the source or other
16 forms of identification of the holder of a digital asset, in-
17 cluding by pooling assets from different holders and redis-
18 tributing those assets among holders.

19 (b) REPORT.—Not later than 1 year after the date
20 of enactment of this Act, the Secretary of the Treasury
21 shall, in consultation with the Attorney General and State
22 and local law enforcement agencies, submit to the Com-
23 mittee on Banking, Housing, and Urban Affairs of the
24 Senate and the Committee on Financial Services of the

1 House of Representatives a report that analyzes the fol-
2 lowing issues:

3 (1) Current (as of the date on which the report
4 is submitted) typologies of digital asset mixers and
5 tumblers and historical transaction volume.

6 (2) Estimates of the percentage of transactions
7 relating to digital asset mixers and tumblers that
8 are used by actors engaged in illicit finance.

9 (3) Estimates of the reliance, and financial ex-
10 posure, of centralized exchanges and traditional fi-
11 nancial institutions to digital asset mixers and tum-
12 blers, and the extent to which centralized exchanges
13 and traditional financial institutions are adequately
14 implementing anti-money laundering and economic
15 sanctions compliance with respect to digital asset
16 mixers and tumblers.

17 (4) An assessment of potential non-illicit uses
18 of mixers and tumblers described in paragraph (1),
19 including privacy benefits.

20 (5) An analysis of regulatory approaches em-
21 ployed by other jurisdictions relating to digital asset
22 mixers and tumblers.

23 (6) Recommendations for legislation or regula-
24 tion relating to digital asset mixers and tumblers.

1 **SEC. 10310. GAO STUDY ON INTERMEDIARIES IN FOREIGN**
2 **JURISDICTIONS.**

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
16 paragraph (1).

17 (b) REPORT.—Not later than 1 year after the date
18 of enactment of this Act, the Comptroller General of the
19 United States shall submit to Congress a report con-
20 taining all findings and determinations made in carrying
21 out the study required under subsection (a).

22 **SEC. 10311. 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 COMMIT-
5 TEES.—The term “relevant congressional commit-
6 tees” 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
14 of the House of Representatives;

15 (E) the Committee on Agriculture of the
16 House of Representatives; and

17 (F) the Permanent Select Committee on
18 Intelligence 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
21 Treasury, in consultation with the Commodity Futures
22 Trading Commission and the Commission, shall conduct
23 a study and submit a report to the relevant congressional
24 committees, 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
6 foreign 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
11 adversary.

12 (c) GAO STUDY AND REPORT.—Not later than 1
13 year after the date of enactment of this Act, the Comp-
14 troller General shall conduct a study and submit a report
15 to the relevant congressional committees, which may in-
16 clude a classified 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
20 a foreign adversary;

21 (2) determines whether any government of a
22 foreign 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
2 adversary.

3 **SEC. 10312. 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
8 Security Agency, and the Director of the National Insti-
9 tute of Standards and Technology, shall conduct a study
10 on cybersecurity standards applicable to digital asset
11 smart contracts, custody, key management, and smart
12 contract deployment.

13 (b) REPORT.—

14 (1) IN GENERAL.—Not later than 365 days
15 after the date of enactment of this Act, the Sec-
16 retary shall submit to the Committee on Banking,
17 Housing, and Urban Affairs of the Senate and the
18 Committee on Financial Services of the House of
19 Representatives a 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
24 paragraph (1) may include a classified annex, as ap-
25 propriate.

1 **SEC. 10313. STUDIES ON FINANCIAL STABILITY RISKS OF**
2 **DECENTRALIZED FINANCE TRADING AND**
3 **CREDIT IN DIGITAL COMMODITY MARKETS.**

4 Not later than 1 year after the date of enactment
5 of this Act, and every 4 years thereafter until 4 consecu-
6 tive reports have been issued, the Secretary of the Treas-
7 ury, the Board of Governors of the Federal Reserve Sys-
8 tem, the Commission, and the Commodity Futures Trad-
9 ing Commission 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
17 the pricing and trading of financial instru-
18 ments, including descriptions of any link-
19 ages between such protocols and tradi-
20 tional financial instrument; and

21 (iv) the types and volumes of financial
22 activity conducted through such protocols;

23 (B) the risks of decentralized finance pro-
24 tocols to financial stability, fair and orderly
25 markets, and otherwise to the financial system
26 of the United States, which shall include a

1 quantification of those risks, to the extent pos-
2 sible;

3 (C) the strategies and guardrails regu-
4 lators and market participants have used and
5 are using to mitigate risks arising from the use
6 of decentralized finance protocols; and

7 (D) an assessment of whether the regu-
8 latory framework adequately controls any risk
9 with respect to decentralized finance protocols;

10 (2) conduct a separate study examining the
11 risks to financial stability and orderly markets aris-
12 ing from the extension and maintenance of credit
13 with respect to digital assets by digital asset service
14 providers, 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
20 in the market for digital assets and the finan-
21 cial system; and

22 (3) submit to the Committee on Banking,
23 Housing, and Urban Affairs of the Senate, the Com-
24 mittee on Agriculture, Nutrition, and Forestry of
25 the Senate, the Committee on Financial Services of

1 the House of Representatives, and the Committee on
2 Agriculture of the House of Representatives a report
3 on the studies conducted under paragraphs (1) and
4 (2), which—

5 (A) shall include legislative and regulatory
6 recommendations, as appropriate; and

7 (B) may include a classified annex.

8 **TITLE IV—RESPONSIBLE**
9 **BANKING INNOVATION**

10 **SEC. 10401. PERMISSIBILITY OF DIGITAL ASSET ACTIVI-**
11 **TIES.**

12 (a) DEFINITIONS.—In this section:

13 (1) APPROPRIATE FEDERAL BANKING AGENCY;
14 STATE BANK; STATE BANK SUPERVISOR; STATE
15 MEMBER BANK.—The terms “appropriate Federal
16 banking agency”, “State bank”, “State bank super-
17 visor”, and “State member bank” have the mean-
18 ings given those terms in section 3 of the Federal
19 Deposit Insurance Act (12 U.S.C. 1813).

20 (2) CUSTOMER-DRIVEN TRANSACTION.—The
21 term “customer-driven transaction”—

22 (A) means a transaction that is entered
23 into for a valid and independent business pur-
24 pose of a customer; and

1 (B) does not include a transaction, the
2 principal purpose of which is to deliver to a fi-
3 nancial holding company, insured State bank,
4 or national bank assets that the financial hold-
5 ing company, insured State bank, or national
6 bank, respectively, could not invest in directly.

7 (3) FEDERAL BRANCH; STATE BRANCH.—The
8 terms “Federal branch” and “State branch” have
9 the meanings given those terms in section 1(b) of
10 the International Banking Act of 1978 (12 U.S.C.
11 3101).

12 (4) FEDERAL CREDIT UNION; INSURED CREDIT
13 UNION.—The terms “Federal credit union” and “in-
14 sured credit union” have the meanings given those
15 terms in section 101 of the Federal Credit Union
16 Act (12 U.S.C. 1752).

17 (5) FINANCIAL HOLDING COMPANY.—The term
18 “financial holding company” has the meaning given
19 the term in section 2 of the Bank Holding Company
20 Act of 1956 (12 U.S.C. 1841).

21 (6) FINANCIAL SUBSIDIARY.—The term “finan-
22 cial subsidiary” has the meaning given the term in
23 section 5136A(g)(3) of the Revised Statutes (12
24 U.S.C. 24a).

1 (7) INSURED STATE BANK.—The term “insured
2 State bank” means a State bank, the deposits of
3 which are insured by the Federal Deposit Insurance
4 Corporation.

5 (8) NATIONAL BANK.—The term “national
6 bank” means a national banking association.

7 (9) STATE CREDIT UNION SUPERVISOR.—The
8 term “State credit union supervisor” has the mean-
9 ing given the term in section 6003 of the Anti-
10 Money Laundering Act of 2020 (31 U.S.C. 5311
11 note).

12 (b) AUTHORIZED ACTIVITIES FOR FINANCIAL HOLD-
13 ING COMPANIES AND FINANCIAL SUBSIDIARIES.—

14 (1) IN GENERAL.—A financial holding company
15 or financial subsidiary may use a digital asset or dis-
16 tributed ledger system to perform, provide, or deliver
17 any activity, function, product, or service that the fi-
18 nancial holding company is otherwise authorized by
19 law to perform, provide, or deliver.

20 (2) FINANCIAL IN NATURE.—The activities de-
21 scribed in subsection (g) are financial in nature, or
22 incidental to a financial activity, for purposes of sec-
23 tion 4(k) of the Bank Holding Company Act of 1956
24 (12 U.S.C. 1843(k)) and section 5136A(b) of the
25 Revised Statutes (12 U.S.C. 24a(b)).

1 (3) RULE OF CONSTRUCTION.—Nothing in this
2 subsection may be construed to exempt the perform-
3 ance, provision, or delivery by a financial holding
4 company or financial subsidiary of an activity, func-
5 tion, product, or service from a requirement that
6 would apply if the activity were not performed, pro-
7 vided, or delivered using a digital asset or distrib-
8 uted ledger system.

9 (c) AUTHORIZED ACTIVITIES FOR NATIONAL
10 BANKS.—

11 (1) IN GENERAL.—

12 (A) AUTHORIZED ACTIVITIES.—A national
13 bank may use a digital asset or distributed
14 ledger system to perform, provide, or deliver
15 any activity, function, product, or service that
16 the national bank is otherwise authorized by
17 law to perform, provide, or deliver.

18 (B) BRANCHES OF FOREIGN BANKS.—

19 (i) FEDERAL BRANCHES.—Consistent
20 with section 4(b) of the International
21 Banking Act of 1978 (12 U.S.C. 3102(b)),
22 the activities authorized for a national
23 bank under subparagraph (A) and para-
24 graph (2) shall be permissible for a Fed-
25 eral branch, subject to any limitations that

1 would apply to those activities pursuant to
2 the International Banking Act of 1978 (12
3 U.S.C. 3101 et seq.) if the activity were
4 not performed, provided, or delivered using
5 a digital asset or distributed ledger system.

6 (ii) RULE OF CONSTRUCTION FOR
7 STATE BRANCHES.—For the purposes of
8 activities engaged in by a State branch as
9 principal under section 7(h) of the Inter-
10 national Banking Act of 1978 (12 U.S.C.
11 3105(h)), the activities authorized under
12 clause (i) are permissible activities of a
13 Federal branch.

14 (2) BUSINESS OF BANKING AND OTHER AU-
15 THORIZED ACTIVITIES.—The activities described in
16 subsection (g) are authorized as part of the business
17 of banking, or incidental to the business of banking,
18 under the paragraph designated as the “Seventh” of
19 section 5136 of the Revised Statutes (12 U.S.C. 24)
20 or under other applicable law.

21 (3) RULES OF CONSTRUCTION.—Nothing in
22 this subsection may be construed to—

23 (A) exempt the performance, provision, or
24 delivery by a national bank of an activity, func-
25 tion, product, or service from a prohibition, re-

1 restriction, registration, limitation, or other re-
2 quirement that would apply if the activity were
3 not performed, provided, or delivered using a
4 digital asset or distributed ledger system by a
5 national bank; or

6 (B) expand or contract the meaning of
7 “operations are or have been required by the
8 Comptroller of the Currency to be limited to
9 those of a trust company and activities related
10 thereto”, as that term is used in section
11 5169(a) of the Revised Statutes (12 U.S.C.
12 27(a)).

13 (d) STATE BANKS.—The activities authorized under
14 subsection (c) are permissible activities—

15 (1) of a national bank for purposes of activities
16 of an insured State bank and any subsidiary of an
17 insured State bank to engage in as principal under
18 subsections (a) and (d) of section 24 of the Federal
19 Deposit Insurance Act (12 U.S.C. 1831a); and

20 (2) of a State member bank, and any subsidiary
21 of a State member bank, to engage in as principal.

22 (e) AUTHORIZED ACTIVITIES FOR FEDERAL CREDIT
23 UNIONS.—

24 (1) IN GENERAL.—A Federal credit union may
25 use a digital asset or distributed ledger system to

1 perform, provide, or deliver any activity, function,
2 product, or service that the Federal credit union is
3 otherwise authorized by law to perform, provide, or
4 deliver.

5 (2) BUSINESS OF CREDIT UNIONS.—Consistent
6 with subsection (i)(3), the activities described in sub-
7 section (g) are authorized as part of, or incidental
8 to, the authority necessary or requisite to carry on
9 effectively the business for which Federal credit
10 unions are incorporated, as provided under section
11 107(17) of the Federal Credit Union Act (12 U.S.C.
12 1757(17)).

13 (3) RULE OF CONSTRUCTION.—Nothing in this
14 subsection may be construed to exempt the perform-
15 ance, provision, or delivery by a Federal credit union
16 of an activity, function, product, or service from a
17 requirement that would apply if the activity were not
18 performed, provided, or delivered using a digital
19 asset or distributed ledger system by a Federal cred-
20 it union.

21 (f) INSURED CREDIT UNIONS.—An activity author-
22 ized under subsection (e) shall be permissible for an in-
23 sured credit union and any subsidiary of an insured credit
24 union (as defined in section 2 of the GENIUS Act (12
25 U.S.C. 5901)).

1 (g) ACTIVITIES DESCRIBED.—The activities de-
2 scribed in this subsection are—

3 (1) providing custodial, fiduciary, or safe-
4 keeping services for digital assets;

5 (2) providing services related to custodial serv-
6 ices for digital assets, including staking, facilitating
7 digital asset lending, distributed ledger governance
8 services, and advancing funds for the purchase of
9 digital assets or in respect of distributions on digital
10 assets;

11 (3) making loans collateralized by digital assets;

12 (4) engaging in payment activities involving dig-
13 ital assets, including facilitating customer or prin-
14 cipal payments in connection with otherwise permis-
15 sible activities;

16 (5) operating a node on a distributed ledger;

17 (6) providing self-custodial wallet software;

18 (7) engaging in derivatives transactions, includ-
19 ing related hedging activities, in a manner consistent
20 with activities permissible under existing law;

21 (8) providing brokerage services with respect to
22 any digital asset, including clearing and execution
23 services, whether alone or in combination with other
24 permissible activities;

1 (9) facilitating transactions in the secondary
2 market for all types of digital assets on the order of
3 customers as a riskless principal to the extent of en-
4 gaging in a transaction in which a company, after
5 receiving an order to buy or sell a digital asset from
6 a customer, purchases or sells the digital asset for
7 its own account to offset a contemporaneous sale to
8 or purchase from the customer;

9 (10) holding as principal digital assets for
10 which the entity anticipates a reasonably foreseeable
11 need to the extent incidental to an otherwise permis-
12 sible activity, which shall include holding digital as-
13 sets as principal in order to pay fees arising from
14 interactions with a distributed ledger system or for
15 the purposes of risk management, treasury services,
16 liquidity management or trade or margin settlement
17 or similar purposes, subject to the otherwise applica-
18 ble limitations on the activities of a banking entity
19 pursuant to section 13 of the Bank Holding Com-
20 pany Act of 1956 (12 U.S.C. 1851) and only to the
21 extent that the terms and prohibitions of that sec-
22 tion apply to a transaction; and

23 (11) underwriting, dealing in, or making a mar-
24 ket in digital assets in customer-driven transactions,
25 including related hedging activities in connection

1 with those customer-driven transactions, subject to
2 the otherwise applicable limitations on the activities
3 of a banking entity pursuant to section 13 of the
4 Bank Holding Company Act of 1956 (12 U.S.C.
5 1851) and only to the extent that the terms and pro-
6 hibitions of that section apply to a transaction.

7 (h) OTHER REQUIREMENTS.—There shall be no
8 other prior notice or approval requirements to engage in
9 the activities described in subsections (b) through (g) of
10 this section other than those required under title LXII of
11 the Revised Statutes, the Act entitled “An Act to place
12 authority over the trust powers of national banks in the
13 Comptroller of the Currency”, approved September 28,
14 1962 (12 U.S.C. 92a et seq.), the Federal Reserve Act
15 (12 U.S.C. 221 et seq.), the Bank Holding Company Act
16 of 1956 (12 U.S.C. 1841 et seq.), or the Federal Credit
17 Union Act (12 U.S.C. 1751 et seq.) and the regulations
18 promulgated under those Acts.

19 (i) RULE OF CONSTRUCTION.—Nothing in this sec-
20 tion may be construed to—

- 21 (1) exclude other possible permissible activities
22 that are not activities described in subsection (g);
- 23 (2) imply that inclusion of an activity described
24 in subsection (g) means that the activity is otherwise
25 impermissible;

1 (3) expand or contract the statutory authority
2 of a Federal credit union, an insured credit union,
3 a subsidiary of a Federal credit union, or a sub-
4 sidiary of an insured credit union (as defined in sec-
5 tion 2 of the GENIUS Act (12 U.S.C. 5901)), as
6 applicable, under applicable law, as in effect on the
7 day before the date of enactment of this Act, to en-
8 gage in an activity of a type described in paragraph
9 (7), (8), (9), (10), or (11) of subsection (g), except
10 that, to the extent such entity is otherwise author-
11 ized to engage in such an activity, the use of a dig-
12 ital asset or distributed ledger system in connection
13 with the activity shall not affect the permissibility of
14 the activity;

15 (4) limit the authority of an appropriate Fed-
16 eral banking agency, a State bank supervisor, or the
17 National Credit Union Administration to determine
18 that activities other than activities described in sub-
19 section (g) are permissible for (or authorized as part
20 of) the business of banking or of credit unions, fi-
21 nancial in nature, incidental or complementary to
22 those activities, or permissible under other applicable
23 law, as applicable, through interpretations, guidance,
24 or rulemaking;

1 (5) limit the authority of an appropriate Fed-
2 eral banking agency, or a State bank supervisor, to
3 supervise and take enforcement action with respect
4 to an insured depository institution (or, to the extent
5 applicable, a financial holding company) engaging in
6 a digital asset activity authorized by this section
7 that the appropriate Federal banking agency or
8 State bank supervisor, as applicable, determines,
9 pursuant to applicable law, to be an unsafe or un-
10 sound practice or a violation of a law, rule, or regu-
11 lation, or any condition imposed in writing; or

12 (6) limit the authority of the National Credit
13 Union Administration or a State credit union super-
14 visor to supervise and take enforcement action with
15 respect to an insured credit union engaging in a dig-
16 ital asset activity authorized under this section that
17 the National Credit Union Administration or State
18 credit union supervisor, as applicable, determines,
19 pursuant to applicable law, to be—

20 (A) an unsafe or unsound practice; or

21 (B) a violation of a law, rule, regulation, or
22 condition imposed in writing.

23 (j) APPLICATION.—The authorities described in this
24 section shall not apply to nonfungible assets.

1 **SEC. 10402. JOINT RULES FOR PORTFOLIO MARGINING DE-**
2 **TERMINATIONS.**

3 (a) IN GENERAL.—The Commodity Futures Trading
4 Commission and the Commission shall jointly issue rules
5 to facilitate portfolio margining of securities (including re-
6 lated extensions of credit), security-based swaps, futures
7 contracts for future delivery, options on futures contracts
8 for future delivery, swaps, and digital commodities, or any
9 subset thereof, for persons registered with either such
10 Commission, in—

11 (1) a securities account carried by a registered
12 broker or dealer or a security-based swap account
13 carried by a registered security-based swap dealer;

14 (2) a futures or cleared swap account carried by
15 a registered futures commission merchant;

16 (3) a swap account carried by a swap dealer; or

17 (4) a digital commodity account carried by a
18 registered digital commodity broker or digital com-
19 modity dealer that is also registered in such other
20 capacity as is necessary to also carry the other cus-
21 tomer or counterparty positions being held in the ac-
22 count.

23 (b) PROCESS.—The rules required to be jointly issued
24 under subsection (a) shall—

25 (1) describe the treatment of any account to
26 which the rules relate, and any assets that may be

1 held therein, in a proceeding under title 11, United
2 States Code, the Securities Investor Protection Act
3 of 1970 (15 U.S.C. 78aaa et seq.), title II of the
4 Dodd-Frank Wall Street Reform and Consumer Pro-
5 tection Act (12 U.S.C. 5381 et seq.), or any other
6 applicable insolvency law with respect to the person
7 carrying the account;

8 (2) be issued only if that issuance is in the pub-
9 lic interest and provides for the appropriate protec-
10 tion of customers, including appropriate disclosures
11 to each current and potential customer concerning
12 the treatment of any account to which the rules re-
13 late, and any assets that may be held therein, in a
14 proceeding under title 11, United States Code, the
15 Securities Investor Protection Act of 1970 (15
16 U.S.C. 78aaa et seq.), title II of the Dodd-Frank
17 Wall Street Reform and Consumer Protection Act
18 (12 U.S.C. 5381 et seq.), or any other applicable in-
19 solvency law with respect to the person carrying the
20 account;

21 (3) require the Commission and the Commodity
22 Futures Trading Commission to consider the public
23 interest of, and the protection of investors by, those
24 rules through the solicitation of public comments;
25 and

1 (4) require the Commission and the Commodity
2 Futures Trading Commission to—

3 (A) consult with other relevant foreign or
4 domestic regulators, including the Board of
5 Governors of the Federal Reserve System, the
6 Federal Deposit Insurance Corporation, the Of-
7 fice of the Comptroller of the Currency, and
8 State bank supervisors, as appropriate; and

9 (B) if the rules pertain to a securities ac-
10 count carried by a registered broker or dealer
11 that is a member of the Securities Investor Pro-
12 tection Corporation, consult with the Securities
13 Investor Protection Corporation.

14 **SEC. 10403. CAPITAL REQUIREMENTS TO ADDRESS NET-**
15 **TING AGREEMENTS.**

16 (a) DEFINITIONS.—In this section, the terms “depos-
17 itory institution holding company” and “insured deposi-
18 tory institution” have the meanings given those terms in
19 section 3 of the Federal Deposit Insurance Act (12 U.S.C.
20 1813).

21 (b) CAPITAL REQUIREMENTS.—Not later than 360
22 days after the date of enactment of this Act, the Board
23 of Governors of the Federal Reserve System, the Comp-
24 troller of the Currency, and the Chair of the Federal De-
25 posit Insurance Corporation shall develop risk-based and

1 leverage capital requirements for insured depository insti-
2 tutions, depository institution holding companies, and
3 nonbank financial companies supervised by the Board of
4 Governors of the Federal Reserve System that address
5 netting agreements that provide for termination and close-
6 out netting across multiple types of financial transactions,
7 consistent with section 10402, in the event of the default
8 of a counterparty.

9 **SEC. 10404. PROHIBITING INTEREST AND YIELD ON PAY-**
10 **MENT STABLECOINS.**

11 (a) DEFINITIONS.—In this section:

12 (1) AFFILIATE.—The term “affiliate” means
13 any entity that controls, is controlled by, or is under
14 common control with another entity.

15 (2) COMMISSIONS.—The term “Commissions”
16 means the Commission and the Commodity Futures
17 Trading Commission.

18 (3) COMPTROLLER; FOREIGN PAYMENT
19 STABLECOIN ISSUER; PAYMENT STABLECOIN; PER-
20 MITTED PAYMENT STABLECOIN ISSUER.—The terms
21 “Comptroller”, “foreign payment stablecoin issuer”,
22 “payment stablecoin”, and “permitted payment
23 stablecoin issuer” have the meanings given those
24 terms in section 2 of the GENIUS Act (12 U.S.C.
25 5901).

1 (4) COVERED PARTY.—The term “covered
2 party” means any digital asset service provider, to-
3 gether with all of its affiliates, but in each case ex-
4 cluding any permitted payment stablecoin issuer or
5 foreign payment stablecoin issuer registered with the
6 Comptroller.

7 (5) DEPOSIT.—The term “deposit” has the
8 meaning given the term in section 3 of the Federal
9 Deposit Insurance Act (12 U.S.C. 1813).

10 (6) RESTRICTED RECIPIENT.—The term “re-
11 stricted recipient” means a United States person
12 that is a customer or user of a covered party.

13 (7) UNITED STATES PERSON.—The term
14 “United States person” means a person that is a
15 resident of the United States or is organized or in-
16 corporated under the laws of the United States.

17 (b) SENSE OF CONGRESS.—It is the sense of Con-
18 gress that—

19 (1) depository institutions provide financial
20 services that are integral to the strength of the econ-
21 omy of the United States and that the payment of
22 consideration by digital asset service providers to
23 United States customers or users based on their
24 payment stablecoin balances in a manner that is eco-
25 nomically or functionally equivalent to the payment

1 of interest or yield on an interest-bearing bank de-
2 posit may inhibit the key functions of depository in-
3 stitutions in the economy of the United States; and

4 (2) payment stablecoins represent a significant
5 innovation in financial infrastructure that can
6 strengthen the United States payments system and
7 the primacy of the United States dollar and that ac-
8 tivity-based rewards and incentives tied to the use of
9 payment stablecoins and participation in distributed
10 ledger systems are critical to enabling innovation,
11 competition, and consumer adoption.

12 (c) PROHIBITION ON INTEREST AND YIELD.—

13 (1) IN GENERAL.—No covered party shall, di-
14 rectly or indirectly, pay any form of interest or yield
15 (whether in cash, tokens, or other consideration) to
16 a restricted recipient—

17 (A) solely in connection with the holding of
18 the payment stablecoins of that restricted re-
19 cipient; or

20 (B) on a payment stablecoin balance in a
21 manner that is economically or functionally
22 equivalent to the payment of interest or yield on
23 an interest-bearing bank deposit.

24 (2) ACTIVITY-BASED OR TRANSACTION-BASED
25 REWARDS AND INCENTIVES PERMITTED.—

1 (A) IN GENERAL.—The prohibition under
2 paragraph (1) shall not apply with respect to
3 rewards or incentives based on bona fide activi-
4 ties or bona fide transactions that are not eco-
5 nomically or functionally equivalent to the pay-
6 ment of interest or yield on an interest-bearing
7 bank deposit pursuant to the regulations pro-
8 mulgated under paragraph (3).

9 (B) EQUIVALENCE TO BANK DEPOSITS.—
10 Except as permitted under subparagraph (A),
11 the prohibition under paragraph (1) shall apply
12 to the payment of interest or yield (whether in
13 cash, tokens, or other consideration) by a cov-
14 ered party to a restricted recipient in connec-
15 tion with a loyalty, promotional, subscription, or
16 incentive program that is economically or func-
17 tionally equivalent to the payment of interest or
18 yield on an interest-bearing bank deposit.

19 (3) RULEMAKING.—

20 (A) IN GENERAL.—Not later than 1 year
21 after the date of enactment of this Act, the
22 Commissions and the Secretary of the Treasury
23 shall jointly promulgate regulations through no-
24 tice and comment rulemaking to clarify the cir-
25 cumstances under which the prohibition and

1 permissible rewards and incentives in para-
2 graphs (1) and (2) shall apply. Such rule-
3 making shall include a non-exhaustive list of
4 permissible activity-based or transaction-based
5 rewards or incentives, including payments to re-
6 stricted recipients in connection with or in com-
7 pensation for any of the following, provided
8 such payments are not economically or func-
9 tionally equivalent to the payment of interest or
10 yield on an interest-bearing bank deposit:

11 (i) A transaction, payment, transfer,
12 conversion, remittance, or settlement activ-
13 ity, including a rebate or incentive pro-
14 vided in connection with the acceptance or
15 use of a payment stablecoin.

16 (ii) Providing liquidity for market-
17 marking activity, posting of collateral in
18 connection with trading, or otherwise put-
19 ting assets at credit or investment risk.

20 (iii) The use of any product or service,
21 including participation in governance, vali-
22 dation, staking, or a loyalty, promotional,
23 subscription, or incentive program.

24 (B) CALCULATION BY REFERENCE.—Pay-
25 ments to restricted recipients of consideration,

1 rewards, or benefits that are permissible pursu-
2 ant to paragraph (2) and subparagraph (A) of
3 this paragraph may be calculated by reference
4 to a balance, duration, tenure, or any combina-
5 tion of the foregoing.

6 (4) EVASION.—It shall be unlawful for a cov-
7 ered party to violate the prohibition under para-
8 graph (1) or rules promulgated pursuant to para-
9 graph (3). A covered party may not circumvent or
10 evade such prohibition or rules. The Commissions
11 and the Secretary may jointly issue such rules as
12 may be necessary or appropriate to prevent cir-
13 cumvention or evasion of the prohibition under para-
14 graph (1) or the rules promulgated pursuant to
15 paragraph (3).

16 (5) GOOD FAITH RELIANCE.—A covered party
17 that structures a program in good faith reliance on
18 paragraphs (2) and (3) shall not be subject to pen-
19 alties if a subsequent rulemaking or adjudication de-
20 termines the program falls outside paragraphs (2)
21 and (3), provided—

22 (A) the covered party comes into compli-
23 ance within 90 days of such determination; and

24 (B) the violation is not substantially simi-
25 lar to a past violation by the covered party.

1 (d) PROHIBITION ON SPECIFIED REPRESENTA-
2 TIONS.—

3 (1) CERTAIN MARKETING PRACTICES.—No cov-
4 ered party shall represent that—

5 (A) payment stablecoins are investment
6 products, deposits, backed by the full faith and
7 credit of the United States, guaranteed by the
8 United States Government, subject to deposit
9 insurance by the Federal Deposit Insurance
10 Corporation, or subject to share insurance by
11 the National Credit Union Administration; or

12 (B) any compensation (whether in cash, to-
13 kens, or other consideration) paid to a re-
14 stricted recipient in connection with the hold-
15 ing, use, or retention of the payment stablecoins
16 of that restricted recipient is—

17 (i) paid or generated by the payment
18 stablecoin itself, a permitted payment
19 stablecoin issuer, or a foreign payment
20 stablecoin issuer registered with the Comp-
21 troller;

22 (ii) risk-free or comparable to interest
23 paid on a deposit; or

24 (iii) offered, administered, or paid by
25 a person other than the covered party.

1 (2) MISLEADING.—No covered party shall omit
2 material information necessary to prevent any mar-
3 keting, promotion, or description described in this
4 subsection from being misleading.

5 (e) DISCLOSURES.—

6 (1) IN GENERAL.—Not later than 1 year after
7 the date of enactment of this Act, the Commissions
8 and the Secretary of the Treasury shall jointly pro-
9 mulgate rules requiring clear and conspicuous disclo-
10 sure, in plain English, of any compensation (whether
11 in cash, tokens, or other consideration) paid by a
12 covered party in connection with the holding, use, or
13 retention of the payment stablecoins of a restricted
14 recipient in a manner that is consistent with sub-
15 section (d).

16 (2) REQUIREMENTS.—In promulgating rules
17 under paragraph (1), the Commissions and the Sec-
18 retary of the Treasury shall require that any re-
19 quired disclosure of compensation described in that
20 paragraph, and any related term, representation, or
21 description—

22 (A) is presented in a clear, factual, nonpro-
23 motional, and non-misleading manner;

24 (B) clearly identifies the circumstances
25 under which such compensation can be paid;

1 (C) clearly identifies the person or persons
2 responsible for offering, administering, and pay-
3 ing such compensation, including whether such
4 persons are affiliated with the issuer of associ-
5 ated payment stablecoins;

6 (D) outlines all material terms with respect
7 to such compensation; and

8 (E) includes a statement that payment
9 stablecoins are not investment products, depos-
10 its, backed by the full faith and credit of the
11 United States, guaranteed by the United States
12 Government, subject to deposit insurance by the
13 Federal Deposit Insurance Corporation, or sub-
14 ject to share insurance by the National Credit
15 Union Administration.

16 (3) PROHIBITION.—After the date on which the
17 rules promulgated under paragraph (1) become ef-
18 fective, no covered party shall market the offering of
19 compensation (whether in cash, tokens, or other con-
20 sideration) paid by such covered party in connection
21 with the holding, use, or retention of the payment
22 stablecoins of a restricted recipient unless the cov-
23 ered party has provided the disclosures required
24 under this subsection.

1 (4) SATISFACTION OF REQUIREMENT.—A cov-
2 ered party that provides the disclosures required
3 under this subsection shall be deemed not to have
4 made a representation that is prohibited under sub-
5 section (d), provided that—

6 (A) any marketing, promotion, or descrip-
7 tion with respect to the applicable compensation
8 does not contradict those disclosures; and

9 (B) those disclosures are presented in plain
10 English and in a clear and conspicuous manner.

11 (f) PENALTY.—

12 (1) CIVIL MONETARY PENALTY.—Whoever
13 knowingly and willfully participates in a violation of
14 subsection (c)(1), (d)(1), (d)(2), or (e)(3), or rules
15 issued under subsection (c)(4), shall be subject to a
16 civil monetary penalty by the Department of the
17 Treasury of not more than \$5,000,000 for each such
18 violation.

19 (2) DETERMINATION OF THE NUMBER OF VIO-
20 LATIONS.—For purposes of determining the number
21 of violations for this subsection, separate acts of
22 noncompliance are a single violation when the acts
23 are a result of—

24 (A) a common or substantially overlapping
25 originating cause; or

1 (B) the same statement or publication.

2 (g) REFERRAL TO SECRETARY OF THE TREASURY.—

3 If the Commission or the Commodity Futures Trading
4 Commission has reason to believe that any covered party
5 has knowingly and willfully violated subsection (c)(1),
6 (d)(1), (d)(2), or (e)(3), or rules issued under subsection
7 (c)(4), the Commission or the Commodity Futures Trad-
8 ing Commission, as applicable, shall refer the matter to
9 the Secretary of the Treasury.

10 (h) REPORT TO CONGRESS.—Not later than 2 years
11 after the date of enactment of this Act, the Board of Gov-
12 ernors of the Federal Reserve System, the Comptroller of
13 the Currency, the Federal Deposit Insurance Corporation,
14 the National Credit Union Administration, and the Sec-
15 retary of the Treasury shall jointly submit to the Com-
16 mittee on Banking, Housing, and Urban Affairs of the
17 Senate and the Committee on Financial Services of the
18 House of Representatives a report on payment stablecoin
19 activity that—

20 (1) analyzes and quantifies—

21 (A) the adoption of United States dollar-
22 denominated payment stablecoins and of other
23 payment stablecoins issued by permitted pay-
24 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
9 the dollar in global foreign exchange trans-
10 actions, global foreign exchange reserves, and
11 global trade;

12 (D) the effect of United States dollar-de-
13 nominated payment stablecoins on increasing
14 access to financial services for unbanked and
15 underbanked persons, both domestically and
16 globally;

17 (E) the effect of United States dollar-de-
18 nominated payment stablecoins on payment
19 costs 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 re-
3 spect to the payment stablecoins of restricted recipi-
4 ents, including through rewards, incentives, or simi-
5 lar programs; and

6 (3) analyzes and quantifies the effect of any
7 compensation described in paragraph (2) and the ef-
8 fect of prohibitions on the payment of interest or
9 yield by covered parties under this division and by
10 issuers of payment stablecoins under section
11 4(a)(11) of the GENIUS Act (12 U.S.C.
12 5903(a)(11)) on—

13 (A) the volume, stickiness, composition,
14 and concentration of deposits at depository in-
15 stitutions, including any deposit outflows from
16 depository institutions and the extent to which
17 community banks and credit unions are dis-
18 proportionately affected thereby;

19 (B) net interest margin accrued to deposi-
20 tory institutions;

21 (C) the average rate of interest paid to de-
22 positors at depository institutions;

23 (D) consumer and business access to cred-
24 it;

1 (E) financial arrangements between depos-
2 itory institutions and digital asset service pro-
3 viders and issuers of payment stablecoins; and

4 (F) the items described in paragraph (1).

5 (i) NO DEEMING OF PAYMENT OF INTEREST OR
6 YIELD.—For purposes of this section, a covered party
7 shall not be deemed to violate the prohibition in subsection
8 (c) solely because an unaffiliated third party independ-
9 ently makes a payment with respect to a payment
10 stablecoin, unless the covered party directs or maintains
11 significant influence over the offering of such consider-
12 ation and the offering of such consideration would other-
13 wise violate the prohibition in subsection (c).

14 (j) CLARIFICATION OF SCOPE AND REGULATORY AU-
15 THORITY.—

16 (1) COMPENSATION.—The prohibitions under
17 subsections (c), (d), and (e) shall only apply to com-
18 pensation paid in connection with a payment
19 stablecoin or payment stablecoin balance.

20 (2) OTHER ASSETS.—Nothing in this section
21 shall be construed to authorize the Commissions or
22 the Secretary of the Treasury to regulate, restrict,
23 or prohibit the payment of any compensation paid in
24 connection with any asset other than a payment
25 stablecoin.

1 (k) NON-APPLICABILITY.—Nothing in this section
2 shall—

3 (1) modify, alter, or extend prohibitions on the
4 payment of yield, interest, or consideration applica-
5 ble to permitted payment stablecoin issuers or for-
6 eign payment stablecoin issuers, including under sec-
7 tion 4(a)(11) of the GENIUS Act (12 U.S.C.
8 5903(a)(11)); or

9 (2) prohibit the disclosure by covered parties of
10 truthful, non-misleading factual information or any
11 information otherwise required by Federal law or
12 regulation.

13 **SEC. 10405. EXPANDED SECURITIES PORTFOLIO MARGIN**
14 **ACCOUNTS UNDER THE SECURITIES INVES-**
15 **TOR PROTECTION ACT OF 1970.**

16 (a) AMENDMENTS.—The Securities Investor Protec-
17 tion Act of 1970 (15 U.S.C. 78aaa et seq.) is amended—

18 (1) in section 9(a) (15 U.S.C. 78fff–3(a))—

19 (A) in paragraph (4), by striking “and” at
20 the end;

21 (B) in paragraph (5), by striking the pe-
22 riod at the end and inserting “; and”; and

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

24 “(6) no advance shall be made by SIPC to the
25 trustee to pay or otherwise satisfy any net equity

1 claim of any customer with respect to any digital
2 commodities or swaps held in an expanded securities
3 portfolio margin account.”;

4 (2) in section 10(g) (15 U.S.C. 78fff–4(g)), by
5 striking “16(12)” and inserting “16(13)”; and

6 (3) in section 16 (15 U.S.C. 78lll)—

7 (A) by redesignating paragraphs (7)
8 through (14) as paragraphs (8) through (15),
9 respectively;

10 (B) by inserting after paragraph (6) the
11 following:

12 “(7) EXPANDED SECURITIES PORTFOLIO MAR-
13 GIN ACCOUNT.—The term ‘expanded securities port-
14 folio margin account’ means a customer account—

15 “(A) that is maintained by a broker or
16 dealer registered with the Commission;

17 “(B) that includes positions in securities,
18 security-based swaps, futures contracts, options
19 on futures contracts, swaps, digital commod-
20 ities, or other financial instruments, or any
21 combination thereof, as permitted by rule joint-
22 ly issued by the Commission and the Com-
23 modity Futures Trading Commission;

24 “(C) that is subject to portfolio margining
25 requirements approved pursuant to section

1 10402 of the Digital Asset Market Clarity Act;
2 and

3 “(D) in which margin requirements are de-
4 termined on a risk-based, portfolio-wide basis,
5 rather than on an instrument-by-instrument
6 basis.”; and

7 (C) in paragraph (10), as so redesignated,
8 in the matter following subparagraph (L), by
9 striking “a transaction in the portfolio mar-
10 gining account” and inserting “the portfolio
11 margin account or expanded securities port-
12 folio margin account”.

13 (b) RULES.—

14 (1) DEFINITIONS.—In this subsection:

15 (A) EXPANDED SECURITIES PORTFOLIO
16 MARGIN ACCOUNT.—The term “expanded secu-
17 rities portfolio margin account” has the mean-
18 ing given the term in section 16 of the Securi-
19 ties Investor Protection Act of 1970 (15 U.S.C.
20 78lll), as amended by this section.

21 (B) SIPC.—The term “SIPC” means the
22 Securities Investor Protection Corporation.

23 (2) ISSUANCE OF RULES.—Notwithstanding
24 any provision of the Securities Investor Protection
25 Act of 1970 (15 U.S.C. 78aaa et seq.), in jointly

1 issuing rules under section 10402, the Commission
2 and the Commodity Futures Trading Commission,
3 in consultation with the SIPC and the Secretary of
4 the Treasury, shall issue rules relating to the treat-
5 ment under that Act of securities (including related
6 extensions of credit), security-based swaps, contracts
7 of sale of a commodity for future delivery, options
8 on contracts of sale of a commodity for future deliv-
9 ery, swaps, digital commodities, cash, or other prop-
10 erty (to the extent that such instruments, cash, or
11 other property effectively hedge or collateralize a se-
12 curities position) held in an account offering port-
13 folio margining carried as a securities account by a
14 registered broker or dealer pursuant to an expanded
15 securities portfolio margin account to facilitate port-
16 folio margining in a manner that protects customers,
17 including portfolio margin customers, which shall in-
18 clude rules relating to—

19 (A) the transfer of accounts;

20 (B) the allocation of customer property
21 among customers;

22 (C) the eligibility of products and positions
23 to be held in an expanded securities portfolio
24 margin account, including any disclosures to

1 and any elections that may need to be per-
2 formed by customers;

3 (D) the application of customer protection
4 or segregation requirements as between securi-
5 ties customers who are and are not maintaining
6 positions in an expanded securities portfolio
7 margin account;

8 (E) further defining the terms, solely as
9 relating to an expanded securities portfolio
10 margin account, “customer”, “customer prop-
11 erty”, and “net equity”, as necessary or appro-
12 priate to address non-securities and non-cash
13 positions and assets held in an expanded securi-
14 ties portfolio margin account, and in a manner
15 consistent with subparagraphs (A) through (D);
16 and

17 (F) any interaction between a securities
18 account and an expanded securities portfolio
19 margin account, including any funding of debits
20 in one type of account by credits in the other
21 type of account.

22 (3) PROCESS FOR ISSUANCE OF RULES.—The
23 requirements of section 10402(b) shall apply with
24 respect to the rules issued under this subsection.

1 (c) EFFECT OF RULES.—An expanded securities
2 portfolio margin account may not be offered, maintained,
3 or utilized until the final rules required under subsection
4 (b) are issued.

5 **TITLE V—RESPONSIBLE**
6 **REGULATORY INNOVATION**

7 **SEC. 10501. CFTC-SEC MICRO-INNOVATION SANDBOX.**

8 (a) DEFINITIONS.—In this section:

9 (1) COMMISSION.—The term “Commission”
10 means either of the Commissions, as the context re-
11 quires.

12 (2) COMMISSIONS.—The term “Commissions”
13 means the Securities and Exchange Commission and
14 the Commodity Futures Trading Commission.

15 (3) ELIGIBLE FIRM.—The term “eligible firm”
16 means a person that is eligible to participate in the
17 Sandbox, in accordance with the requirements under
18 this section.

19 (4) INNOVATIVE.—The term “innovative”
20 means new or emerging technology, or a novel appli-
21 cation of technology, including artificial intelligence,
22 that—

23 (A) provides a financial product, service,
24 business model, or delivery mechanism to the
25 public; and

1 (B) lacks—

2 (i) a substantially comparable, widely
3 available analogue in common use in the
4 United States; and

5 (ii) an analogous Federal regulatory
6 regime.

7 (5) PERSON.—The term “person” means a per-
8 son, as defined in section 3(a) of the Securities Ex-
9 change Act of 1934 (15 U.S.C. 78c(a)) or section 1a
10 of the Commodity Exchange Act (7 U.S.C. 1a), as
11 amended by this Act.

12 (6) SANDBOX.—The term “Sandbox” means
13 the CFTC-SEC Micro-Innovation Sandbox estab-
14 lished under subsection (b).

15 (7) SELF-REGULATORY ORGANIZATION.—The
16 term “self-regulatory organization” means a self-
17 regulatory organization, as defined in—

18 (A) section 3(a) of the Securities Exchange
19 Act of 1934 (15 U.S.C. 78c(a)); or

20 (B) section 1.52(a)(2) of title 17, Code of
21 Federal Regulations, or any successor regula-
22 tion.

23 (b) ESTABLISHMENT.—Not later than 360 days after
24 the date of enactment of this Act, the Commissions shall,
25 by joint notice and comment rulemaking, establish a

1 CFTC-SEC Micro-Innovation Sandbox to enable eligible
2 firms to test innovative activities within the United States,
3 subject to—

4 (1) applicable Federal and State securities and
5 commodities laws;

6 (2) other State laws that are not specific to the
7 regulation of securities or commodities; and

8 (3) the limitations of this section.

9 (c) ELIGIBLE FIRM.—

10 (1) IN GENERAL.—A United States-based per-
11 son shall be an eligible firm, and shall be eligible to
12 participate in the Sandbox, if the person—

13 (A) submits an application under sub-
14 section (e) that is approved under that sub-
15 section;

16 (B) seeks to conduct an eligible and lawful
17 innovative activity in the United States;

18 (C) is not subject to—

19 (i) a statutory disqualification, as de-
20 fined in section 3(a) of the Securities Ex-
21 change Act of 1934 (15 U.S.C. 78c(a));

22 (ii) a disqualification under section
23 8a(2) of the Commodity Exchange Act (7
24 U.S.C. 12a(2)); or

1 (iii) a disqualification under State
2 law;

3 (D) does not have a criminal conviction for
4 fraud;

5 (E) agrees to submit to the jurisdiction
6 and oversight of the Commissions, to the extent
7 that the person is not subject to that jurisdic-
8 tion or oversight, for purposes of, and while
9 participating in, the Sandbox;

10 (F) designates to the Commissions an indi-
11 vidual as a point of contact with respect to ac-
12 tivities that the person undertakes as an appli-
13 cant and participant with respect to the Sand-
14 box;

15 (G) employs not more than 25 employees;
16 and

17 (H) has annual gross revenues of not more
18 than \$10,000,000 in any fiscal year.

19 (2) APPLICATION OF REQUIREMENTS.—The re-
20 quirements under paragraph (1) shall be satisfied
21 during the entire period in which an eligible firm
22 participates in the Sandbox.

23 (d) ELIGIBLE ACTIVITIES AND ACTIVITY CEIL-
24 INGS.—

25 (1) LIST OF ELIGIBLE ACTIVITIES.—

1 (A) IN GENERAL.—After providing notice
2 and an opportunity for public comment, the
3 Commissions shall maintain and publish a list
4 of eligible innovative activities, which shall be—

5 (i) updated once every 2 years after
6 providing notice and an opportunity for
7 public comment;

8 (ii) reasonably tailored to include ac-
9 tivities that—

10 (I) further the purposes of this
11 section; and

12 (II) are consistent with the inter-
13 ests of the public and the protection
14 of investors;

15 (iii) sufficiently flexible to accommo-
16 date evolving technological developments,
17 including distributed ledger-based products
18 and services; and

19 (iv) focused exclusively on activities
20 for which specific provisions of the securi-
21 ties laws and commodities laws may create
22 a material impediment to the proposed in-
23 novative activity.

24 (B) IDENTIFICATION OF REQUIRE-
25 MENTS.—

1 (i) IN GENERAL.—For each eligible
2 innovative activity, the Commissions shall,
3 consistent with existing (as of the day be-
4 fore the date of enactment of this Act)
5 statutory and regulatory precedent con-
6 cerning the respective jurisdiction of each
7 Commission, identify the requirements that
8 each Commission will administer.

9 (ii) JOINT JURISDICTION.—With re-
10 spect to an eligible innovative activity that
11 is subject to the jurisdiction of both Com-
12 missions, the rulemaking under subsection
13 (b) shall specify which requirements each
14 Commission will administer and any co-
15 ordinated conditions needed to protect in-
16 vestors and market integrity.

17 (2) ACTIVITY CEILINGS.—For each eligible in-
18 novative activity, the Commissions shall, after public
19 input and consultation, establish individual customer
20 and monetary ceilings, which shall provide that an
21 eligible firm may not raise or commit more than
22 \$20,000,000 in aggregate customer, investor, or
23 counterparty funds in connection with Sandbox ac-
24 tivities.

1 (3) ANNUAL PARTICIPATION CAP.—Each of the
2 Commissions may approve not more than 20
3 projects per year.

4 (e) APPLICATION.—

5 (1) IN GENERAL.—An eligible firm seeking to
6 participate in the Sandbox shall submit to the Com-
7 mission or Commissions, as applicable, an applica-
8 tion that—

9 (A) describes the proposed innovative ac-
10 tivity and the desired outcomes;

11 (B) subject to approval of the applicable
12 Commission, identifies the provisions of the se-
13 curities laws, or of the Commodity Exchange
14 Act (7 U.S.C. 1 et seq.) (as amended by this
15 Act), from which the eligible firm proposes to
16 be exempt during the period in which the eligi-
17 ble firm participates in the Sandbox, which—

18 (i) shall not include any Federal or
19 State anti-fraud law or any other law that
20 is not specific to the regulation of securi-
21 ties or commodities; and

22 (ii) shall be subject to the limitations
23 of this section;

24 (C) sets forth how relief from the provi-
25 sions of law identified under subparagraph (B)

1 is reasonably necessary to engage in the innova-
2 tive activity;

3 (D) identifies material risks to investors,
4 customers, or market integrity and how the eli-
5 gible firm will mitigate those risks;

6 (E) certifies that the eligible firm will com-
7 ply with applicable Federal and State anti-fraud
8 laws;

9 (F) states an exit objective of the eligible
10 firm involving action from the applicable Com-
11 mission, which may include registration, an ex-
12 emptive order, interpretive guidance, a no-ac-
13 tion letter, or a rulemaking petition, together
14 with milestones and metrics the eligible firm
15 will use to demonstrate readiness for that exit;

16 (G) states the agreement of the eligible
17 firm to submit to the jurisdiction and oversight
18 of the Commissions, to the extent that the eligi-
19 ble firm is not otherwise subject to that juris-
20 diction and oversight, for purposes of, and while
21 participating in, the Sandbox;

22 (H) designates to the Commissions an in-
23 dividual as a point of contact with respect to
24 activities that the eligible firm undertakes as an

1 applicant and participant with respect to the
2 Sandbox; and

3 (I) states the agreement of the eligible firm
4 to abide by any condition that either of the
5 Commissions may impose for engaging in an el-
6 igible innovative activity in the Sandbox.

7 (2) DEADLINE FOR DECISION.—Not later than
8 180 business days after the date on which an eligible
9 firm submits an application under this subsection,
10 the Commission or Commissions, as applicable, shall
11 make a decision with respect to the application, after
12 which the eligible firm submitting the application
13 may commence eligible innovative activities in the
14 Sandbox unless the application is denied.

15 (3) UPDATES AND STATUS REPORTS.—Each eli-
16 gible firm shall submit to the Commission or Com-
17 missions, as applicable, on a semi-annual basis while
18 participating in the Sandbox, an updated application
19 that—

20 (A) describes any material changes to the
21 information originally provided under para-
22 graph (1); and

23 (B) reports the progress of the eligible
24 firm toward the stated exit objective described
25 in paragraph (1)(F), including milestones

1 achieved, remaining impediments, and any
2 pending requests for official action before the
3 applicable Commission or the Commissions.

4 (4) UNREDACTED AND REDACTED VERSIONS.—

5 (A) IN GENERAL.—An eligible firm that
6 submits an initial or updated application under
7 this subsection may submit to the applicable
8 Commission or the Commissions an unredacted
9 version, together with a request for confidential
10 treatment, pursuant to procedures the applica-
11 ble Commission shall establish that are modeled
12 on the rules of that Commission relating to the
13 confidential treatment of information, which
14 shall include—

15 (i) for the Securities and Exchange
16 Commission, sections 200.83, 230.406, and
17 240.24b–2 of title 17, Code of Federal
18 Regulations, or any successor regulations;
19 and

20 (ii) for the Commodity Futures Trad-
21 ing Commission, section 145.9 of title 17,
22 Code of Federal Regulations, or any suc-
23 cessor regulations.

24 (B) OMITTED INFORMATION.—An eligible
25 firm may omit information granted confidential

1 treatment under subparagraph (A) from any
2 public posting under subsection (h) in accord-
3 ance with the procedures established under sub-
4 paragraph (A).

5 (C) INDICATION OF CONFIDENTIAL INFOR-
6 MATION.—Any omission in a public posting
7 under subsection (h) shall be clearly indicated
8 by brackets with a prominent legend stating
9 that—

10 (i) confidential information has been
11 omitted; and

12 (ii) an unredacted version has been
13 filed with the applicable Commission or the
14 Commissions.

15 (f) DURATION OF PARTICIPATION.—

16 (1) DURATION.—Except as provided in para-
17 graph (2), an eligible firm may participate in the
18 Sandbox for a period of not more than 2 years, pro-
19 vided that the eligible firm does not exceed the ceil-
20 ings established under subsection (d)(2).

21 (2) EXTENSION.—

22 (A) SOLE JURISDICTION.—If an eligible in-
23 novative activity is subject only to the jurisdic-
24 tion of 1 Commission, that Commission may ex-
25 tend participation by an eligible firm in the

1 Sandbox by not more than 1 additional year, if
2 that Commission determines that the eligible
3 firm—

4 (i) is actively pursuing the exit objec-
5 tive described in subsection (e)(1)(F) in
6 good faith;

7 (ii) is making demonstrable progress
8 toward achieving such an exit; and

9 (iii) establishes that such an extension
10 is necessary to achieve such an exit.

11 (B) JOINT JURISDICTION.—Where an eligi-
12 ble innovative activity is subject to the jurisdic-
13 tion of both Commissions, an extension of par-
14 ticipation by an eligible firm in the Sandbox by
15 not more than 1 additional year shall be by
16 joint order of the Commissions after making
17 the findings described in clauses (i) through
18 (iii) of subparagraph (A).

19 (g) CONDITIONS AND ENFORCEMENT.—

20 (1) CONDITIONS.—An eligible firm shall comply
21 with applicable regulatory conditions approved by
22 the applicable Commission or the Commissions
23 under subsection (e)(1)(B), which shall be consistent
24 with applicable Federal and State anti-fraud laws.

1 (2) MONITORING.—The Commissions shall
2 monitor Sandbox activities and enforce compliance
3 with applicable regulatory conditions and Federal
4 anti-fraud laws.

5 (3) COORDINATION.—

6 (A) IN GENERAL.—The Commissions shall
7 coordinate supervision, information requests,
8 and examinations to avoid duplication while
9 each Commission retains full authority under
10 the provisions of law that such Commission ad-
11 ministers.

12 (B) COOPERATION WITH STATES.—The
13 Commissions may cooperate with any State in
14 enforcing compliance with applicable regulatory
15 conditions and Federal and State anti-fraud
16 laws with respect to the operation of the Sand-
17 box.

18 (4) SELF-REGULATORY ORGANIZATIONS.—Each
19 self-regulatory organization shall recognize and re-
20 spect Sandbox conditions that are applicable to a
21 participant in the Sandbox.

22 (5) CESSATION OF ACTIVITIES.—The Commis-
23 sions may, at any time during the participation of
24 an eligible firm in the Sandbox, disqualify the eligi-
25 ble firm from continued participation in the Sand-

1 box, order the eligible firm to cease engaging in a
2 permitted activity in the Sandbox, revoke a grant of
3 exemptive relief, or impose additional or more strin-
4 gent conditions on continuing participation or en-
5 gagement in a permitted activity in the Sandbox, if
6 the Commissions find that the eligible firm has
7 failed to comply with—

8 (A) the requirements of this section;

9 (B) the terms or conditions of participa-
10 tion established by the Commissions; or

11 (C) other applicable law.

12 (h) PUBLIC DISCLOSURE.—

13 (1) INITIAL POSTING.—Each eligible firm shall
14 post, in a prominent location on a public website of
15 the eligible firm, the information required under
16 subsection (e)(1), subject to confidential treatment
17 under subsection (e)(4), not later than the date on
18 which the notice becomes effective under subsection
19 (e)(3).

20 (2) UPDATES.—Each eligible firm shall post, in
21 the same manner as under paragraph (1), the infor-
22 mation required under subsection (e)(3), subject to
23 confidential treatment under subsection (e)(4), con-
24 currently with submission to the applicable Commis-
25 sion or the Commissions.

1 (3) DISCLOSURE REQUIREMENTS.—Each post
2 under this subsection shall satisfy the disclosure re-
3 quirements of both Commissions where the jurisdic-
4 tions of both Commissions are implicated.

5 (i) USE OF DATA BY COMMISSIONS.—Each Commis-
6 sion may collect and share data from Sandbox activities
7 with the other Commission to inform permanent, prin-
8 ciples-based regulatory frameworks that advance the mis-
9 sions of the Commissions.

10 (j) PUBLICATION BY COMMISSIONS.—Not less fre-
11 quently than annually, each Commission shall publish on
12 the public website of the Commission a report summa-
13 rizing the activities conducted under this section, includ-
14 ing—

15 (1) the number and general nature of eligible
16 firms participating in the Sandbox;

17 (2) the categories of innovative activities tested;

18 (3) the impact of Sandbox participation on in-
19 novation, investor protection, market integrity, and
20 the public interest;

21 (4) the disclosures posted by eligible firms
22 under subsection (h)(1); and

23 (5) exit outcomes, including the types of relief
24 requested and actions taken by the Commissions.

1 (k) RELATIONSHIP OF SANDBOX PARTICIPATION TO
2 STATE LAW.—

3 (1) LIMITED PREEMPTION FOR SANDBOX PAR-
4 TICIPANTS.—This section, including participation in
5 the Sandbox, and any exemption or relief granted
6 under this section, shall supersede any State securi-
7 ties or commodities law requiring registration, quali-
8 fication, or licensing as a condition of engaging in
9 an approved activity or otherwise regulating that ac-
10 tivity as a security or commodity.

11 (2) STATE ENFORCEMENT PRESERVED.—Noth-
12 ing in this section may be construed to prohibit or
13 limit any State securities or commodities regulator,
14 any State bank regulator, or any State law enforce-
15 ment agency from conducting an investigation or
16 bringing an administrative, civil, or criminal enforce-
17 ment action under—

18 (A) a State law prohibiting fraud or deceit,
19 or fraudulent, deceptive, manipulative, uneth-
20 ical, dishonest, or other unlawful conduct or
21 practices, in connection with securities or secu-
22 rities transactions;

23 (B) the anti-fraud provisions of the Com-
24 modity Exchange Act (7 U.S.C. 1 et seq.), as

1 amended by this Act, or State commodities
2 laws; or

3 (C) any State law of general applicability,
4 including such a law relating to banking, con-
5 sumer protection, contracts, property, or crimi-
6 nal conduct.

7 (3) NOTICE FILINGS.—A State may require no-
8 tice of any document filed with either of the Com-
9 missions in connection with participation in the
10 Sandbox, together with consent to service of process
11 and reasonable fees, consistent with section 18(c) of
12 the Securities Act of 1933 (15 U.S.C. 77r(c)).

13 **SEC. 10502. INTERNATIONAL COOPERATION.**

14 (a) DEFINITION.—In this section, the term “Commis-
15 sions” means the Commission and the Commodity Fu-
16 tures Trading Commission.

17 (b) COOPERATION.—In order to promote United
18 States leadership in effective, reciprocal, and innovative
19 global regulation of digital assets, and to advance the stra-
20 tegic economic and policy interests of the United States,
21 the Commissions, as appropriate—

22 (1) shall consult and coordinate with foreign
23 regulatory authorities or other relevant international
24 organizations on the application of consistent inter-

1 national standards with respect to the regulation of
2 digital assets;

3 (2) may enter into such information sharing ar-
4 rangements as may be determined to be necessary or
5 appropriate in the public interest or for the protec-
6 tion of investors, customers, and users of digital as-
7 sets;

8 (3) shall pursue reciprocal arrangements with
9 foreign regulatory authorities that ensure United
10 States-based digital asset firms, exchanges, and in-
11 frastructure providers receive treatment equivalent
12 to that granted to foreign counterparts operating
13 within the United States;

14 (4) shall advocate in international fora for the
15 development and adoption of technology-neutral,
16 open standards that preserve lawful access to public
17 distributed ledger infrastructure, support dollar-de-
18 nominated digital asset usage, and safeguard indi-
19 vidual rights, including self-custody and privacy; and

20 (5) may, as appropriate, engage in, at the least,
21 cooperative enforcement, supervisory coordination,
22 and joint technical assistance, in a manner that pro-
23 motes responsible innovation in digital financial
24 markets.

1 (c) CROSS-BORDER SANDBOX.—The Commissions
2 may leverage the activities described in paragraphs (1)
3 through (5) of subsection (b) to establish or participate
4 in cross-border regulatory sandboxes that build upon the
5 CFTC-SEC Micro-Innovation Sandbox established pursu-
6 ant to section 10501.

7 **SEC. 10503. AUTOMATED REGULATORY COMPLIANCE**
8 **STUDY.**

9 (a) DEFINITIONS.—In this section:

10 (1) AUTOMATED REGULATORY COMPLIANCE.—
11 The term “automated regulatory compliance” means
12 the use of technology, including data standards, au-
13 tomation, and distributed ledger or smart contract
14 functionality, to automate, tag, or otherwise stream-
15 line regulatory reporting, disclosure, supervisory, or
16 other compliance obligations.

17 (2) INNOVATIVE.—The term “innovative” has
18 the meaning given the term in section 10501(a).

19 (b) STUDY REQUIRED.—The Comptroller General of
20 the United States shall, in consultation with the Depart-
21 ment of the Treasury (including the Financial Crimes En-
22 forcement Network, the Office of Foreign Assets Control,
23 and the Office of Financial Research), the Office of the
24 Comptroller of the Currency, the Federal Deposit Insur-
25 ance Corporation, the National Credit Union Administra-

1 tion, the Commission, the Commodity Futures Trading
2 Commission, the Bureau of Consumer Financial Protec-
3 tion, and the Federal Housing Finance Agency, carry out
4 a study of distributed ledger-based compliance tools
5 that—

6 (1) to the extent feasible, identifies and evalu-
7 ates—

8 (A) the landscape of existing (as of the day
9 before the date of enactment of this Act) dis-
10 tributed ledger-based compliance tools for—

11 (i) statutory and regulatory disclo-
12 sures;

13 (ii) real-time reporting and audit-trail
14 logging; and

15 (iii) anti-money-laundering practices,
16 sanctions screening, and customer-identi-
17 fication checks;

18 (B) the feasibility, benefits, and risks of al-
19 lowing regulated entities to satisfy applicable
20 regulatory obligations through on-chain, code-
21 based, or other automated mechanisms;

22 (C) the potential for interoperability with
23 automated regulatory compliance mechanisms
24 across and among each of those agencies;

1 (D) the data collection systems of each of
2 those agencies; and

3 (E) standards or taxonomies, or other
4 common data elements, if any, that those agen-
5 cies could publish or adopt to support the inter-
6 operability described in subparagraph (C) in
7 order to ensure consistency and regulatory ac-
8 cess;

9 (2) recommends pilot programs, guidance, rule
10 changes, or amendments to statutes that would be
11 needed to implement effective automated regulatory
12 compliance approaches and any other related ap-
13 proaches addressed in the study;

14 (3) identifies the costs and benefits to issuers of
15 different sizes, secondary market intermediaries,
16 regulators, investors, and other applicable parties,
17 including differential impacts on smaller entities and
18 options to reduce those burdens;

19 (4) benchmarks international efforts with re-
20 spect to automated regulatory compliance mecha-
21 nisms and consults with any appropriate State, Fed-
22 eral, or foreign regulators; and

23 (5) evaluates whether existing (as of the day be-
24 fore the date of enactment of this Act) oversight, en-

1 forcement, and liability frameworks are sufficient
2 to—

3 (A) ensure accountability, transparency,
4 fairness, and consumer protection; and

5 (B) prevent misuse of distributed ledger-
6 based compliance tools.

7 (c) REPORT.—Not later than 1 year after the date
8 of enactment of this Act, the Comptroller General of the
9 United States shall make publicly available a report that
10 includes the results of the study conducted under sub-
11 section (b).

12 **SEC. 10504. REPORT ON LEGISLATIVE RECOMMENDATIONS.**

13 (a) DEFINITIONS.—In this section:

14 (1) APPROPRIATE COMMITTEES OF CON-
15 GRESS.—The term “appropriate committees of Con-
16 gress” means—

17 (A) the Committee on Banking, Housing,
18 and Urban Affairs of the Senate;

19 (B) the Committee on Agriculture, Nutri-
20 tion, and Forestry of the Senate;

21 (C) the Committee on Financial Services of
22 the House of Representatives; and

23 (D) the Committee on Agriculture of the
24 House of Representatives.

1 (2) FEDERAL FINANCIAL REGULATOR.—The
2 term “Federal financial regulator” means—

3 (A) the Board of Governors of the Federal
4 Reserve System;

5 (B) the Commodity Futures Trading Com-
6 mission;

7 (C) the Department of the Treasury;

8 (D) the Federal Deposit Insurance Cor-
9 poration;

10 (E) the Federal Housing Finance Agency;

11 (F) the National Credit Union Administra-
12 tion;

13 (G) the Office of the Comptroller of the
14 Currency;

15 (H) the Bureau of Consumer Financial
16 Protection; and

17 (I) the Commission.

18 (b) REQUIREMENT.—Not later than 1 year after the
19 date of enactment of this Act, and every 3 years thereafter
20 for a total of not fewer than 12 years after the date of
21 enactment of this Act, each Federal financial regulator
22 shall submit to the appropriate committees of Congress
23 a report that includes—

24 (1) a description of the implementation of this
25 Act and the amendments made by this Act (includ-

1 ing the adoption of rules and guidance, and the ap-
2 proval or rejection of applications submitted, under
3 this Act and the amendments made by this Act),
4 where applicable to the Federal financial regulator;
5 and

6 (2) any legislative recommendations for the fur-
7 ther effective implementation of this Act and the
8 amendments made by this Act.

9 **SEC. 10505. TOKENIZATION OF SECURITIES.**

10 (a) DEFINITIONS.—In this section:

11 (1) TOKENIZATION.—The term “tokenization”
12 means the process of creating a digital representa-
13 tion of all rights, obligations, or interests in a tan-
14 gible or intangible asset on a distributed ledger or
15 comparable technology.

16 (2) TOKENIZED.—The term “tokenized”, with
17 respect to an asset, means that the asset has under-
18 gone tokenization.

19 (b) SENSE OF CONGRESS.—It is the sense of Con-
20 gress that States should promptly consider and adopt com-
21 mercial law frameworks under the Uniform Commercial
22 Code that provide clear and uniform rules for the owner-
23 ship, control, and enforceability of rights relating to digital
24 assets.

1 (c) STUDY.—Not later than 360 days after the date
2 of enactment of this Act, the Commission shall conduct
3 a comprehensive study of the regulatory treatment of
4 tokenized securities, including custody standards, inter-
5 agency coordination, cross-border coordination, and con-
6 sumer protection.

7 (d) PARITY IN REGULATORY TREATMENT.—

8 (1) IN GENERAL.—Subject to paragraph (2), a
9 tokenized security shall be treated, for all regulatory
10 purposes, as the security that the tokenized security
11 represents, except as otherwise provided by—

12 (A) section 10106(a); or

13 (B) a rule, regulation, or order issued by
14 the Commission.

15 (2) REQUIREMENT.—A rule, regulation, or
16 order described in paragraph (1)(B) may only be
17 issued by the Commission to adapt the manner in
18 which the applicable regulatory requirements are
19 satisfied, to the extent necessary or appropriate—

20 (A) in light of the unique technological or
21 other characteristics of digital assets or sub-
22 stantially similar technology; and

23 (B) consistent with—

24 (i) what is necessary or appropriate in
25 the public interest; and

1 (ii) protecting investors, maintaining
2 fair, orderly, and efficient markets, and fa-
3 cilitating capital formation.

4 (e) PROHIBITION ON MISREPRESENTATION.—Any
5 statement or omission with respect to any material fact
6 that is made by a person in connection with the offer, sale,
7 or other representation regarding a tokenized security
8 shall be subject to the securities laws, including applicable
9 anti-fraud or anti-manipulation provisions under the secu-
10 rities laws.

11 (f) AGENCY ACTION FOR TOKENIZED SECURITIES.—

12 (1) IN GENERAL.—The Commission may issue
13 rules governing tokenized securities pursuant to the
14 requirements of this section.

15 (2) REQUIREMENTS.—Rules issued under this
16 subsection may address, consistent with sections
17 10106 and 10107, how requirements applicable to
18 an underlying security apply to custody, books and
19 records, reconciliation with transfer agents or other
20 recordkeepers, auditability, settlement finality, treat-
21 ment of chain reorganizations, and other operational
22 risks arising from the use of distributed ledger tech-
23 nology or comparable technology.

24 (g) RULE OF CONSTRUCTION REGARDING ENFORCE-
25 MENT.—Nothing in this section may be construed to pre-

1 vent the Commission from enforcing the anti-fraud and
2 anti-manipulation provisions of the securities laws, and
3 the rules issued under the securities laws, with respect to
4 tokenized securities, provided that the elements of those
5 provisions are satisfied.

6 (h) SAVINGS CLAUSES.—

7 (1) TOKENIZED SECURITY.—Any asset that is a
8 security under the securities laws shall not cease to
9 be a security solely because the asset is issued, re-
10 corded, represented, or transferred using distributed
11 ledger technology or comparable technology.

12 (2) EFFECT ON STATE LAW.—Nothing in this
13 section may be construed, interpreted, or applied in
14 a manner that preempts, supersedes, invalidates, or
15 otherwise affects any State property transfer rules,
16 laws, regulations, or common law principles relating
17 to the transfer or recording of real tangible or intan-
18 gible assets or interests therein.

19 (3) RULEMAKINGS, ORDERS, AND OTHER AC-
20 TIONS.—Notwithstanding any other provision of this
21 section, section 10106 shall apply to any rule-
22 making, order, or other action of the Commission
23 under this section.

24 (4) NO LIMIT OF ABILITY TO OFFER OR
25 SELL.—Nothing in this section, or any rule, regula-

1 tion, or order promulgated under this section, may
2 be construed to limit the ability of any person to
3 offer or sell any tokenized security, consistent with
4 the securities laws.

5 **SEC. 10506. VOLUNTARY ADOPTION OF NATIONAL INSTI-**
6 **TUTE OF STANDARDS AND TECHNOLOGY**
7 **POST-QUANTUM CRYPTOGRAPHY STAND-**
8 **ARDS.**

9 (a) DEFINITIONS.—In this section:

10 (1) APPROPRIATE CONGRESSIONAL COMMIT-
11 TEES.—The term “appropriate congressional com-
12 mittees” means—

13 (A) the Committee on Banking, Housing,
14 and Urban Affairs of the Senate;

15 (B) the Committee on Agriculture, Nutri-
16 tion, and Forestry of the Senate;

17 (C) the Committee on Commerce, Science,
18 and Transportation of the Senate;

19 (D) the Committee on Financial Services
20 of the House of Representatives;

21 (E) the Committee on Agriculture of the
22 House of Representatives; and

23 (F) the Committee on Energy and Com-
24 merce of the House of Representatives.

1 (2) DIRECTOR.—The term “Director” means
2 the Under Secretary of Commerce for Standards
3 and Technology.

4 (b) FINDINGS.—Congress finds the following:

5 (1) Technical standards with respect to digital
6 assets ensure quality, interoperability, and reliability
7 in products, processes, and services and facilitate in-
8 novation.

9 (2) The digital asset ecosystem should harness
10 standards to solve coordination problems and foster
11 innovation, not through regulation, but through vol-
12 untary, market-driven measures.

13 (3) Advances in quantum computing threaten
14 existing (as of the day before the date of enactment
15 of this Act) cryptographic standards and the secu-
16 rity of digital assets.

17 (c) VOLUNTARY ADOPTION.—The Director, in con-
18 sultation with the Secretary of Homeland Security and the
19 heads of sector risk management agencies, as appropriate,
20 shall promote the voluntary adoption and deployment of
21 post-quantum cryptography standards, including by—

22 (1) disseminating and making publicly available
23 guidance and resources to help organizations adopt
24 and deploy those standards;

1 (2) providing technical assistance, as prac-
2 ticable, to entities that are at high risk of quantum
3 cryptography analytic attacks, such as entities deter-
4 mined to be critical infrastructure or digital infra-
5 structure providers; and

6 (3) conducting such other activities determined
7 necessary by the Director to promote the adoption
8 and deployment of those standards across the
9 United States.

10 (d) INDUSTRY CONSULTATION.—In implementing
11 subsection (c), the Director shall, at a minimum—

12 (1) solicit regular input from a broad range of
13 industry stakeholders regarding the feasibility and
14 practical challenges of adopting the standards de-
15 scribed in that subsection;

16 (2) facilitate ongoing dialogue between the Na-
17 tional Institute of Standards and Technology and in-
18 dustry participants to identify, assess, and address
19 barriers to the adoption of the standards described
20 in that subsection;

21 (3) not later than 2 years after the date of en-
22 actment of this Act, and biennially thereafter until
23 2035, submit to the appropriate congressional com-
24 mittees a report on the implementation of that sub-
25 section, including stakeholder engagement with re-

1 spect to those actions and continued challenges in
2 adopting the standards described in that subsection;
3 and

4 (4) not later than 5 years after the date of en-
5 actment of this Act, make available to the public a
6 report on stakeholder engagement and lessons
7 learned in implementing that subsection.

8 **SEC. 10507. INTERNATIONAL COORDINATION TO COMBAT**
9 **DIGITAL ASSET ILLICIT FINANCE.**

10 (a) DEFINITION.—In this section, the term “Strat-
11 egy” means the National Strategy to Combat Inter-
12 national Digital Asset Illicit Finance submitted under sub-
13 section (d).

14 (b) INTERAGENCY INITIATIVE.—The Secretary of the
15 Treasury, in coordination with the Secretary of State, the
16 Attorney General, the Secretary of Homeland Security,
17 and the heads of such other Federal departments and
18 agencies as the President may designate, shall lead an
19 interagency initiative to strengthen international coopera-
20 tion to prevent the misuse of digital assets for illicit fi-
21 nance, sanctions evasion, terrorist financing, or other na-
22 tional-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 INTER-
4 NATIONAL DIGITAL ASSET ILLICIT FINANCE.—Not later
5 than 270 days after the date of enactment of this Act,
6 the Secretary of the Treasury, in coordination with the
7 Secretary of State, the Attorney General, and the Director
8 of National Intelligence, shall submit to the Committee on
9 Banking, Housing, and Urban Affairs, the Committee on
10 Foreign Relations, and the Committee on Homeland Secu-
11 rity and Governmental Affairs of the Senate, and the
12 Committee on Financial Services, the Committee on For-
13 eign Affairs, and the Committee on Homeland Security
14 of the House of Representatives a National Strategy to
15 Combat International Digital Asset Illicit Finance, which
16 shall—

17 (1) assess global vulnerabilities with respect to
18 the digital assets framework set out in the Strategy;

19 (2) set measurable goals and timelines for mul-
20 tilateral engagement with respect to digital assets;

21 (3) recommend resource and staffing require-
22 ments for Treasury attaches, financial intelligence li-
23 aisons, and other personnel necessary to implement
24 the Strategy; and

1 (4) identify standards for combating money
2 laundering, sanctions evasion, and terrorist financ-
3 ing with respect to digital asset activities applicable
4 to foreign jurisdictions, which shall be informed by
5 United States law, regulation, and supervisory
6 standards, including standards relating to—

7 (A) anti-money laundering and countering
8 the financing of terrorism laws and regulations
9 that identify, prioritize, and mitigate illicit fi-
10 nance threats, including preventive measures
11 for financial institutions and other entities cov-
12 ered by those laws and regulations, including
13 measures relating to customer due diligence,
14 recordkeeping, internal controls, and the report-
15 ing of suspicious transactions;

16 (B) money laundering offenses, asset sei-
17 zure, and confiscation to recover proceeds of
18 crime;

19 (C) terrorist financing and proliferation-fi-
20 nancing offenses and related targeted financial
21 sanctions; and

22 (D) regulation, supervision, and enforce-
23 ment by competent authorities, including finan-
24 cial intelligence, law enforcement, and sanctions
25 measures.

1 **SEC. 10508. 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
6 date of enactment of this Act, and annually thereafter for
7 a period of 4 years, the Secretary of the Treasury shall
8 submit to the Committee on Banking, Housing, and
9 Urban Affairs of the Senate and the Committee on Finan-
10 cial Services of the House of Representatives a report
11 that—

12 (1) lists the top 20 foreign jurisdictions by vol-
13 ume of digital asset trading activity on foreign dig-
14 ital asset service providers during the calendar year
15 immediately preceding the year of the report;

16 (2) assesses the degree to which each foreign
17 jurisdiction listed under paragraph (1) has imple-
18 mented anti-money laundering, sanctions evasion,
19 and counter-terrorist financing laws, regulations, or
20 standards applicable to digital asset activities con-
21 sistent with the standards and framework identified
22 under the National Strategy to Combat Inter-
23 national Digital Asset Illicit Finance submitted
24 under section 10507; and

25 (3) identifies foreign jurisdictions with—

1 (A) material deficiencies in the implemen-
2 tation or enforcement of the standards de-
3 scribed in 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
7 (a) shall be submitted in unclassified form, but may in-
8 clude 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 appli-
20 cable 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 10507.

8 **SEC. 10509. 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 Fed-
16 eral regulation or Federal statute; and

17 (C) for which a regulated entity submits
18 an application for the waiver or modification of
19 an applicable regulation subject to an alter-
20 native compliance strategy.

21 (2) APPROPRIATE FINANCIAL REGULATORY
22 AGENCY.—The term “appropriate financial regu-
23 latory agency” means—

24 (A) the appropriate Federal banking agen-
25 cy, as defined in section 3 of the Federal De-

1 posit Insurance Act (12 U.S.C. 1813), with re-
2 spect to an institution described in subsection
3 (q) of that section;

4 (B) the Bureau of Consumer Financial
5 Protection, with respect to a covered person, as
6 defined in section 1002 of the Consumer Finan-
7 cial Protection Act of 2010 (12 U.S.C. 5481),
8 that does not have an appropriate financial reg-
9 ulatory 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
19 System;

20 (iii) the Federal National Mortgage
21 Association; 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
5 term “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
16 Commission, as defined in section 1002 of
17 the Consumer Financial Protection Act of
18 2010 (12 U.S.C. 5481); and

19 (C) does not include the business of insur-
20 ance.

21 (5) FINANCIAL REGULATORY AGENCY.—The
22 term “financial regulatory agency” means—

23 (A) the Board of Governors of the Federal
24 Reserve System;

1 (B) the Federal Deposit Insurance Cor-
2 poration;

3 (C) the Office of the Comptroller of the
4 Currency;

5 (D) the Bureau of Consumer Financial
6 Protection;

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
23 actions, 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
15 include—

16 (aa) a description of the AI
17 test project proposed to be car-
18 ried out by the regulated entity;

19 (bb) an alternative compli-
20 ance strategy that—

21 (AA) identifies a regu-
22 lation issued by the appro-
23 priate financial regulatory
24 agency that the regulated

1 entity 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
20 a financial product or serv-
21 ice, or promote consumer or
22 investor protection;

23 (BB) would enhance ef-
24 ficiency 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
13 subchapter II of chapter 53
14 of title 31, United States
15 Code; and

16 (EF) 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;

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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 nancial regulatory agency
11 and the financial regulatory
12 agency that issued or en-
13 forces the regulation that is
14 the subject of the alternative
15 compliance strategy; and

16 (BB) the AI test
17 project may not take effect
18 unless the appropriate finan-
19 cial regulatory agency and
20 any other financial regu-
21 latory agency that issued or
22 enforces the regulation that
23 is the subject of the alter-
24 native compliance strategy
25 jointly approve the applica-

tion using the process described in clause (ii).

(V) NOTICE.—A regulated entity that is regulated or supervised by more than 1 financial regulatory agency shall provide notice of any application submitted to the appropriate financial regulatory agency under this section to each financial regulatory agency by which it is regulated or supervised not later than 5 business days after the entity submits the application to the appropriate financial regulatory agency.

15 (ii) AGENCY REVIEW.—

(I) IN GENERAL.—Except as provided in subclause (IV), not later than 120 days after the date on which an application is submitted to the appropriate financial regulatory agency under clause (i), the appropriate financial regulatory agency shall—

23 (aa) review the application;

24 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
9 establishing an alternative com-
10 pliance 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
17 that is the subject of the al-
18 ternative compliance strat-
19 egy;

20 (BB) the terms of the
21 alternative compliance strat-
22 egy for the AI test project;

23 (CC) the date on which
24 the AI test project will ter-
25minate;

1 (DD) any limitations on
2 the size, scope, or growth of
3 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
16 described 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 pro-
2 vided in subclause (III), a fi-
3 nancial regulatory agency
4 that is not the appropriate
5 financial regulatory agency
6 may not enforce a regulation
7 described 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 regu-
12 latory agency other than the ap-
13 propriate financial regulatory
14 agency that approves an applica-
15 tion under clause (i)(IV) may en-
16 force a regulation described in
17 item (aa)(AA) if the alternative
18 compliance strategy described in
19 item (aa)(BB) provides for en-
20 forcement by such financial regu-
21 latory agency.

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
2 action 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
13 the applicant a written no-
14 tice explaining the reason
15 for denial; and

16 (BB) may not take an
17 enforcement action related
18 to the proposed AI test
19 project against the applicant
20 earlier than the date that is
21 30 days after the date on
22 which the agency submits
23 the written notice described
24 in subitem (AA).

1 (bb) RESUBMITTALS.—Each
2 time an application submitted
3 under clause (i) is denied, the
4 regulated 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),
16 a 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
5 by an insured depository in-
6 stitution 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
18 security of the United
19 States.

20 (IV) EXTENSION.—If the finan-
21 cial regulatory agency needs addi-
22 tional time, the agency may extend
23 the approval deadline by 120 days.
24 After the expiration of the 120-day
25 extension period, if the agency has not

1 made a determination on the applica-
2 tion, the application will automatically
3 be deemed approved and effective.

4 (V) ADDITIONAL INFORMA-
5 TION.—Not later than the initial or
6 extended approval deadline, as appli-
7 cable, a financial regulatory agency
8 may request additional information
9 from the applicant.

10 (iii) DATA SECURITY.—All data sup-
11 plied by sponsors of AI test projects to a
12 financial regulatory agency submitted
13 under this section shall be stored and
14 maintained in a secure manner by the fi-
15 nancial regulatory agency, consistent with
16 applicable data security standards.

17 (iv) REGULATIONS.—Not later than
18 180 days after the date of enactment of
19 this Act, each financial regulatory agency
20 shall promulgate regulations that—

21 (I) shall be published in the Fed-
22 eral Register and provide a 60-day pe-
23 riod for public notice and comment;

24 (II) include—

1 (aa) procedures for modi-
2 fying the AI test projects that
3 are approved by the agency;

4 (bb) consequences for failure
5 to comply with the terms of an
6 alternative 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
12 the 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 Representa-
3 tives an annual report on the outcomes of AI test
4 projects. A report under this subsection may not in-
5 clude the names of participating entities or any pro-
6 prietary or confidential business information. A re-
7 port under this subsection shall include aggregated
8 findings, trends, and lessons learned from the AI
9 test projects.

10 (3) RULE OF CONSTRUCTION.—Nothing in this
11 section may be construed to limit the authority of a
12 financial regulatory agency to take an enforcement
13 action against a regulated entity with respect to
14 fraud or market manipulation relating to an AI test
15 project.

16 **TITLE VI—PROTECTING SOFT-**
17 **WARE DEVELOPERS AND**
18 **SOFTWARE INNOVATION**

19 **SEC. 10601. PROTECTING SOFTWARE DEVELOPERS.**

20 (a) AMENDMENT TO THE SECURITIES ACT OF
21 1933.—The Securities Act of 1933 (15 U.S.C. 77a et
22 seq.) is amended by inserting after section 27B (15 U.S.C.
23 77z–2a) the following:

1 **“SEC. 27C. APPLICATION TO SOFTWARE DEVELOPERS.**

2 “(a) DISTRIBUTED LEDGER SYSTEM DEFINED.—In
3 this section, the term ‘distributed ledger system’ has the
4 meaning given the term in section 10001 of the Digital
5 Asset Market Clarity Act.

6 “(b) APPLICATION TO SOFTWARE DEVELOPERS.—
7 Notwithstanding any other provision of this Act, a person
8 shall not be subject to this Act and the regulations pro-
9 mulgated under this Act solely based on the person engag-
10 ing in any of the following activities, whether singly or
11 in combination, in relation to the operation of a distrib-
12 uted ledger system or any component thereof:

13 “(1) Compiling network transactions or relay-
14 ing, searching, sequencing, validating, or acting in a
15 similar capacity.

16 “(2) Providing computational work, operating a
17 node or oracle service, or procuring, offering, or uti-
18 lizing network bandwidth, or providing other similar
19 incidental services.”.

20 (b) AMENDMENT TO THE SECURITIES EXCHANGE
21 ACT OF 1934.—The Securities Exchange Act of 1934 (15
22 U.S.C. 78a et seq.) is amended by inserting after section
23 15G (15 U.S.C. 78o–11) the following:

24 **“SEC. 15H. APPLICATION TO SOFTWARE DEVELOPERS.**

25 “(a) DEFINITIONS.—In this section:

1 “(1) CONSTITUTE.—The term ‘constitute’
2 means to compile, assemble, integrate, or otherwise
3 combine software components into a complete soft-
4 ware system.

5 “(2) DECENTRALIZED FINANCE MESSAGING
6 SYSTEM; DECENTRALIZED FINANCE TRADING PRO-
7 TOCOL.—The terms ‘decentralized finance messaging
8 system’ and ‘decentralized finance trading protocol’
9 have the meanings given those terms in section 1a
10 of the Commodity Exchange Act (7 U.S.C. 1a).

11 “(3) DIGITAL ASSET; DISTRIBUTED LEDGER
12 APPLICATION; DISTRIBUTED LEDGER SYSTEM; DIS-
13 TRIBUTED LEDGER PROTOCOL; DECENTRALIZED
14 GOVERNANCE SYSTEM; SMART CONTRACT.—The
15 terms ‘digital asset’, ‘distributed ledger application’,
16 ‘distributed ledger system’, ‘distributed ledger pro-
17 tocol’, ‘decentralized governance system’, and ‘smart
18 contract’ have the meanings given those terms in
19 section 10001 of the Digital Asset Market Clarity
20 Act.

21 “(4) DEPLOY.—The term ‘deploy’ means to
22 bring software or hardware onto a distributed ledger
23 system for active use.

24 “(b) APPLICATION TO SOFTWARE DEVELOPERS.—
25 Notwithstanding any other provision of this Act, a person

1 shall not be subject to this Act and the regulations pro-
2 mulgated under this Act solely based on the person engag-
3 ing in any of the following activities, whether singly or
4 in combination, in relation to the operation of a distrib-
5 uted ledger system or any component thereof:

6 “(1) Compiling network transactions or relay-
7 ing, searching, sequencing, validating, or acting in a
8 similar capacity.

9 “(2) Providing computational work, operating a
10 node or oracle service, or procuring, offering, or uti-
11 lizing network bandwidth, or providing other similar
12 incidental services.

13 “(3) Developing, publishing, or constituting—

14 “(A) a distributed ledger system; or

15 “(B) software or systems that create or
16 utilize hardware or software, including wallets
17 or other systems, that facilitate the ability of a
18 user to keep, safeguard, or have custody of the
19 digital assets or private keys of the user.

20 “(c) RULE OF CONSTRUCTION.—Subsection (b)(3)
21 does not extend to any activity covered in any of the activi-
22 ties described in subparagraphs (A) through (D) of sub-
23 section (d)(1), including activity taken following deploy-
24 ment of such software or hardware.

25 “(d) CLARIFICATION.—

1 “(1) IN GENERAL.—The Commission shall, pur-
2 suant to notice and comment rulemaking, clarify the
3 circumstances under which a person shall not be
4 subject to this Act by reason of engaging solely in
5 1 or more of the following activities in relation to
6 the operation of a decentralized finance trading pro-
7 tocol or any component thereof:

8 “(A) Providing a user interface that en-
9 ables a user to read and access data.

10 “(B) Administering, maintaining, or other-
11 wise distributing a decentralized governance
12 system relating to a decentralized finance trad-
13 ing protocol, or a decentralized finance trading
14 protocol.

15 “(C) Administering, maintaining, or other-
16 wise distributing a decentralized finance mes-
17 saging system or operating or participating in
18 a smart contract-based liquidity pool in a de-
19 centralized finance trading protocol.

20 “(D) Administering, maintaining, or other-
21 wise distributing software or systems that cre-
22 ate or deploy hardware or software, including
23 wallets or other systems, that facilitate the abil-
24 ity of a user to keep, safeguard, or maintain

1 custody of the digital assets or related private
2 keys of the user.

3 “(2) CONSIDERATIONS.—In providing the clari-
4 fication under paragraph (1) the Commission shall—

5 “(A) ensure that the rules are consistent
6 with the purposes of the securities laws, includ-
7 ing the public interest, the protection of inves-
8 tors, and the maintenance of fair and orderly
9 markets;

10 “(B) provide that section 10108(a) of the
11 Lummis-Gillibrand Responsible Financial Inno-
12 vation Act of 2026 shall apply to such rules;

13 “(C) protect the rights of software devel-
14 opers, publishers, and users to create, publish,
15 and use code and software in a manner con-
16 sistent with the First Amendment to the Con-
17 stitution of the United States; and

18 “(D) provide legal clarity for the develop-
19 ment, publication, and operation of distributed
20 ledger systems and the components therein in a
21 manner consistent with the purposes of this sec-
22 tion.

23 “(3) RULE OF CONSTRUCTION.—Nothing in
24 this subsection may be construed to grant the Com-
25 mission authority over persons, systems, software, or

1 activities that do not otherwise fall within the juris-
2 diction of the Commission under this Act, or to cre-
3 ate a presumption that any such activity is subject
4 to this Act.

5 “(e) ANTI-FRAUD, ANTI-MANIPULATION, AND FALSE
6 REPORTING.—The determination that a person is not sub-
7 ject to this Act under subsections (b) and (d) shall not
8 apply to the anti-fraud, anti-manipulation, or false report-
9 ing enforcement authorities of the Commission.

10 “(f) RULE OF CONSTRUCTION.—Nothing in this Act
11 or the rules and regulations promulgated under this Act
12 may be construed to apply any requirement of the securi-
13 ties laws to a digital commodity, as defined in section
14 10001 of the Digital Asset Market Clarity Act, or expand
15 the authority of the Commission beyond that which the
16 Commission had before the date of enactment of the Dig-
17 ital Asset Market Clarity Act to regulate the activities de-
18 scribed in subsection (d)(1).

19 “(g) FEDERAL PREEMPTION.—

20 “(1) IN GENERAL.—Notwithstanding any other
21 provision of law, no securities, commodities, or dig-
22 ital assets law of any State (or of any political sub-
23 division of a State) shall apply to an activity de-
24 scribed in subsection (b).

1 “(2) RULE OF CONSTRUCTION.—Nothing in
2 paragraph (1) may be construed to apply to the
3 anti-money laundering, anti-fraud, or anti-manipula-
4 tion authorities of a State (or of any political sub-
5 division of a State).”.

6 (c) APPLICABILITY.—This section, and the amend-
7 ments made by this section, shall apply to conduct occur-
8 ring before, on, or after the date of enactment of this Act.

9 **SEC. 10602. SAFE HARBOR FOR NONFUNGIBLE TOKENS.**

10 (a) DEFINITIONS.—In this section:

11 (1) NONFUNGIBLE TOKEN.—The term “non-
12 fungible token” means a digital asset recorded on a
13 distributed ledger that—

14 (A) is individually identifiable and distin-
15 guishable from any other digital asset;

16 (B) represents ownership of, or rights in,
17 a work of authorship, art, a collectible, a mem-
18 bership, an access credential, a certificate of au-
19 thenticity, an in-game or in-application item, or
20 another similar specific item or discrete digital
21 or physical good, service, or benefit;

22 (C) is not interchangeable on a 1-to-1
23 basis with any other token or digital asset; and

24 (D) may be bought, sold, or transferred for
25 consideration.

1 (2) PROMOTER.—The term “promoter” means
2 a person or group that manages, controls, or oper-
3 ates an enterprise in which capital is invested, or
4 any person or group acting on behalf of such a per-
5 son or group with respect to such an enterprise, in-
6 cluding an affiliate, agent, or coordinated actor that
7 contributes to the capital raising efforts of the enter-
8 prise.

9 (b) SAFE HARBOR.—

10 (1) IN GENERAL.—Except as provided in para-
11 graph (3), the offer, sale, resale, transfer, or convey-
12 ance of a nonfungible token shall not be deemed to
13 constitute an offer, sale, or distribution of a security
14 or investment contract under the Securities Act of
15 1933 (15 U.S.C. 77a et seq.), the Securities Ex-
16 change Act of 1934 (15 U.S.C. 78a et seq.), or any
17 equivalent State law, unless the transaction, in sub-
18 stance, involves all of the elements of an investment
19 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.)
23 or the Securities Exchange Act of 1934 (15 U.S.C.
24 78a et seq.):

1 (A) The resale or secondary market trans-
2 fer of a nonfungible token, where the payment
3 for that resale or transfer does not flow to a
4 promoter or is not used to raise new capital for
5 an enterprise.

6 (B) A nonfungible token that serves as a
7 collectible, membership right, event ticket, ac-
8 cess credential, or other non-investment-based
9 use case solely because the nonfungible token
10 may appreciate in value or depend in part on
11 the continued efforts or the reputation of the
12 creator 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
16 substantially similar or nearly identical traits
17 that 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

1 and in good faith relies on the safe harbor
2 under this subsection shall not be subject to
3 any civil or administrative penalties.

4 (B) PROSPECTIVE EFFECT.—Any deter-
5 mination by the Commission that the safe har-
6 bor under this subsection does not apply to a
7 particular circumstance shall—

8 (i) be prospective only; and

9 (ii) take effect not earlier than 60
10 days after the date on which the Commis-
11 sion publicly posts that determination.

12 **SEC. 10603. STUDY ON NONFUNGIBLE TOKENS.**

13 (a) DEFINITION.—In this section, the term “nonfun-
14 gible token” has the meaning given the term in section
15 10602.

16 (b) STUDY.—The Comptroller General of the United
17 States shall carry out a study of nonfungible tokens that
18 analyzes—

19 (1) the nature, size, role, purpose, and use of
20 nonfungible tokens;

21 (2) the similarities and differences between non-
22 fungible tokens and other digital commodities, in-
23 cluding digital commodities and payment stablecoins,
24 and how the markets for those digital commodities
25 intersect;

1 (3) how nonfungible tokens are minted by
2 issuers and subsequently distributed to purchasers;

3 (4) how nonfungible tokens are stored after
4 being purchased by a consumer;

5 (5) the interoperability of nonfungible tokens
6 between 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 prop-
13 erty 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 mar-
18 ketplaces, including marketplaces for music, real es-
19 tate, gaming, events, and travel;

20 (10) whether and how nonfungible tokens have
21 been, or could be, used to facilitate commerce or
22 other activities through the representation of docu-
23 ments, identification, contracts, licenses, and other
24 commercial, 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
6 of enactment of this Act, the Comptroller General of the
7 United States shall make publicly available a report that
8 includes the results of the study required under subsection
9 (b).

10 **SEC. 10604. BLOCKCHAIN REGULATORY CERTAINTY ACT.**

11 (a) SHORT TITLE.—This section may be cited as the
12 “Blockchain Regulatory Certainty Act”.

13 (b) DEFINITIONS.—In this section:

14 (1) DEVELOPER OR PROVIDER.—The term “de-
15 veloper or provider” means any person or business
16 that creates or publishes software to facilitate the
17 creation of, or provide maintenance to, a distributed
18 ledger, or a service associated with a distributed
19 ledger.

20 (2) DISTRIBUTED LEDGER SERVICE.—The term
21 “distributed ledger service” means any information,
22 transaction, or computing service or system that
23 provides or enables access to a distributed ledger
24 system by multiple users, including a service or sys-
25 tem that enables users to send, receive, exchange, or

1 store digital assets described by distributed ledger
2 systems.

3 (3) NON-CONTROLLING DEVELOPER OR PRO-
4 VIDER.—The term “non-controlling developer or pro-
5 vider” means a developer or provider of a distributed
6 ledger service that, in the regular course of oper-
7 ations, does not have the legal right or the unilateral
8 and independent ability to control, initiate upon de-
9 mand, or effectuate transactions involving digital as-
10 sets to which users are entitled, without the ap-
11 proval, consent, or direction of any third party.

12 (c) TREATMENT.—Notwithstanding any other provi-
13 sion of law, a non-controlling developer or provider—

14 (1) shall not be treated as—

15 (A) a money transmitting business, as de-
16 fined in section 5330 of title 31, United States
17 Code, and the regulations promulgated under
18 that section; or

19 (B) engaged in money transmitting, as de-
20 fined in section 1960 of title 18, United States
21 Code; and

22 (2) on or after the date of enactment of this
23 Act, shall not be otherwise subject to any registra-
24 tion requirement that is substantially similar to a re-
25 quirement (as in effect on the day before the date

1 of enactment of this Act) that applies to an entity
2 described in subparagraph (A) or (B) of paragraph
3 (1), solely on the basis of—

4 (A) creating or publishing software to fa-
5 cilitate the creation of, or providing mainte-
6 nance services to, a distributed ledger or a serv-
7 ice associated with a distributed ledger;

8 (B) providing hardware or software to fa-
9 cilitate a customer’s own custody or safekeeping
10 of the digital assets of the customer; or

11 (C) providing infrastructure support to
12 maintain a distributed ledger service.

13 (d) CLARIFICATION OF TREATMENT.—Subsection (c)
14 shall not modify the application of section 1960(b)(1)(C)
15 of title 18, United States Code, to any person (referred
16 to in this subsection as the “initial person”) that acts with
17 the specific intent to transfer, on behalf of another person,
18 funds that are known by the initial person to be—

19 (1) derived from a criminal offense; or

20 (2) intended to be used to promote or support
21 unlawful activity.

22 (e) RULES OF CONSTRUCTION.—Nothing in this sec-
23 tion may be construed—

24 (1) to affect whether a developer or provider of
25 a distributed ledger service is otherwise subject to

1 classification or treatment as a money transmitter,
2 or as engaged in money transmitting, under applica-
3 ble Federal or State law, including laws relating to
4 anti-money laundering or countering the financing of
5 terrorism, based on conduct outside the scope of
6 subsection (c);

7 (2) to affect whether a developer or provider is
8 otherwise subject to classification or treatment as a
9 financial institution under subchapter II of chapter
10 53 of title 31, United States Code, this division, any
11 amendment made by this division, or any Act en-
12 acted after the date of enactment of this Act, based
13 on conduct outside the scope of subsection (c);

14 (3) to limit or expand any law pertaining to in-
15 tellectual property;

16 (4) to prevent any State from enforcing any
17 State law that is consistent with this section; or

18 (5) to create a cause of action or impose liabil-
19 ity under any State or local law that is inconsistent
20 with this section.

21 **SEC. 10605. KEEP YOUR COINS ACT.**

22 (a) **SHORT TITLE.**—This section may be cited as the
23 “Keep Your Coins Act”.

24 (b) **DEFINITIONS.**—In this section:

1 (1) COVERED USER.—The term “covered user”
2 means a United States individual who obtains digital
3 assets to purchase goods or services on behalf of
4 that individual, without regard to the method in
5 which that individual obtained those digital assets.

6 (2) SELF-HOSTED WALLET.—The term “self-
7 hosted wallet” means a digital interface—

8 (A) that is used to secure and transfer dig-
9 ital assets; and

10 (B) under which the owner of digital assets
11 secured and transferred under subparagraph
12 (A) retains independent control over those dig-
13 ital assets.

14 (c) SELF-CUSTODY.—A Federal agency may not pro-
15 hibit, restrict, or otherwise impair the ability of a covered
16 user to self-custody digital assets using a self-hosted wallet
17 or other means to conduct transactions for any lawful pur-
18 pose.

19 (d) RULE OF CONSTRUCTION.—Nothing in this sec-
20 tion may be construed to limit the authority of the Sec-
21 retary of the Treasury, the Commission, the Commodity
22 Futures Trading Commission, the Board of Governors of
23 the Federal Reserve System, the Comptroller of the Cur-
24 rency, the Federal Deposit Insurance Corporation, or the
25 National Credit Union Administration to carry out any en-

1 enforcement action or special measure authorized under ap-
2 plicable law, including—

3 (1) the Bank Secrecy Act, section 9714 of the
4 Combating Russian Money Laundering Act (31
5 U.S.C. 5318A note), and section 7213A of the
6 Fentanyl Sanctions Act (21 U.S.C. 2313a); or

7 (2) any other law relating to illicit finance,
8 money laundering, terrorism financing, or United
9 States sanctions.

10 **TITLE VII—PROTECTING** 11 **CUSTOMER PROPERTY**

12 **SEC. 10701. CUSTOMER PROPERTY PROTECTIONS FOR AN-** 13 **CILLARY ASSETS AND DIGITAL COMMODITIES** 14 **IN BANKRUPTCY.**

15 (a) DEFINITIONS FOR STOCKBROKER LIQUIDA-
16 TION.—

17 (1) IN GENERAL.—Section 741 of title 11,
18 United States Code, is amended—

19 (A) by redesignating paragraphs (5)
20 through (9) as paragraphs (7) through (11), re-
21 spectively;

22 (B) by redesignating paragraphs (1)
23 through (4) as paragraphs (2) through (5), re-
24 spectively;

1 (C) by inserting before paragraph (2), as
2 so redesignated, the following:

3 “(1) ‘ancillary asset’ has the meaning given
4 that term in section 10001 of the Digital Asset Mar-
5 ket Clarity Act;”;

6 (D) in paragraph (3), as so redesignated—

7 (i) in subparagraph (A)(vi), by strik-
8 ing “and” at the end;

9 (ii) by redesignating subparagraph
10 (B) as subparagraph (C);

11 (iii) by inserting after subparagraph
12 (A) the following:

13 “(B) entity with whom a person deals as
14 principal or agent and that has a claim against
15 such person on account of a digital commodity
16 or an ancillary asset received, acquired, or held
17 by such person from or for the securities ac-
18 count or accounts of such entity for 1 or more
19 of the purposes identified in clauses (i) through
20 (vi) of subparagraph (A) of this paragraph;
21 and”; and

22 (iv) in subparagraph (C), as so redesi-
23 gnated—

24 (I) in clause (i)—

1 (aa) by inserting “, ancillary
2 asset, or digital commodity” after
3 “security”; and

4 (bb) by inserting “or (B)”
5 after “subparagraph (A)”; and

6 (II) in clause (ii), by inserting
7 “an ancillary asset, a digital com-
8 modity,” after “a security,”;

9 (E) in paragraph (5), as so redesignated,
10 in the matter preceding subparagraph (A), by
11 inserting “ancillary asset, digital commodity,”
12 after “cash, security,” each place it appears;

13 (F) by inserting after paragraph (5), as so
14 redesignated, the following:

15 “(6) ‘digital commodity’ has the meaning given
16 that term in section 10001 of the Digital Asset Mar-
17 ket Clarity Act;”; and

18 (G) in paragraph (8), as so redesignated,
19 in subparagraph (A)(i), by inserting “, ancillary
20 asset positions, and digital commodities posi-
21 tions” after “securities positions”.

22 (b) EXTENT OF CUSTOMER CLAIMS.—Section 746(b)
23 of title 11, United States Code, is amended, in the matter
24 preceding paragraph (1), by striking “cash or a security”

1 and inserting “cash, a security, an ancillary asset, or a
2 digital commodity”.

3 (c) TECHNICAL AND CONFORMING AMENDMENTS.—

4 (1) Section 546(e) of title 11, United States
5 Code, is amended—

6 (A) by striking “section 741(7)” and in-
7 serting “section 741”; and

8 (B) by striking “section 761(4)” and in-
9 serting “section 761”.

10 (2) Section 561(a) of title 11, United States
11 Code, is amended—

12 (A) in paragraph (1), by striking “section
13 741(7)” and inserting “section 741”; and

14 (B) in paragraph (2), by striking “section
15 761(4)” and inserting “section 761”.

16 (3) Section 752(c) of title 11, United States
17 Code, is amended by striking “section 741(4)(B)”
18 and inserting “section 741(5)(B)”.

19 (d) CLARIFICATIONS.—For the avoidance of doubt—

20 (1) nothing in this section or an amendment
21 made by this section may be construed to apply to
22 securities or cash held by a broker-dealer and such
23 assets and related claims shall be governed exclu-
24 sively by the Securities Investor Protection Act of
25 1970 (15 U.S.C. 78aaa et seq.);

1 (2) nothing in this section or an amendment
2 made by this section may be construed to apply to
3 deposits held by a bank or commodity contracts,
4 which shall be governed by the relevant applicable
5 law; and

6 (3) in any liquidation proceeding under sub-
7 chapter III or IV of chapter 7 of title 11, United
8 States Code, those provisions shall be construed to
9 treat ancillary assets and digital commodities held
10 for customers as customer property governed by title
11 11, United States Code, and required to be distrib-
12 uted according to such title.

13 **SEC. 10702. INSOLVENCY SAFE HARBOR.**

14 (a) DEFINITIONS.—In this section:

15 (1) COMMODITY BROKER; FINANCIAL INSTITU-
16 TION; FINANCIAL PARTICIPANT; SECURITIES CLEAR-
17 ING AGENCY; STOCKBROKER.—The terms “com-
18 modity broker”, “financial institution”, “financial
19 participant”, “securities clearing agency”, and
20 “stockbroker” have the meanings given those terms
21 in section 101 of title 11, United States Code.

22 (2) COMMODITY CONTRACT.—The term “com-
23 modity contract” means a commodity contract de-
24 scribed in paragraph (4)(A) of section 761 of title
25 11, United States Code.

1 (b) SAFE HARBOR.—A purchase, sale, or loan of, a
2 margin loan or other extension of credit on, or a repur-
3 chase, reverse repurchase, or other transaction involving,
4 a unit of a digital commodity occurring with a commodity
5 broker, stockbroker, financial institution, financial partici-
6 pant, or securities clearing agency shall be deemed to be—

7 (1) a commodity contract for purposes of—

8 (A) sections 362(b)(6), 362(o), 546(e),
9 553, 556, 561, and 562 of title 11, United
10 States Code;

11 (B) section 11 of the Federal Deposit In-
12 surance Act (12 U.S.C. 1821);

13 (C) section 210 of the Dodd-Frank Wall
14 Street Reform and Consumer Protection Act
15 (12 U.S.C. 5390); and

16 (D) section 5(b)(2)(C) of the Securities In-
17 vestor Protection Act of 1970 (15 U.S.C.
18 78eee(b)(2)(C)); and

19 (2) a margin payment for purposes of section
20 548(d)(2)(B) of title 11, United States Code.

21 **TITLE VIII—CUSTOMER**
22 **PROTECTION**

23 **SEC. 10801. EDUCATIONAL MATERIALS.**

24 The Commission and the Commodity Futures Trad-
25 ing Commission shall require digital asset intermediaries

1 to provide clear and accessible educational materials to the
2 public, including—

3 (1) an overview of how distributed ledger sys-
4 tems function;

5 (2) a description of common risks associated
6 with digital assets;

7 (3) a description of the differences between dig-
8 ital asset markets and traditional financial markets;

9 (4) information on reporting and disclosure re-
10 quirements related to digital asset transactions and
11 securities which may be accompanied by network to-
12 kens or ancillary assets; and

13 (5) guidance on recognizing fraudulent schemes
14 and instructions for reporting suspected fraud.

15 **SEC. 10802. SAVINGS CLAUSES.**

16 (a) DEFINITIONS.—In this section:

17 (1) DIGITAL CONSUMER TOKEN.—The term
18 “digital consumer token” means a digital asset that
19 is primarily acquired for a consumptive purpose, in-
20 cluding redemption for a specified good or service at
21 the time of sale or within a reasonable time after
22 sale, as defined by the Federal Trade Commission
23 pursuant to rule.

1 (2) NONFUNGIBLE TOKEN.—The term “non-
2 fungible token” means a digital asset recorded on a
3 distributed ledger that—

4 (A) is individually identifiable and distin-
5 guishable from any other digital asset;

6 (B) represents ownership of, or rights in,
7 a work of authorship, art, a collectible, a mem-
8 bership, an access credential, a certificate of au-
9 thenticity, an in-game or in-application item, or
10 another similar specific item or discrete digital
11 or physical good, service, or benefit;

12 (C) is not interchangeable on a 1-to-1
13 basis with any other token or digital asset; and

14 (D) may be bought, sold, or transferred for
15 consideration.

16 (b) FEDERAL TRADE COMMISSION.—Nothing in this
17 division, or any amendment made by this division, may
18 be construed as limiting or abridging the jurisdiction of
19 the Federal Trade Commission with respect to—

20 (1) investigations or enforcement actions under
21 the Federal Trade Commission Act (15 U.S.C. 41 et
22 seq.) relating to unfair or deceptive acts or practices
23 by persons relating to commerce in nonfungible to-
24 kens or digital consumer tokens, including deceptive
25 acts with respect to advertising and endorsements

1 relating to nonfungible tokens and digital consumer
2 tokens;

3 (2) highlighting best practices relating to com-
4 merce in nonfungible tokens or digital consumer to-
5 kens;

6 (3) promoting responsible innovation;

7 (4) consumer education relating to fraudulent
8 digital asset activity; or

9 (5) investigating unlawful restraints of trade in
10 the digital asset industry.

11 (c) RULE OF CONSTRUCTION.—Nothing in this Act,
12 or any amendment made by this Act, may be construed
13 to expand, contract, or otherwise affect the jurisdiction or
14 authority with respect to the Federal consumer financial
15 laws under the Consumer Financial Protection Act of
16 2010 (12 U.S.C. 5481 et seq.), as in effect on the day
17 before the date of enactment of this Act, including with
18 respect to subsection (i) or (j) of section 1027 of the Con-
19 sumer Financial Protection Act of 2010 (12 U.S.C. 5517).

20 **SEC. 10803. STUDY ON EXPANDING FINANCIAL LITERACY.**

21 (a) STUDY.—The Commission and the Commodity
22 Futures Trading Commission shall jointly conduct a study
23 to identify—

1 (1) the existing (as of the day before the date
2 of enactment of this Act) level of financial literacy
3 among retail digital asset customers;

4 (2) methods to improve the timing, content, and
5 format of financial literacy materials regarding dig-
6 ital assets provided by the respective commissions;

7 (3) methods to improve coordination between
8 the Commission and the Commodity Futures Trad-
9 ing Commission with other agencies, including the
10 Financial Literacy and Education Commission, non-
11 profit organizations, and State and local jurisdic-
12 tions, to better disseminate financial literacy mate-
13 rials;

14 (4) the efficacy of current financial literacy ef-
15 forts with a focus on rural communities and commu-
16 nities with majority-minority populations;

17 (5) the most useful and understandable relevant
18 information, including clear disclosures, that retail
19 digital asset customers need to make informed finan-
20 cial decisions before engaging with or purchasing a
21 digital asset;

22 (6) the most effective public-private partner-
23 ships in providing financial literacy regarding digital
24 assets;

1 (7) the most relevant metrics to measure suc-
2 cessful improvement of the financial literacy of an
3 individual after engaging with financial literacy ef-
4 forts; and

5 (8) in consultation with the Financial Literacy
6 and Education Commission, a strategy (including, to
7 the extent practicable, measurable goals and objec-
8 tives) to increase financial literacy of investors re-
9 garding digital assets.

10 (b) REPORT.—Not later than 1 year after the date
11 of enactment of this Act, the Commission and the Com-
12 modity Futures Trading Commission shall jointly submit
13 to the Committee on Banking, Housing, and Urban Af-
14 fairs and the Committee on Agriculture, Nutrition, and
15 Forestry of the Senate and the Committee on Financial
16 Services and the Committee on Agriculture of the House
17 of Representatives a written report on the study required
18 under subsection (a).

1 **SEC. 10804. CONSULTATION WITH SIPC REGARDING MAN-**
2 **DATORY BROKER-DEALER DISCLOSURES TO**
3 **INVESTORS CONCERNING THE STATUS OF**
4 **PAYMENT STABLECOINS AND DIGITAL COM-**
5 **MODITIES.**

6 (a) DEFINITION.—In this section, the term “payment
7 stablecoin” has the meaning given the term in section 2
8 of the GENIUS Act (12 U.S.C. 5901).

9 (b) RULES.—Not later than 270 days after the date
10 of enactment of this Act, the Commission, after consulta-
11 tion with the Commodity Futures Trading Commission
12 and the Securities Investor Protection Corporation, shall
13 issue rules requiring written disclosures regarding the
14 treatment of customer assets in the event of an insolvency,
15 resolution, or liquidation proceeding to be provided by a
16 registered broker or dealer to an investor—

17 (1) before a digital commodity, a payment
18 stablecoin, or a security involving a unit of a digital
19 commodity is received, acquired, or held by the
20 broker or dealer for the account of the investor; and

21 (2) after the provision of the disclosures under
22 paragraph (1), at such frequency as the Commission
23 may prescribe.

24 (c) CONTENTS.—The rules issued under subsection
25 (b) shall include, as necessary or appropriate for the pro-
26 tection of investors—

1 (1) a description of the manner in which any
2 digital commodity, payment stablecoin, or security
3 involving a unit of a digital commodity received, ac-
4 quired, or held by a broker or dealer for the account
5 of an investor would be treated in an insolvency, res-
6 olution, or liquidation proceeding with respect to the
7 broker or dealer under—

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

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

13 (C) as applicable, chapter 7 or 11 of title
14 11, United States Code; and

15 (2) how the treatment described in paragraph
16 (1) differs from the treatment of securities and cash
17 received, acquired, or held by the broker or dealer
18 for the account of the applicable investor in the
19 event of an insolvency, resolution, or liquidation pro-
20 ceeding with respect to the broker or dealer under
21 each provision of law described in subparagraph (A),
22 (B), and (C) of paragraph (1).

1 **TITLE IX—LAW ENFORCEMENT**
2 **TOOLS**

3 **SEC. 10901. GUARDING UNPROTECTED AGING RETIREES**
4 **FROM DECEPTION.**

5 (a) SHORT TITLE.—This section may be cited as the
6 “Guarding Unprotected Aging Retirees from Deception”
7 or the “GUARD Act”.

8 (b) DEFINITIONS.—In this section:

9 (1) ELDER FINANCIAL FRAUD.—The term
10 “elder financial fraud” means the illegal or improper
11 use of the money, property, or other resources of an
12 elderly individual or adult with a disability for mone-
13 tary or personal benefit, profit, or gain.

14 (2) ELIGIBLE FEDERAL GRANT FUNDS.—The
15 term “eligible Federal grant funds” means funds re-
16 ceived under any of the following:

17 (A) Title IV of the Prioritizing Resources
18 and Organization for Intellectual Property Act
19 of 2008 (34 U.S.C. 30103 et seq.) (commonly
20 known as the “Economic, High-Technology,
21 White Collar, and Internet Crime Prevention
22 National Training and Technical Assistance
23 Program”), including relating to the use of
24 technology to solve crimes and to facilitate
25 prosecutions (commonly known as the “Internet

1 of Things (IoT) National Training and Tech-
2 nical Assistance Program”).

3 (B) Part 23 to title 28, Code of Federal
4 Regulations (commonly known as “Justice In-
5 formation Sharing Training and Technical As-
6 sistance Program”).

7 (C) Section 1401 of the Violence Against
8 Women Act Reauthorization Act of 2022 (34
9 U.S.C. 30107) to a local law enforcement agen-
10 cy for enforcement of cybercrimes against indi-
11 viduals.

12 (D) Section 1701 title I of the Omnibus
13 Crime Control and Safe Streets Act of 1968
14 (34 U.S.C. 10381), relating to developing and
15 acquiring effective equipment, technologies, and
16 interoperable communications that assist in re-
17 sponding to and preventing crime (commonly
18 known as the “COPS Technology and Equip-
19 ment Program”).

20 (3) GENERAL FINANCIAL FRAUD.—The term
21 “general financial fraud” means, in order to obtain
22 money or other things of value—

23 (A) intentional misrepresentation of infor-
24 mation or identity to deceive an individual;

1 (B) unlawful use of a credit card, debit
2 card, or automated teller machine; or

3 (C) use of electronic means to transmit de-
4 ceptive information.

5 (4) PIG BUTCHERING.—The term “pig butch-
6 ering” means a confidence and investment fraud in
7 which the victim is gradually lured into making in-
8 creasing monetary contributions, generally in the
9 form of cryptocurrency, to a seemingly sound invest-
10 ment before the scammer disappears with the con-
11 tributed monies.

12 (5) SCAM.—The term “scam” means a financial
13 crime undertaken through the use of social engineer-
14 ing that uses deceptive inducement to acquire—

15 (A) authorized access to funds; or

16 (B) personal or sensitive information that
17 can facilitate the theft of financial assets.

18 (6) STATE.—The term “State” means each of
19 the several States, the District of Columbia, and
20 each territory of the United States.

21 (c) FEDERAL GRANTS USED FOR INVESTIGATING
22 ELDER FINANCIAL FRAUD, PIG BUTCHERING, AND GEN-
23 ERAL FINANCIAL FRAUD.—

24 (1) IN GENERAL.—State, local, and Tribal law
25 enforcement agencies and grantees that receive eligi-

1 ble Federal grant funds may use such funds for in-
2 vestigating elder financial fraud, pig butchering, and
3 general financial fraud, including by—

4 (A) hiring and retaining analysts, agents,
5 experts, and other personnel;

6 (B) providing training specific to complex
7 financial investigations, including training on—

8 (i) coordination and collaboration be-
9 tween State, local, Tribal, and Federal law
10 enforcement agencies;

11 (ii) assisting victims of financial fraud
12 and exploitation;

13 (iii) the use of blockchain intelligence
14 tools and related capabilities relating to
15 emerging technologies identified in the
16 February 2024 “Critical and Emerging
17 Technology List Update” of the Fast
18 Track Action Subcommittee on Critical
19 and Emerging Technologies of the Na-
20 tional Science and Technology Council
21 (commonly known as the “Critical and
22 Emerging Technology List”); and

23 (iv) unique aspects of fraud investiga-
24 tions, including transnational financial in-
25 vestigations and emerging technologies

1 identified in the Critical and Emerging
2 Technology List;

3 (C) obtaining software and technical tools
4 to conduct financial fraud and exploitation in-
5 vestigations;

6 (D) encouraging improved data collection
7 and reporting;

8 (E) supporting training and tabletop exer-
9 cises to enhance coordination and communica-
10 tion between financial institutions and State,
11 local, Tribal, and Federal law enforcement
12 agencies for the purpose of stopping fraud and
13 scams; and

14 (F) designating a financial sector liaison to
15 serve as a point of contact for financial institu-
16 tions to share and exchange with State, local,
17 Tribal, and Federal law enforcement agencies
18 information relevant to the investigation of
19 fraud and scams.

20 (2) REPORT TO GRANT PROVIDER.—Each law
21 enforcement agency and grantee that makes use of
22 eligible Federal grant funds for a purpose specified
23 under paragraph (1) shall, not later than 1 year
24 after making such use of the funds, submit to the

1 Federal agency that provided the eligible Federal
2 grant funds, a report containing—

3 (A) an explanation of the amount of funds
4 so used, and the specific purpose for which the
5 funds were used;

6 (B) statistics with respect to elder finan-
7 cial fraud, pig butchering, and general financial
8 fraud in the jurisdiction of the law enforcement
9 agency, along with an analysis of how the use
10 of the funds for a purpose specified under para-
11 graph (1) affected such statistics; and

12 (C) an assessment of the ability of the law
13 enforcement agency to deter elder financial
14 fraud, pig butchering, and general financial
15 fraud.

16 (d) REPORT ON GENERAL FINANCIAL FRAUD, PIG
17 BUTCHERING, AND ELDER FINANCIAL FRAUD.—Not
18 later than 1 year after the date of enactment of this Act,
19 the Secretary of the Treasury, in consultation with the At-
20 torney General, the Secretary of Homeland Security, and
21 the appropriate Federal banking agencies and Federal
22 functional regulators shall, jointly, submit to Congress a
23 report on efforts and recommendations related to general
24 financial fraud, pig butchering, elder financial fraud, and
25 scams.

1 (e) REPORT ON THE STATE OF SCAMS IN THE
2 UNITED STATES.—

3 (1) IN GENERAL.—Not later than 2 years after
4 the date of enactment of this Act, the Secretary of
5 the Treasury, in consultation with the Attorney Gen-
6 eral, the Secretary of Homeland Security, and the
7 appropriate Federal banking agencies and Federal
8 functional regulators, shall submit a report to Con-
9 gress on the state of scams in the United States
10 that—

11 (A) estimates—

12 (i) the number of financial fraud, pig
13 butchering, elder financial fraud, and
14 scams committed against consumers in the
15 United States each year, including—

16 (I) attempted scams, including
17 through social media, online dating
18 services, email, and impersonation of
19 financial institutions and nonbank fi-
20 nancial institutions; and

21 (II) successful scams, including
22 through social media, online dating
23 services, email, and impersonation of
24 financial institutions and nonbank fi-
25 nancial institutions;

1 (ii) the number of consumers each
2 year that lose money to 1 or more scams;

3 (iii) the dollar amount of consumer
4 losses to scams each year;

5 (iv) the percentage of scams each year
6 that can be attributed to—

7 (I) overseas actors; and

8 (II) organized crime;

9 (v) the number of attempted scams
10 each year that involve the impersonation of
11 phone numbers associated with financial
12 institutions and nonbank financial institu-
13 tions; and

14 (vi) an estimate of the number of syn-
15 thetic identities impersonating consumers
16 in the United States each year;

17 (B) provides an overview of the Federal
18 civil and criminal enforcement actions brought
19 against the recipients of the proceeds of finan-
20 cial fraud, pig butchering, elder financial fraud,
21 and scams during the period covered by the re-
22 port that includes—

23 (i) the number of such enforcement
24 actions;

1 (ii) an evaluation of the effectiveness
2 of such enforcement actions;

3 (iii) an identification of the types of
4 claims brought against the recipients of
5 the proceeds of financial fraud, pig butch-
6 ering, elder financial fraud, and scams;

7 (iv) an identification of the types of
8 penalties imposed through such enforce-
9 ment actions;

10 (v) an identification of the types of re-
11 lief obtained through such enforcement ac-
12 tions; and

13 (vi) the number of such enforcement
14 actions that are connected to a Suspicious
15 Activity Report; and

16 (C) identifies amounts made available and
17 amounts expended to address financial fraud,
18 pig butchering, elder financial fraud, and scams
19 during the period covered by the report by—

20 (i) the Bureau of Consumer Financial
21 Protection;

22 (ii) the Department of Justice;

23 (iii) the Federal Bureau of Investiga-
24 tion;

1 (iv) the Federal Communications
2 Commission;

3 (v) the Board of Governors of the
4 Federal Reserve Board;

5 (vi) the Federal Trade Commission;

6 (vii) the Department of the Treasury;

7 (viii) the Securities and Exchange
8 Commission;

9 (ix) the Social Security Administra-
10 tion;

11 (x) the United States Postal Inspec-
12 tion Service;

13 (xi) the United States Secret Service;

14 (xii) the Department of Homeland Se-
15 curity;

16 (xiii) the Federal Deposit Insurance
17 Corporation; and

18 (xiv) the Office of the Comptroller of
19 the Currency.

20 (2) SOLICITATION OF PUBLIC COMMENT.—In
21 carrying out the report required under paragraph
22 (1), the Secretary of the Treasury shall engage with
23 interested stakeholders, including consumers, social
24 media companies, email providers, telecommuni-

1 cations companies, financial institutions, and
2 nonbank financial institutions.

3 (f) REPORT TO CONGRESS.—Each Federal agency
4 that provides eligible Federal grant funds that are used
5 for a purpose specified under subsection (c)(1) shall issue
6 an annual report to the Committee on Banking, Housing,
7 and Urban Affairs of the Senate, the Committee on Fi-
8 nancial Services of the House of Representatives, the
9 Committee on the Judiciary of the Senate, and the Com-
10 mittee on the Judiciary of the House of Representatives
11 containing the information received from law enforcement
12 agencies under subsection (c)(2).

13 (g) FEDERAL LAW ENFORCEMENT AGENCIES AS-
14 SISTING STATE, LOCAL, AND TRIBAL LAW ENFORCE-
15 MENT AND FUSION CENTERS.—Federal law enforcement
16 agencies may assist State, local, and Tribal law enforce-
17 ment agencies and fusion centers in the use of distributed
18 ledger analytics tools.

19 **SEC. 10902. GRANT PROGRAM FOR STATE AND LOCAL DIG-**
20 **ITAL ASSET ENFORCEMENT CAPABILITIES.**

21 (a) IN GENERAL.—Section 501(a) of title I of the
22 Omnibus Crime Control and Safe Streets Act of 1968 (34
23 U.S.C. 10152(a)) is amended—

24 (1) in paragraph (1) by adding at the end the
25 following:

1 “(L) Programs for the investigation and
2 prosecution of crimes involving—

3 “(i) digital assets (as defined in sec-
4 tion 10001 of the Digital Asset Market
5 Clarity Act);

6 “(ii) distributed ledger systems (as
7 defined in section 10001 of the Digital
8 Asset Market Clarity Act);

9 “(iii) evasion of United States sanc-
10 tions laws (as defined in section 10302 of
11 the Digital Asset Market Clarity Act);

12 “(iv) fraud;

13 “(v) terrorism financing; and

14 “(vi) other illicit finance activity.

15 “(M) Programs to acquire distributed ledg-
16 er analytics tools and related investigative tech-
17 nology and to certify the use of distributed
18 ledger analytics tools and related investigative
19 technology.

20 “(N) Programs carried out under title IV
21 of the Prioritizing Resources and Organization
22 for Intellectual Property Act of 2008 (34
23 U.S.C. 30103 et seq.) (commonly known as the
24 ‘Economic, High-Technology, White Collar, and
25 Internet Crime Prevention National Training

1 and Technical Assistance Program’), including
2 programs relating to the use of technology to
3 solve crimes and to facilitate prosecutions (com-
4 monly known as the ‘Internet of Things (IoT)
5 National Training and Technical Assistance
6 Program’).”]; and

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

8 “(3) GRANTS RELATING TO INVESTIGATION
9 AND PROSECUTION OF CERTAIN CRIMES AND ACQUI-
10 SITION OF CERTAIN TOOLS AND TECHNOLOGIES.—In
11 making any grant using amounts appropriated pur-
12 suant to section 10902(b) of the Digital Asset Mar-
13 ket Clarity Act to carry out a program described in
14 subparagraph (L), (M), or (N) of paragraph (1) of
15 this subsection, the Attorney General shall consult
16 with the Secretary of the Treasury.”.

17 (b) AUTHORIZATION OF APPROPRIATIONS.—There is
18 authorized to be appropriated to the Attorney General to
19 award grants under paragraph (1) of section 501(a) of
20 title I of the Omnibus Crime Control and Safe Streets Act
21 of 1968 (34 U.S.C. 10152(a)) for programs described in
22 subparagraphs (L), (M), and (N) of that paragraph
23 \$600,000,000 for each of fiscal years 2027 through 2031,
24 to remain available until expended.

1 **SEC. 10903. DIGITAL ASSET LAW ENFORCEMENT AND NA-**
2 **TIONAL SECURITY TRAINING PROGRAM.**

3 (a) ESTABLISHMENT.—Not later than 180 days after
4 the date of enactment of this Act, the Secretary of the
5 Treasury and the Attorney General shall jointly establish
6 and administer a digital asset law enforcement and na-
7 tional security training program for—

8 (1) Federal law enforcement officers, investiga-
9 tors, prosecutors, analysts, and national security
10 personnel;

11 (2) State, local, Tribal, and territorial law en-
12 forcement officers, investigators, prosecutors, and
13 analysts;

14 (3) personnel of the Department of the Treas-
15 ury, the Department of Justice, the Securities and
16 Exchange Commission, and the Commodity Futures
17 Trading Commission;

18 (4) personnel of State financial regulators and
19 State attorneys general with responsibility for digital
20 asset, money transmission, securities, commodities,
21 banking, consumer protection, or illicit-finance mat-
22 ters; and

23 (5) such other government personnel as the
24 Secretary of the Treasury and the Attorney General
25 determine appropriate.

1 (b) PURPOSE.—The purpose of the program estab-
2 lished under subsection (a) shall be to provide education,
3 training, and technical assistance relating to—

4 (1) the provisions of this Act and the amend-
5 ments made by this Act that relate to illicit finance,
6 sanctions compliance, anti-money-laundering obliga-
7 tions, countering the financing of terrorism, fraud,
8 market manipulation, cybersecurity, customer pro-
9 tection, and national security;

10 (2) the respective roles of the Department of
11 the Treasury, the Department of Justice, the Securi-
12 ties and Exchange Commission, and the Commodity
13 Futures Trading Commission under this Act and the
14 amendments made by this Act;

15 (3) the use of investigative, supervisory, report-
16 ing, referral, information-sharing, and customer-pro-
17 tection tools available under this Act, the amend-
18 ments made by this Act, and other applicable Fed-
19 eral law; and

20 (4) coordination among Federal, State, local,
21 Tribal, and territorial law enforcement agencies and
22 Federal financial regulators relating to digital asset
23 investigations, enforcement matters, and national se-
24 curity risks.

1 (c) RULE OF CONSTRUCTION.—Nothing in this sec-
2 tion shall be construed to alter, limit, impair, or supersede
3 the authority of the Securities and Exchange Commission,
4 the Commodity Futures Trading Commission, the Sec-
5 retary of the Treasury, the Attorney General, or any other
6 Federal agency under any other provision of law.

7 **SEC. 10904. ESTABLISHMENT OF A DIGITAL ASSET CYBER**
8 **INNOVATION CENTER.**

9 (a) ESTABLISHMENT.—

10 (1) IN GENERAL.—There is established within
11 the Department of the Treasury a Digital Asset
12 Cyber Innovation Center (referred to in this section
13 as the “DACIC”), which shall be operated—

14 (A) in partnership with the Department of
15 Justice, the Department of Homeland Security,
16 the Federal Bureau of Investigation, the United
17 States Secret Service, the Department of De-
18 fense, the Commission, the Commodity Futures
19 Trading Commission, and other relevant Fed-
20 eral agencies (which may include components of
21 the intelligence community (as defined in sec-
22 tion 3 of the National Security Act of 1947 (50
23 U.S.C. 3003))), as determined by the Secretary
24 of the Treasury; and

1 (B) in collaboration with private sector en-
2 tities.

3 (2) **ROLE.**—The DACIC shall be responsible for
4 countering threats from state actors that target dig-
5 ital assets for funding or otherwise leverage digital
6 assets for illicit purposes, while simultaneously ad-
7 vancing efforts by the United States to foster inno-
8 vation, ensure digital economic safety, and support
9 technological advancements in digital asset security
10 and compliance.

11 (3) **TIMELINE.**—Not later than 1 year after the
12 date of enactment of this Act, the DACIC shall be
13 fully operational.

14 (b) **RISK ASSESSMENT AND EVALUATION.**—As part
15 of the national strategy for combating terrorist and other
16 illicit financing required under sections 261 and 262 of
17 the Countering America’s Adversaries Through Sanctions
18 Act (Public Law 115–44; 131 Stat. 934), as amended by
19 section 6506 of the National Defense Authorization Act
20 for Fiscal Year 2022 (Public Law 117–81; 135 Stat.
21 2428), the Secretary of the Treasury shall, in coordination
22 with the agencies described in subsection (a)(1)(A)—

23 (1) analyze sources of money laundering, sanc-
24 tions evasion, and other illicit financial flows within

1 the digital asset space that have been generated by
2 state actors;

3 (2) assess the effectiveness and impact of exist-
4 ing tools, frameworks, and technologies in address-
5 ing cyber threats and criminal activity within the
6 digital asset space; and

7 (3) assess the rate of adoption of blockchain
8 analytics tools.

9 (c) CYBERSECURITY AND FINANCIAL INTEGRITY AC-
10 TIONS.—

11 (1) DISRUPTION OF CYBER ATTACKS AND IL-
12 LICIT ACTIVITIES.—

13 (A) IN GENERAL.—The DACIC shall work
14 to disrupt cyberattacks, scams, thefts, sanctions
15 evasion, and money laundering within the dig-
16 ital asset ecosystem, with a focus on state ac-
17 tors.

18 (B) COORDINATION.—The DACIC shall—

19 (i) work in coordination with Federal
20 departments and agencies to ensure that
21 authorities from relevant Federal depart-
22 ments and agencies are deployed effectively
23 in conjunction with each other, alongside
24 partnerships with private sector entities, to
25 combat illicit activities; and

1 (ii) ensure that actions are consistent
2 with the development of permissionless
3 blockchain technologies.

4 (C) IDENTIFICATION AND DISRUPTION OF
5 ATTEMPTS.—The DACIC shall focus on identi-
6 fying and disrupting attempts by state actors,
7 such as the Democratic People’s Republic of
8 Korea and the Islamic Republic of Iran, includ-
9 ing by—

10 (i) coordinating with international law
11 enforcement and intelligence agencies to
12 disrupt cybercrime activities linked to the
13 Democratic People’s Republic of Korea or
14 the Islamic Republic of Iran; and

15 (ii) coordinating with relevant stake-
16 holders to neutralize efforts by the Demo-
17 cratic People’s Republic of Korea and the
18 Islamic Republic of Iran to use non-compli-
19 ant international exchanges or over-the-
20 counter desks as cash-out points.

21 (2) SEIZURE OF STOLEN FUNDS.—The DACIC
22 shall support efforts to seize criminal proceeds de-
23 rived from illicit digital asset transactions, ensuring
24 that stolen funds are promptly identified, traced,

1 and recovered, and that such seizures are conducted
2 in accordance with appropriate legal frameworks.

3 (d) INFORMATION SHARING AND COLLABORATION.—

4 (1) PRIVATE SECTOR COLLABORATION.—The
5 DACIC shall facilitate continuous information ex-
6 change with appropriate private sector entities, in-
7 cluding digital asset exchanges, blockchain analytics
8 firms, cybersecurity companies, web3 development
9 platforms, and other relevant parties, which shall
10 focus on the following:

11 (A) Vulnerabilities, cyber intrusions, and
12 indicators of compromise (including by state ac-
13 tors) in the digital asset ecosystem.

14 (B) Real-time collaboration to eliminate
15 malicious cyber and digital asset campaigns by
16 adversarial state actors.

17 (2) PUBLIC-PRIVATE COLLABORATION.—The
18 DACIC shall engage with private sector consortia
19 and other relevant entities to promote frequent, real-
20 time information sharing between the public and pri-
21 vate sectors, ensuring efficient responses to emerg-
22 ing cyber threats.

23 (3) REWARDS FOR JUSTICE PROGRAM.—The
24 DACIC shall establish a Rewards for Justice pro-
25 gram specifically targeting digital asset threats, of-

1 fering appropriate incentives for white hat hackers
2 and security researchers, including those who iden-
3 tify vulnerabilities, provide actionable intelligence on
4 threat actors, or assist in recovering stolen digital
5 assets.

6 (4) EMERGENCY RESPONSE INITIATIVE.—The
7 DACIC shall—

8 (A) establish an Emergency Response Ini-
9 tiative for coordinated action during active dig-
10 ital asset attacks or major security incidents,
11 including by identifying clear lines of authority,
12 communication channels, and predefined re-
13 sponse options that can be rapidly implemented;
14 and

15 (B) maintain links to a multidisciplinary
16 team capable of rapid deployment during sig-
17 nificant digital asset security incidents, includ-
18 ing technical experts, legal advisors, blockchain
19 forensics specialists, and coordination officers
20 who can work with affected entities to contain
21 attacks, preserve evidence, and initiate recovery
22 efforts.

23 (5) INTERNATIONAL COOPERATION.—The
24 DACIC shall establish an International Coordination
25 Office responsible for actively engaging with foreign

1 partners, including international organizations,
2 international regulators, financial institutions, and
3 law enforcement agencies, and assisting in coordi-
4 nating the response to cross-border threats, which
5 may include pressuring non-compliant digital asset
6 exchanges and over-the-counter desks that adver-
7 sarial state actors, other entities, and persons sub-
8 ject to sanctions imposed by the United States have
9 utilized for illicit activity, including as cash-out
10 points, promoting global compliance and deterrence.

11 (e) REGULATORY APPROVALS AND TESTING OF
12 ONCHAIN SOLUTIONS.—The DACIC shall drive and sup-
13 port the development of technical standards for digital
14 asset security, working with public and private standards
15 bodies such as the National Institute of Standards and
16 Technology to establish widely accepted security bench-
17 marks.

18 (f) ORGANIZATIONAL STRUCTURE AND STAFFING.—

19 (1) EXECUTIVE DIRECTOR.—The Secretary of
20 the Treasury shall appoint an Executive Director of
21 the DACIC to oversee the activities and operations
22 of the DACIC, ensuring alignment with the mission
23 and goals of the DACIC, who possess expertise in 1
24 or more of the following:

25 (A) Cybersecurity.

1 (B) Enforcement.

2 (C) Digital asset markets.

3 (2) STAFFING.—

4 (A) IN GENERAL.—The DACIC shall be
5 staffed with professionals from the agencies de-
6 scribed in subsection (a)(1)(A).

7 (B) FOCAL POINT.—The DACIC shall not
8 disrupt ongoing efforts within the agencies de-
9 scribed in subsection (a)(1)(A), but shall serve
10 as a focal point for combating thefts and money
11 laundering from state actors to ensure that
12 tools and authorities are used collaboratively
13 and effectively to counter those threats.

14 (3) PARTNERSHIPS WITH WEB3 AND
15 BLOCKCHAIN DEVELOPMENT.—The DACIC shall es-
16 tablish strategic partnerships with blockchain ana-
17 lytics firms, web3 development platforms, centralized
18 and decentralized digital asset organizations, cyber-
19 security companies, academic researchers, and any
20 other relevant entities to stay at the forefront of
21 technological developments in the digital asset sec-
22 tor.

23 (g) BUDGET AND FUNDING.—There is authorized to
24 be appropriated \$60,000,000 to the DACIC for fiscal year
25 2026, and each fiscal year thereafter, to support the oper-

1 ations, staffing, and initiatives of the DACIC aimed at
2 combating illicit activities in the digital asset space, in-
3 cluding research, development, enforcement, and collabo-
4 ration efforts.

5 (h) IMPLEMENTATION AND OVERSIGHT.—The
6 DACIC shall submit to Congress an annual report on the
7 activities, goals, and achievements of the DACIC for the
8 period covered by the report, which shall provide—

9 (1) updates on efforts to disrupt cyber-attacks
10 and combat money laundering and sanctions evasion,
11 including metrics on threat actors disrupted, dollars
12 recovered, and other relevant information;

13 (2) progress on the state of public-private co-
14 operation in addressing digital asset illicit finance,
15 including information sharing effectiveness, such as
16 the speed of information sharing; and

17 (3) recommendations for legislative action.

18 **SEC. 10905. STRENGTHENING AGENCY FRAMEWORKS FOR**
19 **ENFORCEMENT OF CRYPTOCURRENCY.**

20 (a) SHORT TITLE.—This section may be cited as the
21 “Strengthening Agency Frameworks for Enforcement of
22 Cryptocurrency Act” or the “SAFE Crypto Act”.

23 (b) DEFINITIONS.—In this section:

24 (1) **LAWFUL ORDER; PERMITTED PAYMENT**
25 **STABLECOIN ISSUER.**—The terms “lawful order”

1 and “permitted payment stablecoin issuer” have the
2 meanings given those terms, respectively, in section
3 2 of the GENIUS Act (12 U.S.C. 5901), respec-
4 tively.

5 (2) SECRETARY.—The term “Secretary” means
6 the Secretary of the Treasury.

7 (3) TASK FORCE.—The term “Task Force”
8 means the Task Force on Cryptocurrency Scams es-
9 tablished under section 3(a).

10 (c) TASK FORCE ON CRYPTOCURRENCY SCAMS.—

11 (1) ESTABLISHMENT.—Not later than 180 days
12 after the date of enactment of this Act, the Sec-
13 retary shall establish a task force, to be known as
14 the Task Force for Recognizing and Averting
15 Cryptocurrency Scams.

16 (2) MEMBERSHIP.—

17 (A) COMPOSITION.—The Task Force shall
18 be chaired by the Secretary, or a designee
19 thereof, and shall consist of the following indi-
20 viduals, or the designees of these individuals:

21 (i) The Attorney General.

22 (ii) The Director of the Financial
23 Crimes Enforcement Network.

24 (iii) The Director of the United States
25 Secret Service.

1 (iv) The head of any other relevant
2 Federal department or agency, as deter-
3 mined by the Secretary, in consultation
4 with the Task Force.

5 (v) Representatives of permitted pay-
6 ment stablecoin issuers.

7 (vi) Representatives of digital asset
8 service providers.

9 (vii) Representatives of digital asset
10 custodians.

11 (viii) Representatives of distributed
12 ledger analytics companies (as defined in
13 section 10204(b)).

14 (ix) Representatives of victims, scam
15 support networks, or other relevant con-
16 sumer protection stakeholders.

17 (x) Representatives of Federal, State,
18 and local law enforcement.

19 (xi) Representatives of any other in-
20 dustries, as determined necessary by the
21 Secretary.

22 (xii) Representatives from 1 or more
23 State bank regulatory authorities.

1 (B) TERM OF APPOINTMENT.—The term
2 of a member of the Task Force shall continue
3 until the termination of the Task Force.

4 (C) VACANCY.—Any vacancy occurring in
5 the membership of the Task Force shall be
6 filled in the same manner in which the original
7 appointment was made.

8 (3) PURPOSES.—The purposes of the Task
9 Force include the following:

10 (A) SCAM DETECTION AND PREVENTION.—
11 The Task Force shall examine current trends
12 and developments in the financial grooming
13 scams involving digital assets, identify effective
14 methods for preventing such scams, and issue
15 recommendations to enhance efforts to identify
16 and prevent such activities.

17 (B) CROSS-SECTOR APPROACH.—The Task
18 Force shall adopt a cross-sector approach to en-
19 sure its recommendations reflect the full scope
20 of the issue, given that scams impact individ-
21 uals across jurisdictions and a wide range of in-
22 dustries, including financial services, tele-
23 communications, and technology.

24 (C) STAKEHOLDER INSIGHT.—The Task
25 Force shall include representation from—

1 (i) stakeholders with direct experience
2 supporting victims of scams (including in-
3 dividuals forced to engage in the scams
4 and individuals impacted by the scams);
5 and

6 (ii) industry participants with insight
7 into—

8 (I) the organized crime networks
9 perpetrating the scams;

10 (II) digital asset kiosks (as de-
11 fined in section 5337(a) of title 31,
12 United States Code, as added by sec-
13 tion 10205(b) of this Act); and

14 (III) prevention strategies, in-
15 cluding following the money to detect,
16 deter, and dismantle the organized
17 crime networks.

18 (D) INFORMATION SHARING AND INTER-
19 DICTION NETWORKS.—The Task Force, in co-
20 ordination with relevant Federal agencies, is en-
21 couraged to promote participation by digital
22 asset service providers and permitted payment
23 stablecoin issuers in public-private, real-time in-
24 formation sharing and interdiction networks de-
25 signed to detect, disrupt, and prevent the off-

1 ramping of funds associated with scams, fraud,
2 and other illicit activities.

3 (E) ENHANCED ASSET RECOVERY MECHA-
4 NISMS.—The Task Force shall work with per-
5 mitted payment stablecoin issuers to ensure
6 that the permitted payment stablecoin issuers
7 have the technological capability to comply, and
8 do comply, with the terms of any lawful order
9 relating to payment stablecoins issued by any
10 such permitted payment stablecoin issuer deter-
11 mined to be proceeds of scams or other unlaw-
12 ful conduct, consistent with applicable law, in-
13 cluding the GENIUS Act (12 U.S.C. 5901 et
14 seq.) and implementing regulations and due
15 process protections.

16 (4) MEETINGS.—The Task Force shall meet
17 not less than 3 times during the 1-year period begin-
18 ning on the date of enactment of this Act, and
19 thereafter at such times and places, and by such
20 means, as the Chair of the Task Force determines
21 to be appropriate, which may include the use of re-
22 mote conference technology.

23 (5) DUTIES.—The duties of the Task Force
24 shall include—

1 (A) evaluating opportunities to use data
2 collected by the Internet Crime Complaint Cen-
3 ter database of the Federal Bureau of Inves-
4 tigation and the fraud reporting database of the
5 Federal Trade Commission;

6 (B) evaluating best practices for combating
7 methods (such as financial grooming scams,
8 Ponzi schemes, money laundering, organized
9 crime schemes, fraudulent Initial Coin Offer-
10 ings, and rug pulls) used by scammers, includ-
11 ing means of identifying, communicating with,
12 and exploiting victims;

13 (C) assessing how international jurisdic-
14 tions have tried to prevent scams involving dig-
15 ital assets;

16 (D) identifying and reviewing current
17 methods used to scam individuals, including
18 users and consumers, using digital asset inter-
19 mediaries;

20 (E) determining a strategy for education
21 programs that better equip individuals, includ-
22 ing consumers, to identify, avoid, and report
23 digital asset scam attempts to the appropriate
24 law enforcement or government authorities;

1 (F) coordinating efforts to ensure per-
2 petrators of scams involving digital assets can
3 be identified and pursued by law enforcement;

4 (G) consulting with other relevant stake-
5 holders, including State, local, and Tribal agen-
6 cies and financial services providers;

7 (H) determining whether any additional
8 Federal legislation and full-time equivalents
9 would be beneficial for law enforcement and in-
10 dustry in mitigating scams involving digital as-
11 sets; and

12 (I) working with international governments
13 and law enforcement agencies to combat digital
14 asset scams, including by targeting the orga-
15 nized crime networks perpetrating scams, origi-
16 nating abroad.

17 (6) COMPENSATION.—Each member of the
18 Task Force shall serve without compensation, other
19 than compensation to which entitled as an employee
20 of the United States, as the case may be.

21 (7) REPORT.—

22 (A) IN GENERAL.—Not later than 1 year
23 after the date on which the Secretary estab-
24 lishes the Task Force, the Task Force shall
25 submit to the Committee on Banking, Housing,

1 and Urban Affairs of the Senate, the Com-
2 mittee on Agriculture, Nutrition, and Forestry
3 of the Senate, the Committee on Financial
4 Services of the House of Representatives, and
5 the Committee on Agriculture of the House of
6 Representatives and make publicly available on-
7 line a report detailing—

8 (i) the results of the reviews and eval-
9 uations of the Task Force under para-
10 graph (5);

11 (ii) the strategy identified under para-
12 graph (5);

13 (iii) any legislative, regulatory, or per-
14 sonnel recommendations that would en-
15 hance the ability to detect and prevent
16 scams involving digital assets described in
17 paragraph (5); and

18 (iv) recommendations to enhance co-
19 operation among Federal, State, local, and
20 Tribal authorities in the investigation and
21 prosecution of scams and other financial
22 crimes, including harmonizing data collec-
23 tion, improving data sharing processes, im-
24 proving reporting mechanisms and
25 streams, estimating the number of com-

1 plaints and consumers affected, and evalu-
2 ating the effectiveness of anti-scam train-
3 ing programs.

4 (B) ANNUAL UPDATES.—After submitting
5 an initial report required under subparagraph
6 (A), the Task Force shall, on an annual basis,
7 submit to the Committee on Banking, Housing,
8 and Urban Affairs of the Senate, the Com-
9 mittee on Agriculture, Nutrition, and Forestry
10 of the Senate, the Committee on Financial
11 Services of the House of Representatives, and
12 the Committee on Agriculture of the House of
13 Representatives and make publicly available on-
14 line an updated version of the report.

15 (8) APPLICABLE LAW.—Chapter 4 of title 5,
16 United States Code, shall not apply to the Task
17 Force.

18 (9) SUNSET.—The Task Force shall terminate
19 on the date that is 3 years after the date on which
20 the Task Force submits the report required under
21 paragraph (7)(A).

22 **SEC. 10906. COMPLIANCE WITH LAWFUL ORDERS REQUIR-**
23 **ING REISSUANCE.**

24 Section 2(16)(A) of the GENIUS Act (12 U.S.C.
25 5901(16)(A)) is amended by striking “requires a person”

1 and all that follows through “by the person” and inserting
2 “requires a person to prevent the transfer of payment
3 stablecoins issued by the person, or seize, freeze, or burn
4 such payment stablecoins and, as appropriate, reissue re-
5 placement payment stablecoins”.

6 **TITLE X—OTHER MATTERS**

7 **SEC. 11001. JOINT ADVISORY COMMITTEE ON DIGITAL AS-** 8 **SETS.**

9 (a) ESTABLISHMENT.—The Commodity Futures
10 Trading Commission and the Commission (referred to col-
11 lectively in this section as the “Commissions”) shall jointly
12 establish the Joint Advisory Committee on Digital Assets
13 (referred to in this section as the “Committee”).

14 (b) PURPOSE.—

15 (1) IN GENERAL.—The Committee shall—

16 (A) provide the Commissions with official
17 findings and nonbinding recommendations on—

18 (i) the rules, regulations, oversight,
19 and other matters of the Commissions re-
20 lating to digital assets, including with re-
21 spect to regulatory harmonization between
22 the Commissions;

23 (ii) how to further the regulatory har-
24 monization of digital asset policy between

1 the Commissions or areas in which that
2 harmonization should occur; and

3 (iii) the implementation by the Com-
4 missions of this division, and the amend-
5 ments made by this division, including with
6 respect to regulatory harmonization be-
7 tween the Commissions, memoranda of un-
8 derstanding, and the CFTC-SEC Micro-In-
9 novation Sandbox established pursuant to
10 section 10501;

11 (B) develop and share objective methods
12 and best practices for evaluating digital asset
13 networks and activities, including, as appro-
14 priate, technical features, economic design, and
15 implications for market integrity, investor pro-
16 tection, and operational resilience; and

17 (C) issue nonbinding recommendations to
18 assist in resolving disputes between the Com-
19 missions.

20 (c) REVIEW BY THE COMMISSIONS.—Each of the
21 Commissions shall—

22 (1) review the findings and nonbinding rec-
23 ommendations provided under subsection (b)(1)(A);

24 (2) promptly publish a public statement each
25 time the Committee submits a finding or nonbinding

1 recommendation to the applicable Commission under
2 subsection (b)(1)(A) that—

3 (A) assesses the finding or recommenda-
4 tion; and

5 (B) if applicable, discloses the action or de-
6 cision not to take action; and

7 (3) provide the Committee with a formal writ-
8 ten response not later than 90 days after the date
9 of submission of a finding or nonbinding rec-
10 ommendation under subsection (b)(1)(A).

11 (d) MEMBERSHIP AND LEADERSHIP.—

12 (1) NON-FEDERAL MEMBERS; SIZE AND COM-
13 POSITION.—

14 (A) IN GENERAL.—The Commissions shall
15 appoint to the Committee not more than 14
16 nongovernmental voting members who—

17 (i) represent a broad spectrum of in-
18 terests, equally divided between the Com-
19 missions; and

20 (ii) serve at the pleasure of the ap-
21 pointing Commission.

22 (B) SPECIFIC MEMBERS.—For each of the
23 Commissions, the appointees under subpara-
24 graph (A) of this paragraph shall include—

- 1 (i) 2 individuals described in para-
2 graph (2)(A);
3 (ii) 2 individuals described in para-
4 graph (2)(B);
5 (iii) 1 individual described in para-
6 graph (2)(C);
7 (iv) 2 individuals described in para-
8 graph (2)(D); and
9 (v) 1 individual described in para-
10 graph (2)(E).

11 (2) MEMBERS DESCRIBED.—A member de-
12 scribed in this paragraph is—

13 (A) an individual who is employed by, or is
14 a related person with respect to, a digital asset
15 market participant;

16 (B) a person registered with either of the
17 Commissions and that is engaged in activities
18 relating to digital assets;

19 (C) an individual engaged in academic re-
20 search relating to digital assets;

21 (D) a retail user of digital assets; and

22 (E) a State securities regulator.

23 (3) NIST.—The Director of the National Insti-
24 tute of Standards and Technology, or the designee
25 of the Director, shall serve in an advisory capacity

1 as a nonvoting, ex officio member of the Committee,
2 and shall not be excluded from any proceedings,
3 meetings, discussions, or deliberations of the Com-
4 mittee, except that the chair of the Committee, upon
5 an affirmative vote of the Committee, may exclude
6 the Director or the designee from any proceedings,
7 meetings, discussions, or deliberations of the Com-
8 mittee when necessary to safeguard and promote the
9 free exchange of confidential information.

10 (4) CO-DESIGNATED FEDERAL OFFICERS; COM-
11 MISSIONER SUPPORT.—

12 (A) CO-DESIGNATED FEDERAL OFFI-
13 CERS.—

14 (i) IN GENERAL.—Each Commission
15 shall designate 1 Federal officer to serve
16 as a co-designated Federal officer of the
17 Committee.

18 (ii) SHARED DUTIES.—The duties re-
19 quired by section 1009(e) of title 5, United
20 States Code, to be carried out by a des-
21 ignated officer or employee of the Federal
22 Government with respect to the Committee
23 shall be shared by the Federal officers of
24 the Committee who are co-designated
25 under clause (i).

1 (B) COMMISSIONER SUPPORT.—

2 (i) IN GENERAL.—Commissioners of
3 the Commissions may be supported by offi-
4 cers or employees of the respective Com-
5 mission who may prepare or transmit ma-
6 terials, coordinate with agency staff, liaise
7 with Committee leadership, propose agenda
8 items, gather information, and otherwise
9 support the participation of that commis-
10 sioner in Committee business, in an ex
11 officio, nonvoting capacity.

12 (ii) RULE OF CONSTRUCTION.—An of-
13 ficer or employee described in clause (i)
14 shall not be considered to be a member of
15 the Committee for purposes of chapter 10
16 of title 5, United States Code.

17 (C) INFORMATION SHARING.—The co-des-
18 ignated Federal officers under subparagraph
19 (A) and the officers or employees of the respec-
20 tive Commissions providing support under sub-
21 paragraph (B) shall share information about
22 digital asset activities under this division, in ac-
23 cordance with section 10902, including with re-
24 gard to preventing insider trading.

1 (5) COMMITTEE LEADERSHIP.—The members
2 of the Committee shall elect, from among the mem-
3 bership of the Committee, a secretary and an assist-
4 ant secretary.

5 (6) ROTATING CHAIR.—The chair and vice
6 chair of the Committee shall rotate annually between
7 the Commissions, with the Commission designating
8 the chair in even-numbered calendar years, the Com-
9 modity Futures Trading Commission designating the
10 chair in odd-numbered calendar years, the Commis-
11 sion designating the vice chair in odd-numbered cal-
12 endar years, and the Commodity Futures Trading
13 Commission designating the vice chair in even-num-
14 bered calendar years.

15 (7) TERMS; VACANCIES; HOLDOVER.—

16 (A) IN GENERAL.—Each non-Federal
17 member of the Committee shall be appointed
18 for a term of 4 years.

19 (B) SERVICE UNTIL NEW APPOINTMENT.—

20 A member of the Committee may continue to
21 serve after the expiration of the term of the
22 member until a successor is appointed.

23 (C) VACANCIES.—A vacancy with respect
24 to membership in the Committee shall be filled
25 only for the remainder of the applicable term.

1 (D) REAPPOINTMENT.—A member of the
2 Committee may be reappointed.

3 (8) STATUS OF MEMBERS.—A member of the
4 Committee appointed under paragraph (1) shall not
5 be deemed to be an employee or agent of either of
6 the Commissions solely by reason of membership on
7 the Committee.

8 (e) NO COMPENSATION FOR COMMITTEE MEM-
9 BERS.—

10 (1) NON-FEDERAL MEMBERS.—All Committee
11 members appointed under subsection (d)(1) shall—

12 (A) serve without compensation; and

13 (B) while away from the home or regular
14 place of business of the member in the perform-
15 ance of services for the Committee, be allowed
16 travel expenses, including per diem in lieu of
17 subsistence, in the same manner as persons em-
18 ployed intermittently in Government service are
19 allowed expenses under section 5703 of title 5,
20 United States Code.

21 (2) NO COMPENSATION FOR CO-DESIGNATED
22 FEDERAL OFFICERS.—The Federal officers co-des-
23 ignated under subsection (d)(4)(A) shall serve with-
24 out compensation in addition to that received for

1 their services as officers or employees of the United
2 States.

3 (f) FREQUENCY OF MEETINGS.—The Committee
4 shall meet—

5 (1) not less frequently than twice annually; and

6 (2) at such other times as either of the Com-
7 missions may request.

8 (g) PROCEDURES; ADVISORY NATURE.—

9 (1) IN GENERAL.—The Committee shall operate
10 pursuant to chapter 10 of title 5, United States
11 Code, except as otherwise expressly provided by this
12 section.

13 (2) ADVISORY NATURE OF RECOMMENDA-
14 TIONS.—The recommendations of the Committee are
15 advisory in nature, shall not create any legal rights
16 or obligations, and shall not limit or delay the inde-
17 pendent authority of either of the Commissions.

18 (h) TIME LIMITS.—The Commissions shall—

19 (1) not later than 90 days after the date of en-
20 actment of this Act, adopt a joint charter for the
21 Committee;

22 (2) not later than 120 days after the date of
23 enactment of this Act, make the appointments re-
24 quired under subsection (d)(1); and

1 (3) not later than 180 days after the date of
2 enactment of this Act, hold the initial meeting of the
3 Committee.

4 (i) FUNDING.—Subject to the availability of funds,
5 the Commissions shall jointly fund the Committee.

6 (j) DURATION AND RENEWAL.—

7 (1) INITIAL PERIOD.—The Committee shall re-
8 main in effect for 10 years beginning on the date of
9 enactment of this Act.

10 (2) RENEWAL THEREAFTER.—At the conclu-
11 sion of the 10-year period described in paragraph
12 (1)—

13 (A) the Committee shall be subject to sub-
14 sections (a) and (b) of section 1013 of title 5,
15 United States Code; and

16 (B) the Commissions may renew the Com-
17 mittee for successive 2-year periods by pub-
18 lishing a notice in the Federal Register, con-
19 sistent with chapter 10 of title 5, United States
20 Code.

21 **SEC. 11002. MEMORANDUM OF UNDERSTANDING.**

22 (a) MEMORANDUM OF UNDERSTANDING.—The Com-
23 mission shall enter into a memorandum of understanding
24 with the Commodity Futures Trading Commission to en-
25 sure—

1 (1) coordinated supervision and enforcement
2 with respect to registrants of the Commission and
3 the Commodity Futures Trading Commission, in-
4 cluding with regard to—

5 (A) the anti-fraud and anti-manipulation
6 authorities of the Commission, such as with re-
7 gard to insider trading; and

8 (B) the market integrity authorities of the
9 Commodity Futures Trading Commission; and

10 (2) appropriate information sharing between
11 the Commission and the Commodity Futures Trad-
12 ing Commission to further the purposes of and com-
13 pliance with this division, the amendments made by
14 this division, the Securities Act of 1933 (15 U.S.C.
15 77a et seq.) (as amended by this Act), the Securities
16 Exchange Act of 1934 (15 U.S.C. 78a et seq.) (as
17 amended by this Act), and the Commodity Exchange
18 Act (7 U.S.C. 1 et seq.) (as amended by this Act).

19 (b) RULE OF CONSTRUCTION.—Nothing in this sec-
20 tion may be construed to limit the anti-fraud, anti-manip-
21 ulation, or false reporting enforcement authorities of the
22 Commodity Futures Trading Commission with respect to
23 a contract of sale of a commodity and persons effecting
24 such contracts.

1 (c) RULE OF CONSTRUCTION.—Nothing in this divi-
2 sion, or any amendment made by this division, may be
3 construed to limit or prevent the continued application of
4 applicable law regarding the insider trading of securities,
5 including digital asset securities, including section 21A of
6 the Securities Exchange Act of 1934 (15 U.S.C. 78u–1).

7 **SEC. 11003. FINCEN APPROPRIATIONS.**

8 (a) AUTHORIZATION OF APPROPRIATIONS.—For the
9 purposes of developing policy relating to digital assets, ac-
10 quiring information technology resources, funding the op-
11 erations described in sections 10202 and 10203, and en-
12 forcement of the laws within its jurisdiction relating to
13 digital assets, there is authorized to be appropriated to
14 the Financial Crimes Enforcement Network of the De-
15 partment of the Treasury the following:

16 (1) \$30,000,000 for fiscal year 2026, to remain
17 available until September 30, 2027.

18 (2) \$30,000,000 for fiscal year 2027, to remain
19 available until September 30, 2028.

20 (3) \$30,000,000 for fiscal year 2028, to remain
21 available until September 30, 2029.

22 (4) \$30,000,000 for fiscal year 2029, to remain
23 available until September 30, 2030.

24 (5) \$30,000,000 for fiscal year 2030, to remain
25 available until September 30, 2031.

1 (b) INCENTIVE PREMIUM FOR HIGHLY QUALIFIED
2 INDIVIDUALS.—Notwithstanding any other provision of
3 law or regulation, the Director of the Financial Crimes
4 Enforcement Network of the Department of the Treasury
5 may pay an annual incentive premium of not more than
6 20 percent of the annual rate of basic pay for a position
7 if necessary to attract highly qualified individuals for posi-
8 tions that the Director has certified to the Director of the
9 Office of Personnel Management reflect the needs of the
10 Financial Crimes Enforcement Network.

11 **SEC. 11004. TECHNICAL CORRECTIONS TO THE GENIUS**
12 **ACT.**

13 (a) CREDIT UNION PARITY.—The GENIUS Act (12
14 U.S.C. 5901 et seq.) is amended—

15 (1) in section 2—

16 (A) in paragraph (17), by striking “na-
17 tional currency or deposit (as defined in section
18 3 of the Federal Deposit Insurance Act (12
19 U.S.C. 1813)) denominated in a national cur-
20 rency” and inserting “national currency or a
21 deposit (as defined in section 3 of the Federal
22 Deposit Insurance Act (12 U.S.C. 1813)) or ac-
23 count (as defined in section 101 of the Federal
24 Credit Union Act (12 U.S.C. 1752)) denomi-
25 nated in a national currency”; and

1 (B) in paragraph (22), by striking “is a
2 deposit (as defined in section 3 of the Federal
3 Deposit Insurance Act (12 U.S.C. 1813)), in-
4 cluding a deposit recorded using distributed
5 ledger technology” and inserting “is a deposit
6 (as defined in section 3 of the Federal Deposit
7 Insurance Act (12 U.S.C. 1813)) or account (as
8 defined in section 101 of the Federal Credit
9 Union Act (12 U.S.C. 1752)), including a de-
10 posit or account recorded using distributed
11 ledger technology”; and

12 (2) in section 4(a)(1)(A)(ii), by striking “or in-
13 sured shares” and inserting “, or an account (as de-
14 fined in section 101 of the Federal Credit Union Act
15 (12 U.S.C. 1752)),”.

16 (b) REMOVAL OF DEADLINE FOR STATE-LEVEL REG-
17 ULATORY REGIME APPLICATIONS.—Section 4(c)(4)(A) of
18 the GENIUS Act (12 U.S.C. 5903(c)(4)(A)) is amend-
19 ed—

20 (1) by striking “not later than 1 year after”
21 and inserting “beginning on”; and

22 (2) by striking “shall” and inserting “may”.

23 (c) CONSISTENT TREATMENT OF TIMELY REDEMP-
24 TIONS.—Section 4(a)(1)(B)(i) of the GENIUS Act (12
25 U.S.C. 5903(a)(1)(B)(i)) is amended by striking “imposed

1 by a State qualified payment stablecoin regulator, the Cor-
2 poration, the Comptroller, or the Board, consistent with
3 section 7” and inserting the following: “imposed—

4 “(I) on a State qualified payment
5 stablecoin issuer that has not
6 transitioned to Federal oversight pur-
7 suant to section 4(d), by its State
8 payment stablecoin regulator or by
9 the Board or the Comptroller, con-
10 sistent with section 7;

11 “(II) on a State qualified pay-
12 ment stablecoin issuer that has
13 transitioned to Federal oversight pur-
14 suant to section 4(d), by its State
15 payment stablecoin regulator or by its
16 primary Federal payment stablecoin
17 regulator; or

18 “(III) on any other permitted
19 payment stablecoin issuer, by its pri-
20 mary Federal payment stablecoin reg-
21 ulator”.

22 (d) CORRECTED SCOPE OF FEDERAL ENFORCEMENT
23 AUTHORITIES FOR STATE QUALIFIED PAYMENT
24 STABLECOIN ISSUERS THAT HAVE TRANSITIONED TO
25 FEDERAL OVERSIGHT.—Section 6(b)(6) of the GENIUS

1 Act (12 U.S.C. 5905(b)(6)) is amended by inserting “,
2 unless such State qualified payment stablecoin issuer has
3 transitioned to Federal oversight pursuant to section
4 4(d)” after “State qualified payment stablecoin issuer”.

5 (e) IMPROVING REGULATORY CERTAINTY OF FED-
6 ERAL REGULATOR AUTHORITIES OVER STATE QUALIFIED
7 PAYMENT STABLECOIN ISSUERS FOLLOWING UNUSUAL
8 AND EXIGENT CIRCUMSTANCES.—Section 7(e) of the GE-
9 NIUS Act (12 U.S.C. 5906(e)) is amended—

10 (1) in paragraph (1)—

11 (A) in subparagraph (A), by inserting
12 “that is a depository institution or subsidiary of
13 a depository institution” after “State qualified
14 payment stablecoin issuer”; and

15 (B) in subparagraph (C)—

16 (i) by inserting “that is a depository
17 institution or subsidiary of a depository in-
18 stitution” after “State qualified payment
19 stablecoin issuer” each place it appears;
20 and

21 (ii) by striking “limiting” and insert-
22 ing “and which may limit”; and

23 (2) in paragraph (2)—

24 (A) in subparagraph (A), by inserting “or
25 an institution-affiliated party of such issuer”

1 after “State qualified payment stablecoin issuer
2 that is a nonbank entity”;

3 (B) in subparagraph (C), by striking “lim-
4 iting” and inserting “and which may limit”;
5 and

6 (C) in subparagraph (D)(i)(I), by striking
7 “Federal qualified payment stablecoin issuer”
8 each place it appears and inserting “State
9 qualified payment stablecoin issuer”.

10 (f) NO EXEMPTION FROM LAWFUL ORDER RE-
11 QUIREMENT.—Section 18(a) of the GENIUS Act (12
12 U.S.C. 5916(a)) is amended in the matter preceding para-
13 graph (1) by inserting “, except subsection (b)(2) of that
14 section,” after “section 3”.

15 (g) EQUAL TREATMENT OF AML/CFT AND SANC-
16 TIONS OBLIGATIONS.—Section 4(a)(5) of the GENIUS
17 Act (12 U.S.C. 5903(a)(5)) is amended—

18 (1) in subparagraph (A) by inserting “and a
19 foreign payment stablecoin issuer registered with the
20 Comptroller” after “A permitted payment stablecoin
21 issuer”; and

22 (2) in subparagraph (B) by inserting “and for-
23 eign payment stablecoin issuers registered with the
24 Comptroller” after “permitted payment stablecoin
25 issuers”.

1 (h) CONSISTENCY OF TREATMENT UNDER THE
2 BANK SECRECY ACT.—Section 5312(c)(1) of title 31,
3 United States Code, is amended by adding at the end the
4 following:

5 “(B) Any permitted payment stablecoin
6 issuer or foreign payment stablecoin issuer reg-
7 istered with the Office of the Comptroller of the
8 Currency.”.

9 (i) CLARIFYING ENFORCEMENT AUTHORITIES OF
10 THE SECRETARY OF THE TREASURY.—Section 4(a)(5)(C)
11 of the GENIUS Act (12 U.S.C. 5903(a)(5)(C)) is amend-
12 ed by adding at the end the following: “For the avoidance
13 of doubt, the Secretary of the Treasury may use applicable
14 authorities under the Bank Secrecy Act and Federal laws
15 relating to economic sanctions, prevention of money laun-
16 dering, customer identification, and due diligence, as ap-
17 propriate, to enforce rules issued by the Secretary to im-
18 plement subparagraph (A).”.

19 (j) CLARIFICATION REGARDING UNSAFE AND UN-
20 SOUND PRACTICES BY FOREIGN PAYMENT STABLECOIN
21 ISSUERS.—Section 18(c)(2) of the GENIUS Act (12
22 U.S.C. 5916(c)(2) is amended to read as follows:

23 “(2) ONGOING MONITORING AND SAFETY AND
24 SOUNDNESS.—A foreign payment stablecoin issuer
25 registered with the Comptroller shall—

1 “(A) be subject to reporting, supervision,
2 and examination requirements as determined by
3 the Comptroller;

4 “(B) not engage in any unsafe or unsound
5 practice; and

6 “(C) consent to United States jurisdiction
7 relating to the enforcement of this Act.”.

8 (k) CORRECTING ERRORS IN ELIGIBLE RESERVE AS-
9 SETS.—Section 4(a)(1)(A) of the GENIUS Act (12 U.S.C.
10 5903(a)(1)(A)) is amended—

11 (1) in clause (v), by inserting “, or cash,” after
12 “Treasury notes, bills, or bonds”; and

13 (2) in clause (vi), by inserting “or (vii) through
14 (viii)” after “clauses (i) through (v)”.

15 (l) CORRECTION RELATING TO
16 REHYPOTHECATION.—Section 4(a)(2)(C) of the GENIUS
17 Act (12 U.S.C. 5903(a)(2)(C)) is amended by striking
18 “with a maturity of 93 days or less” after “repurchase
19 agreements” and inserting “with a maturity of 93 days
20 or less” after “Treasury bills”.

21 (m) PROVIDING REGULATORY CLARITY FOR TREAT-
22 MENT OF ISSUERS LOCATED IN UNITED STATES TERRI-
23 TORIES.—

24 (1) DEFINITIONS.—Section 2(12)(A) of the
25 GENIUS Act (12 U.S.C. 5901(12)(A)) is amended

1 by striking “, a territory of the United States, Puer-
2 to Rico, Guam, American Samoa, or the Virgin Is-
3 lands”.

4 (2) EXCEPTION FOR FOREIGN PAYMENT
5 STABLECOIN ISSUERS.—Section 18(a)(1) of the GE-
6 NIUS Act (12 U.S.C. 5916(a)(1)) is amended by
7 striking “, a territory of the United States, Puerto
8 Rico, Guam, American Samoa, or the Virgin Is-
9 lands”.

10 (n) CORRECTING SECTION REFERENCE FOR MONTH-
11 LY AUDITS.—Section 4(a)(3)(A) of the GENIUS Act (12
12 U.S.C. 5903(a)(3)(A)) is amended by striking “paragraph
13 (1)(D)” and inserting “paragraph (1)(C)”.

14 (o) CORRECTING SCOPE OF STABLECOIN CERTIFI-
15 CATION REVIEW COMMITTEE APPROVAL OF FOREIGN
16 NON-FINANCIAL SERVICES COMPANIES.—Section
17 4(a)(12) of the GENIUS Act (12 U.S.C. 5903(a)(12)) is
18 amended—

19 (1) in the paragraph heading, by striking “PUB-
20 LIC”; and

21 (2) in subparagraph (C)—

22 (A) by striking “public” each place it ap-
23 pears; and

1 (B) by inserting “and its wholly or major-
2 ity owned subsidiaries or affiliates” after “fi-
3 nancial activities”.

4 (p) CLARIFYING CRITERIA OF NON-FINANCIAL SERV-
5 ICES PUBLIC COMPANIES EVALUATION.—Section
6 4(a)(12) of the GENIUS Act (12 U.S.C. 5903(a)(12)) is
7 amended—

8 (1) in subparagraph (B)(i)(I) by striking “it”
9 and inserting “issuance of payment stablecoins by
10 the company”; and

11 (2) in subparagraph (C)(i)(I) by striking “it”
12 and inserting “issuance of payment stablecoins by
13 the company”.

14 (q) FOREIGN COMPARABILITY REJECTION AND RE-
15 SCISSION.—Section 18 of the GENIUS Act (12 U.S.C.
16 5916) is amended—

17 (1) in subsection (b)(4)(A), by inserting “and
18 supervisory” after “regulatory”; and

19 (2) in subsection (c)(1)(C)(iv), by striking “for-
20 eign payment stablecoin” and inserting “issuance of
21 payment stablecoins by the foreign payment
22 stablecoin issuer”.

23 (r) CORRECTED BILATERAL AGREEMENT PROC-
24 ESS.—The GENIUS Act (12 U.S.C. 5901 et seq.) is
25 amended—

1 (1) in section 3(b)(2), by inserting “or bilateral
2 agreement” after “reciprocal arrangement”; and

3 (2) in section 18(a)(3), by inserting “or bilat-
4 eral agreement” after “reciprocal arrangement”.

5 (s) UNIFORMITY IN SAFE HARBORS.—Section 3(c) of
6 the GENIUS Act (12 U.S.C. 5902(c)) is amended—

7 (1) in paragraph (1), by inserting “or sub-
8 section (b)(1)” after “subsection (a)”; and

9 (2) in paragraph (2), by inserting “or sub-
10 section (b)(1)” after “subsection (a)”.

11 (t) CLARIFICATION REGARDING MONETARY
12 VALUE.—Section 2(18)(A) of the GENIUS Act (12
13 U.S.C. 5901(18)(A)) is amended by striking “authorized
14 or adopted” and inserting “issued.”

15 (u) CLARIFICATION REGARDING EFFECTIVE
16 DATE.—Section 20(d) of the GENIUS Act (Public law
17 119–27; 139 Stat. 466; 12 U.S.C. 5901 note) is amended
18 by striking “the primary Federal payment stablecoin regu-
19 lators” and inserting “all primary Federal payment
20 stablecoin regulators”.

21 (v) FEDERAL FLOOR FOR DIGITAL ASSET
22 CUSTODIANS.—

23 (1) DEFINITIONS.—In this subsection:

24 (A) HOME STATE; HOST STATE.—The
25 terms “home State” and “host State” have the

1 meanings given those terms, respectively, in sec-
2 tion 16 of the GENIUS Act (12 U.S.C. 5915),
3 except that the reference in that section to a
4 depository institution shall be deemed to mean
5 a State supervised institution, as defined in this
6 subsection.

7 (B) NATIONAL BANK.—The term “national
8 bank” means a national banking association.

9 (C) STATE SUPERVISED INSTITUTION.—
10 The term “State supervised institution”
11 means—

12 (i) a State depository institution, as
13 defined under section 3 of the Federal De-
14 posit Insurance Act (12 U.S.C. 1813);

15 (ii) a State non-depository trust com-
16 pany subject to prudential regulation and
17 supervision by a State bank supervisor, as
18 defined under section 3 of the Federal De-
19 posit Insurance Act (12 U.S.C. 1813); or

20 (iii) a State credit union subject to
21 prudential regulation and supervision by a
22 State credit union supervisor, as defined
23 under section 6003 of the Anti-Money
24 Laundering Act of 2020 (31 U.S.C. 5311
25 note).

1 (2) EFFECT ON STATE LAW.—A State super-
2 vised institution may provide custodial or safe-
3 keeping services for digital assets, and services di-
4 rectly related thereto, to the same extent and under
5 the same conditions as a national bank.

6 (3) CUSTODY STANDARDS.—A state supervised
7 institution providing custodial or safekeeping serv-
8 ices for digital assets, and services directly related
9 thereto, under paragraph (2) shall—

10 (A) comply with applicable Federal stand-
11 ards (or home State standards that are sub-
12 stantially similar to, or exceed, such Federal
13 standards, pursuant to certification under para-
14 graph (4)) relating to capital, liquidity, govern-
15 ance, safety and soundness, consumer protec-
16 tion, privacy, anti-money laundering, cybersecu-
17 rity, information technology, third-party risk
18 management, independent audits, and similar
19 standards, to the extent applicable to a national
20 bank;

21 (B) comply with applicable Federal stand-
22 ards (or similar tailored, risk-based home State
23 standards) relating to resolution planning, busi-
24 ness continuity and functional separation of the
25 custodial or safekeeping function from trading,

1 asset management and other market-facing ac-
2 tivities, provided that, a State supervised insti-
3 tution shall be subject to Federal or home State
4 standards under this paragraph prior to oper-
5 ating under the same conditions as a national
6 bank for purposes of paragraph (2));

7 (C) clearly provide in customer agreements
8 for intended treatment of custodial or safe-
9 keeping accounts under the Uniform Commer-
10 cial Code, including the requirements specified
11 under subparagraph (D);

12 (D) comply with the requirements of para-
13 graphs (b) and (c) of section 10 of the GE-
14 NIUS Act (12 U.S.C. 5909), provided that, for
15 purposes of this section—

16 (i) digital assets shall be treated in
17 the same manner as payment stablecoins
18 (whether or not the digital assets are used
19 as collateral); and

20 (ii) requirements relating to payment
21 stablecoin reserves and subsection (c)(3) of
22 that section shall not apply;

23 (E) maintain control over customer digital
24 assets held in custody, including the dispositive
25 ability to effectuate transactions that involve a

1 change in the beneficial ownership of the asset;
2 and

3 (F) be subject to supervision and examina-
4 tion by each host State to the same extent as
5 a national bank.

6 (4) SUBSTANTIALLY SIMILAR STANDARDS.—

7 (A) IN GENERAL.—Beginning on the date
8 that is 180 days after the effective date of this
9 Act, a State bank supervisor or State credit
10 union supervisor may submit to the Stablecoin
11 Certification Review Committee created under
12 the GENIUS Act (12 U.S.C. 5901 et seq.) a
13 written request that the Committee issue a
14 written determination on whether the standards
15 of the State are substantially similar to, or ex-
16 ceed, applicable Federal standards for purposes
17 of paragraph (3)(A). The State bank supervisor
18 or State credit union supervisor shall provide all
19 applicable laws, regulations, guidance, and
20 other materials as part of the request.

21 (B) EFFECT OF WRITTEN DETERMINA-
22 TION.—If the Stablecoin Certification Review
23 Committee does not issue a written determina-
24 tion under subparagraph (A) within 100 days
25 of receipt of a complete request under that

1 paragraph, determining that the standards of
2 such State are not substantially similar to, or
3 do not exceed, applicable Federal standards, the
4 State supervised institutions of such State may
5 operate under the same conditions as a national
6 bank for purposes of paragraph (1).

7 (5) RULES OF CONSTRUCTION.—Nothing in
8 this subsection shall be construed as—

9 (A) affecting the applicability of any law of
10 the home State of a State supervised institu-
11 tion, the authority of such State to supervise or
12 examine such institution, or the applicability of
13 any Federal law which may otherwise apply; or

14 (B) limiting the ability of a depository in-
15 stitution to hold cash on deposit relating to a
16 custodial or safekeeping account, provided such
17 treatment is consistent with Federal law.

18 (6) REPEAL.—Subsection (d) of section 16 of
19 the GENIUS Act (12 U.S.C. 5915) is repealed.

20 **SEC. 11005. RULEMAKINGS.**

21 Except as otherwise provided, not later than 1 year
22 after the date of enactment of this Act, each applicable
23 regulator shall adopt rules to carry out this division, and
24 the amendments made by this division, through appro-
25 priate notice and comment rulemaking.

1 **DIVISION B—DIGITAL COM-**
2 **MODITY INTERMEDIARIES**
3 **ACT**

4 **SEC. 20001. SHORT TITLE.**

5 This division may be cited as the “Digital Commodity
6 Intermediaries Act”.

7 **TITLE XI—DEFINITIONS;**
8 **RULEMAKING**

9 **SEC. 20101. DEFINITIONS UNDER THE COMMODITY EX-**
10 **CHANGE ACT.**

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

13 (1) by redesignating paragraphs (2), (3)
14 through (14), (15), (16) through (34), (35), (36)
15 through (39), and (40) through (51) as paragraphs
16 (4), (9) through (20), (24), (39) through (57), (59),
17 (61) through (64), and (66) through (77), respec-
18 tively;

19 (2) by inserting after paragraph (1) the fol-
20 lowing:

21 “(2) ANCILLARY ASSET.—The term ‘ancillary
22 asset’ has the meaning given the term in section
23 4B(a) of the Securities Act of 1933.

24 “(3) ANCILLARY ASSET ORIGINATOR.—The
25 term ‘ancillary asset originator’ has the meaning

1 given the term in section 4B(a) of the Securities Act
2 of 1933.”;

3 (3) by inserting after paragraph (4) (as so re-
4 designated) the following:

5 “(5) ASSOCIATED PERSON OF A DIGITAL COM-
6 MODITY BROKER.—

7 “(A) IN GENERAL.—Except as provided in
8 subparagraph (B), the term ‘associated person
9 of a digital commodity broker’ means a person
10 who is associated with a digital commodity
11 broker as a partner, officer, employee, or agent
12 (or any person occupying a similar status or
13 performing similar functions) in any capacity
14 that involves—

15 “(i) the solicitation or acceptance of
16 an order for the purchase or sale of a dig-
17 ital commodity; or

18 “(ii) the supervision of any person en-
19 gaged in the solicitation or acceptance of
20 an order for the purchase or sale of a dig-
21 ital commodity.

22 “(B) EXCLUSION.—The term ‘associated
23 person of a digital commodity broker’ does not
24 include any person associated with a digital

1 commodity broker the functions of which are
2 solely clerical or ministerial.

3 “(6) ASSOCIATED PERSON OF A DIGITAL COM-
4 MODITY DEALER.—

5 “(A) IN GENERAL.—Except as provided in
6 subparagraph (B), the term ‘associated person
7 of a digital commodity dealer’ means a person
8 who is associated with a digital commodity deal-
9 er as a partner, officer, employee, or agent (or
10 any person occupying a similar status or per-
11 forming similar functions) in any capacity that
12 involves—

13 “(i) the solicitation or acceptance of a
14 contract for the purchase or sale of a dig-
15 ital commodity; or

16 “(ii) the supervision of any person en-
17 gaged in the solicitation or acceptance of a
18 contract for the purchase or sale of a dig-
19 ital commodity.

20 “(B) EXCLUSION.—The term ‘associated
21 person of a digital commodity dealer’ does not
22 include any person associated with a digital
23 commodity dealer the functions of which are
24 solely clerical or ministerial.

1 “(7) ASSOCIATED PERSON OF A DIGITAL COM-
2 MODITY POOL OPERATOR.—

3 “(A) IN GENERAL.—Except as provided in
4 subparagraph (B), the term ‘associated person
5 of a digital commodity pool operator’ means a
6 person who is associated with a digital com-
7 modity pool operator as a partner, officer, em-
8 ployee, or agent (or any person occupying a
9 similar status or performing similar functions)
10 in any capacity that involves—

11 “(i) the solicitation or acceptance of
12 an order for the purchase or sale of a dig-
13 ital commodity; or

14 “(ii) the supervision of any person en-
15 gaged in the solicitation or acceptance of
16 an order for the purchase or sale of a dig-
17 ital commodity.

18 “(B) EXCLUSION.—The term ‘associated
19 person of a digital commodity pool operator’
20 does not include any person associated with a
21 digital commodity pool operator the functions of
22 which are solely clerical or ministerial or that
23 do not directly involve the exercise of invest-
24 ment discretion or the solicitation or acceptance
25 of investments in the applicable pool.

1 “(8) ASSOCIATED PERSON OF A DIGITAL COM-
2 MODITY TRADING ADVISOR.—

3 “(A) IN GENERAL.—Except as provided in
4 subparagraph (B), the term ‘associated person
5 of a digital commodity trading advisor’ means
6 a person who is associated with a digital com-
7 modity trading advisor as a partner, officer,
8 employee, or agent (or any person occupying a
9 similar status or performing similar functions)
10 in any capacity that involves—

11 “(i) the solicitation or acceptance of a
12 contract for the purchase or sale of a dig-
13 ital commodity; or

14 “(ii) the supervision of any person en-
15 gaged in the solicitation or acceptance of a
16 contract for the purchase or sale of a dig-
17 ital commodity.

18 “(B) EXCLUSION.—The term ‘associated
19 person of a digital commodity trading advisor’
20 does not include any person associated with a
21 digital commodity trading advisor the functions
22 of which are solely clerical or ministerial or that
23 do not directly involve the exercise of invest-
24 ment discretion or the solicitation or acceptance
25 of investments in the applicable pool.”;

1 (4) by inserting after paragraph (20) (as so re-
2 designated) the following:

3 “(21) DECENTRALIZED FINANCE MESSAGING
4 SYSTEM.—

5 “(A) IN GENERAL.—The term ‘decentral-
6 ized finance messaging system’ means a soft-
7 ware application that provides a user with the
8 ability to create or submit an instruction, com-
9 munication, or message to a decentralized fi-
10 nance trading protocol.

11 “(B) ADDITIONAL REQUIREMENTS.—The
12 term ‘decentralized finance messaging system’
13 does not include any system that provides any
14 person other than the user with—

15 “(i) control over the funds of the user;

16 or

17 “(ii) the authority to execute any of
18 the transactions of the user.

19 “(22) DECENTRALIZED FINANCE TRADING PRO-
20 TOCOL.—

21 “(A) IN GENERAL.—The term ‘decentral-
22 ized finance trading protocol’ means a distrib-
23 uted ledger system through which multiple par-
24 ticipants can execute a financial transaction—

1 “(i) in accordance with an automated
2 rule or algorithm that is predetermined
3 and non-discretionary; and

4 “(ii) without reliance on a person
5 other than the user to maintain custody or
6 control of the digital assets subject to the
7 financial transaction.

8 “(B) EXCLUSIONS.—

9 “(i) IN GENERAL.—The term ‘decen-
10 tralized finance trading protocol’ does not
11 include a distributed ledger system if—

12 “(I) a person or group of persons
13 under common control or acting pur-
14 suant to an agreement, arrangement,
15 or understanding to act in concert has
16 the authority, directly or indirectly,
17 through any contract, arrangement,
18 understanding, relationship, or other-
19 wise, to control or materially alter the
20 functionality, operation, or rules of
21 consensus or agreement of the distrib-
22 uted ledger system;

23 “(II) the distributed ledger sys-
24 tem does not operate, execute, and en-
25 force its operations and transactions

1 based solely on pre-established, trans-
2 parent rules encoded directly within
3 the source code of the distributed
4 ledger system; or

5 “(III) a person or group of per-
6 sons under common control or acting
7 pursuant to an agreement, arrange-
8 ment, or understanding to act in con-
9 cert has the unilateral authority, via
10 operation of the distributed ledger
11 system, to restrict, censor, or prohibit
12 the use of the distributed ledger sys-
13 tem, including any applicable system-
14 based user activity.

15 “(ii) SPECIAL RULE.—For purposes of
16 clause (i), a decentralized governance sys-
17 tem shall not be considered to be a person
18 or a group of persons under common con-
19 trol or acting pursuant to an agreement,
20 arrangement, or understanding to act in
21 concert.

22 “(23) DECENTRALIZED GOVERNANCE SYS-
23 TEM.—The term ‘decentralized governance system’
24 has the meaning given the term in section 10001 of
25 the Digital Asset Market Clarity Act.”;

(5) by inserting after paragraph (24) (as so re-designated) the following:

“(25) DIGITAL ASSET.—The term ‘digital asset’
has the meaning given the term in section 2 of the
GENIUS Act (12 U.S.C. 5901).

6 “(26) DIGITAL ASSET CUSTODIAN.—The term
7 ‘digital asset custodian’ means a person who, as a
8 regular business, holds, maintains, or safeguards
9 digital assets for others.

10 “(27) DIGITAL COMMODITY.—

“(A) IN GENERAL.—The term ‘digital commodity’ means any fungible digital asset that can be exclusively possessed and transferred, person to person, without necessary reliance on an intermediary, and is recorded on a distributed ledger.

“(B) NETWORK TOKENS AND ANCILLARY
ASSETS.—The term ‘digital commodity’ includes
a network token, including a network token
that is an ancillary asset (as those terms are
defined in section 4B(a) of the Securities Act of
1933).

23 “(C) MEME COINS.—

24 “(i) IN GENERAL.—The term ‘digital
25 commodity’ includes a meme coin unless

1 the meme coin is excluded from the defini-
2 tion under subparagraph (D).

3 “(ii) DEFINITION.—For the purposes
4 of this paragraph, the term ‘meme coin’
5 means a digital asset inspired by an inter-
6 net meme, character, current event, or
7 trend for which the promoter seeks to at-
8 tract an enthusiastic online community to
9 purchase and engage in trading of the dig-
10 ital asset primarily for speculative pur-
11 poses.

12 “(D) EXCLUSIONS.—The term ‘digital
13 commodity’ does not include any of the fol-
14 lowing:

15 “(i) DISQUALIFYING FINANCIAL
16 RIGHTS.—A digital asset that includes a
17 disqualifying financial right described in
18 section 4B(a)(7)(B) of the Securities Act
19 of 1933.

20 “(ii) SECURITY DERIVATIVE.—A dig-
21 ital asset that, based on its terms and
22 other characteristics, is, represents, or is
23 functionally equivalent to an agreement,
24 contract, or transaction that is—

1 “(I) a security future (as defined
2 in section 2(a) of the Securities Act of
3 1933 (15 U.S.C. 77b(a)));

4 “(II) a security-based swap; or

5 “(III) a put, call, straddle, op-
6 tion, or privilege on any security, cer-
7 tificate of deposit, or group or index
8 of securities (including any interest
9 therein or based on the value thereof)
10 (within the meaning of section 2(a)(1)
11 of the Securities Act of 1933 (15
12 U.S.C. 77b(a)(1))).

13 “(iii) PAYMENT STABLECOIN.—A pay-
14 ment stablecoin as defined in section 2 of
15 the GENIUS Act (Public Law 119–27;
16 139 Stat. 419).

17 “(iv) BANKING DEPOSIT.—

18 “(I) A deposit (as defined in sec-
19 tion 3 of the Federal Deposit Insur-
20 ance Act (12 U.S.C. 1813)), regard-
21 less of the technology used to record
22 the deposit.

23 “(II) An account (as defined in
24 section 101 of the Federal Credit
25 Union Act (12 U.S.C. 1752)), regard-

1 less of the technology used to record
2 the account.

3 “(v) COMMODITY.—A digital asset
4 that references, represents an interest in,
5 or is functionally equivalent to—

6 “(I) an agricultural commodity;

7 “(II) an excluded commodity,
8 other than a security; or

9 “(III) an exempt commodity,
10 other than the digital commodity
11 itself, as shall be further defined by
12 the Commission.

13 “(vi) COMMODITY DERIVATIVE.—A
14 digital asset that, based on its terms and
15 other characteristics, is, represents, or is
16 functionally equivalent to an agreement,
17 contract, or transaction that is—

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

21 “(II) a security futures product;

22 “(III) a swap;

23 “(IV) an agreement, contract, or
24 transaction described in subparagraph
25 (C)(i) or (D)(i) of section 2(c)(2);

1 “(V) a commodity option author-
2 ized under section 4c; or

3 “(VI) a leverage transaction au-
4 thorized under section 19.

5 “(vii) POOLED INVESTMENT VEHI-
6 CLE.—

7 “(I) IN GENERAL.—A digital
8 asset that, based on its terms and
9 other characteristics, is, represents, or
10 is functionally equivalent to an inter-
11 est in—

12 “(aa) a commodity pool; or

13 “(bb) a pooled investment
14 vehicle.

15 “(II) POOLED INVESTMENT VE-
16 HICLE DEFINED.—In this clause, the
17 term ‘pooled investment vehicle’
18 means—

19 “(aa) any investment com-
20 pany (as defined in section 3(a)
21 of the Investment Company Act
22 of 1940 (15 U.S.C. 80a-3(a)));

23 “(bb) any company (as de-
24 fined in section 2 of such Act (15
25 U.S.C. 80a-2)) that would be an

1 investment company under sec-
2 tion 3(a) of such Act (15 U.S.C.
3 80a-3(a)), but for the exclusions
4 provided from that definition by
5 section 3(c) of such Act (15
6 U.S.C. 80a-3(c)), if for purposes
7 of this subclause the company
8 were assumed to be an issuer (as
9 defined in section 2 of such Act
10 (15 U.S.C. 80a-2)); or

11 “(cc) any entity or person
12 that is not an investment com-
13 pany but holds or will hold assets
14 other than securities.

15 “(viii) GOOD, COLLECTIBLE, AND
16 OTHER NONCOMMODITY DIGITAL ASSET.—

17 “(I) IN GENERAL.—A digital
18 asset that has value, utility, or signifi-
19 cance beyond its mere existence as a
20 digital asset, including the digital
21 equivalent of a tangible or intangible
22 good or a nonfungible token (as de-
23 fined in section 10602(a) of the Dig-
24 ital Asset Market Clarity Act), such
25 as—

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

4 “(bb) collectibles, merchan-
5 dise, virtual land, and in-game or
6 in-application assets;

7 “(cc) affinity, rewards, or
8 loyalty points, including airline
9 miles or credit card points; or

10 “(dd) rights, licenses, and
11 tickets.

12 “(II) EXCEPTION.—Whenever a
13 good, collectible, or other digital asset
14 or class of goods, collectibles, or other
15 digital assets is traded in such a man-
16 ner or form akin to the trading of a
17 digital commodity, such as a mass-
18 minted series of items with substan-
19 tially similar or nearly identical traits
20 that are marketed or sold inter-
21 changeably and are primarily specula-
22 tive in nature, it shall be considered
23 to be and regulated as a digital com-
24 modity under this Act.

25 “(28) DIGITAL COMMODITY BROKER.—

1 “(A) IN GENERAL.—The term ‘digital com-
2 modity broker’ means any person who—

3 “(i) as a regular business, in a digital
4 commodity cash or spot market—

5 “(I)(aa) solicits or accepts an
6 order from a person who is not an eli-
7 gible contract participant for the pur-
8 chase or sale of a unit of a digital
9 commodity; and

10 “(bb) in conjunction with the ac-
11 tivity described in item (aa), accepts
12 or maintains control over the funds or
13 other property or assets of the person
14 or the execution of the transaction;

15 “(II) solicits or accepts an order
16 from a person who is not an eligible
17 contract participant on behalf of a
18 digital commodity dealer for the pur-
19 chase or sale of a unit of a digital
20 commodity; or

21 “(III) solicits or accepts an order
22 from a person who is not an eligible
23 contract participant for the purchase
24 or sale of a unit of a digital com-
25 modity on or subject to the rules of a

1 registered digital commodity ex-
2 change; or

3 “(ii) is registered with the Commis-
4 sion as a digital commodity broker.

5 “(B) EXCEPTIONS.—The term ‘digital
6 commodity broker’ does not include a person
7 solely because the person—

8 “(i) enters into 1 or more digital com-
9 modity transactions that are attributable
10 or solely incidental to making, sending, re-
11 ceiving, or facilitating payments, whether
12 involving a payment service provider or on
13 a peer-to-peer basis; or

14 “(ii) is a bank (as defined in section
15 3(a) of the Securities Exchange Act of
16 1934 (15 U.S.C. 78c(a))) engaging in cer-
17 tain banking activities with respect to a
18 digital commodity in the same or a similar
19 manner as a bank is excluded from the
20 definition of a broker under section 3(a)(4)
21 of that Act (15 U.S.C. 78c(a)(4)), as de-
22 termined by the Commission.

23 “(C) FURTHER DEFINITION.—The Com-
24 mission, by rule or regulation, may exclude
25 from the term ‘digital commodity broker’ any

1 person or class of persons if the Commission
2 determines that the rule or regulation is in the
3 public interest and will effectuate the purposes
4 of this Act.

5 “(29) DIGITAL COMMODITY DEALER.—

6 “(A) IN GENERAL.—The term ‘digital com-
7 modity dealer’ means any person who—

8 “(i) as a regular business, in a spot or
9 cash digital commodity market, enters into,
10 or offers to enter into, a purchase or sale
11 of a unit of a digital commodity—

12 “(I) with a counterparty that is
13 not an eligible contract participant;
14 and

15 “(II) not on or through a reg-
16 istered digital commodity exchange or
17 decentralized finance trading protocol;
18 or

19 “(ii) is registered with the Commis-
20 sion as a digital commodity dealer.

21 “(B) EXCEPTION.—The term ‘digital com-
22 modity dealer’ does not include a person solely
23 because the person—

24 “(i) enters into 1 or more digital com-
25 modity transactions that are attributable

1 or solely incidental to making, sending, re-
2 ceiving, or facilitating payments, whether
3 involving a payment service provider or on
4 a peer-to-peer basis; or

5 “(ii) is a bank (as defined in section
6 3(a) of the Securities Exchange Act of
7 1934 (15 U.S.C. 78c(a))) engaging in cer-
8 tain banking activities with respect to a
9 digital commodity in the same or a similar
10 manner as a bank is excluded from the
11 definition of a dealer under section 3(a)(5)
12 of that Act (15 U.S.C. 78c(a)(5)), as de-
13 termined by the Commission.

14 “(C) FURTHER DEFINITION.—The Com-
15 mission, by rule or regulation, may exclude
16 from the term ‘digital commodity dealer’ any
17 person or class of persons if the Commission
18 determines that the rule or regulation is in the
19 public interest and will effectuate the purposes
20 of this Act.

21 “(30) DIGITAL COMMODITY EXCHANGE.—

22 “(A) IN GENERAL.—The term ‘digital com-
23 modity exchange’ means a trading facility that
24 offers or seeks to offer a cash or spot market
25 in at least 1 digital commodity.

1 “(B) FURTHER DEFINITION.—The Com-
2 mission, by rule or regulation, may exclude
3 from the term ‘digital commodity exchange’ any
4 person or class of persons if the Commission
5 determines that the rule or regulation is in the
6 public interest and will effectuate the purposes
7 of this Act.

8 “(31) DIGITAL COMMODITY POOL.—

9 “(A) IN GENERAL.—The term ‘digital com-
10 modity pool’ means any investment trust, syn-
11 dicate, or similar form of enterprise operated
12 for the purpose of trading in a digital com-
13 modity.

14 “(B) EXCLUSIONS.—The term ‘digital
15 commodity pool’ does not include an investment
16 trust, syndicate, or similar form of enterprise—

17 “(i) in which each person who partici-
18 pates is, at the time of investment, an eli-
19 gible contract participant, subject to the
20 condition that, if the eligible contract par-
21 ticipant is a commodity pool, corporation,
22 partnership, proprietorship, organization,
23 trust, or other entity, any natural person
24 participant or investor in the eligible con-
25 tract participant shall be an eligible con-

1 tract participant described in paragraph
2 (40)(A)(xi); or

3 “(ii) that is a decentralized govern-
4 ance system.

5 “(C) FURTHER DEFINITION.—The Com-
6 mission, by rule or regulation, may exclude
7 from the term ‘digital commodity pool’ any in-
8 vestment trust, syndicate, or similar form of en-
9 terprise if the Commission determines that the
10 rule or regulation will effectuate the purposes of
11 this Act.

12 “(32) DIGITAL COMMODITY POOL OPERATOR.—

13 “(A) IN GENERAL.—The term ‘digital com-
14 modity pool operator’ means any person—

15 “(i) engaged in a business that is of
16 the nature of a digital commodity pool,
17 and who, in connection therewith, solicits,
18 accepts, or receives from others funds, se-
19 curities, or property, either directly or
20 through capital contributions, the sale of
21 stock or other forms of securities, or other-
22 wise, for the purpose of trading in a digital
23 commodity; or

1 “(ii) who is registered with the Com-
2 mission as a digital commodity pool oper-
3 ator.

4 “(B) EXCLUSIONS.—The term ‘digital
5 commodity pool operator’ does not include any
6 person engaged in a business that is of the na-
7 ture of a digital commodity pool, investment
8 trust, syndicate, or similar form of enterprise—

9 “(i) that engages in a digital com-
10 modity trade solely incidentally to the op-
11 eration of a commercial enterprise and not
12 for the purpose of investment, including
13 payments, custodial services, and to hedge
14 or mitigate commercial risk; or

15 “(ii) that is, or that is a subsidiary of,
16 an issuer that—

17 “(I) offers securities registered
18 with the Securities and Exchange
19 Commission under the Securities Act
20 of 1933 (15 U.S.C. 77a et seq.);

21 “(II) has a class of securities
22 registered with the Securities and Ex-
23 change Commission pursuant to sub-
24 section (b) or (g) of section 12, or sec-

1 tion 15, of the Securities Exchange
2 Act of 1934 (15 U.S.C. 78l, 78o); or
3 “(III) is registered under the In-
4 vestment Company Act of 1940 (15
5 U.S.C. 80a–1 et seq.).

6 “(C) FURTHER DEFINITION.—The Com-
7 mission, by rule or regulation, may exclude
8 from the term ‘digital commodity pool operator’
9 any person engaged in a business that is of the
10 nature of a digital commodity pool, investment
11 trust, syndicate, or similar form of enterprise if
12 the Commission determines that the rule or reg-
13 ulation will effectuate the purposes of this Act.

14 “(33) DIGITAL COMMODITY TRADING ADVI-
15 SOR.—

16 “(A) IN GENERAL.—Except as otherwise
17 provided in this paragraph, the term ‘digital
18 commodity trading advisor’ means any person
19 who—

20 “(i) for compensation or profit, en-
21 gages in the business of advising others, ei-
22 ther directly or through publications,
23 writings, or electronic media, as to the
24 value of or the advisability of trading in a
25 digital commodity;

1 “(ii) for compensation or profit, and
2 as part of a regular business, issues or
3 promulgates analyses or reports concerning
4 any of the activities referred to in clause
5 (i); or

6 “(iii) is registered with the Commis-
7 sion as a digital commodity trading advi-
8 sor.

9 “(B) EXCLUSIONS.—Subject to subpara-
10 graph (C), the term ‘digital commodity trading
11 advisor’ does not include—

12 “(i) any bank or trust company or
13 any person acting as an employee thereof;

14 “(ii) any news reporter, news col-
15 umnist, or news editor of the print or elec-
16 tronic media, or any lawyer, accountant, or
17 teacher;

18 “(iii) any floor broker, futures com-
19 mission merchant, digital commodity
20 broker, digital commodity dealer, or quali-
21 fied digital asset custodian;

22 “(iv) the publisher or producer of any
23 print or electronic data of general and reg-
24 ular dissemination, including its employees;

1 “(v) the fiduciary of any defined ben-
2 efit plan that is subject to the Employee
3 Retirement Income Security Act of 1974
4 (29 U.S.C. 1001 et seq.);

5 “(vi) any contract market or digital
6 commodity exchange;

7 “(vii) any investment adviser reg-
8 istered with the Securities and Exchange
9 Commission; or

10 “(viii) such other persons not within
11 the intent of this paragraph, as the Com-
12 mission may specify by rule, regulation, or
13 order.

14 “(C) INCIDENTAL SERVICES.—Subpara-
15 graph (B) shall apply only if the furnishing of
16 such services by persons referred to in subpara-
17 graph (B) is solely incidental to the conduct of
18 their business or profession.

19 “(D) ADVISORS.—The Commission, by
20 rule or regulation, may exclude from the term
21 ‘digital commodity trading advisor’ any person
22 advising as to the value of a digital commodity
23 or issuing reports or analyses concerning a dig-
24 ital commodity if the Commission determines

1 that the rule or regulation will effectuate the
2 purposes of this paragraph and this Act.

3 “(34) DISTRIBUTED LEDGER.—The term ‘dis-
4 tributed ledger’ has the meaning given the term in
5 section 10001 of the Digital Asset Market Clarity
6 Act.

7 “(35) DISTRIBUTED LEDGER APPLICATION.—
8 The term ‘distributed ledger application’ has the
9 meaning given the term in section 10001 of the Dig-
10 ital Asset Market Clarity Act.

11 “(36) DISTRIBUTED LEDGER PROTOCOL.—The
12 term ‘distributed ledger protocol’ has the meaning
13 given the term in section 10001 of the Digital Asset
14 Market Clarity Act.

15 “(37) DISTRIBUTED LEDGER SYSTEM.—The
16 term ‘distributed ledger system’ has the meaning
17 given the term in section 10001 of the Digital Asset
18 Market Clarity Act.

19 “(38) DISTRIBUTED LEDGER UTILITY.—The
20 term ‘distributed ledger utility’ means any activity
21 relating to validating transactions on a distributed
22 ledger system, providing security for such a system,
23 or other similar activity required for the ongoing op-
24 eration of such a system.”;

1 (6) by inserting after paragraph (57) (as so re-
2 designated) the following:

3 “(58) MIXED DIGITAL ASSET TRANSACTION.—
4 The term ‘mixed digital asset transaction’ means a
5 transaction in which a digital commodity is traded
6 for a security.”;

7 (7) by inserting after paragraph (59) (as so re-
8 designated) the following:

9 “(60) NETWORK TOKEN.—The term ‘network
10 token’ has the meaning given the term in section
11 4B(a) of the Securities Act of 1933.”;

12 (8) by inserting after paragraph (64) (as so re-
13 designated) the following:

14 “(65) QUALIFIED DIGITAL ASSET CUSTO-
15 DIAN.—The term ‘qualified digital asset custodian’
16 means a digital asset custodian that—

17 “(A) holds digital assets on behalf of a
18 person registered under this Act or a customer
19 of a person registered under this Act; and

20 “(B) is in compliance with the require-
21 ments for qualified digital asset custodians in
22 section 5j.”; and

23 (9) in paragraph (66) (as so redesignated)—

24 (A) in subparagraph (E), by striking
25 “and” at the end;

1 (B) in subparagraph (F), by striking the
2 period at the end and inserting “; and”; and

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

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

6 (b) CONFORMING AMENDMENTS.—

7 (1) Section 1a of the Commodity Exchange Act
8 (7 U.S.C. 1a) is amended—

9 (A) in paragraph (40)(A) (as redesignated
10 by subsection (a)(1)), in the matter preceding
11 clause (i), by striking “(18)(A)” and inserting
12 “(41)(A)”; and

13 (B) in paragraph (41)(A)(vii)(III)(aa) (as
14 redesignated by subsection (a)(1)), by striking
15 “(17)(A)” and inserting “(40)(A)”.

16 (2) Section 4(c)(1)(A)(i)(I) of the Commodity
17 Exchange Act (7 U.S.C. 6(c)(1)(A)(i)(I)) is amended
18 by striking “paragraphs (2), (3), (4), (5), and (7),
19 paragraph (18)(A)(vii)(III), paragraphs (23), (24),
20 (31), (32), (38), (39), (41), (42), (46), (47), (48),
21 and (49) of section 1a” and inserting “paragraphs
22 (4), (9), (10), (11), (13), (41)(A)(vii)(III), (46),
23 (47), (54), (55), (63), (64), (67), (68), (72), (73),
24 (74), and (75) of section 1a”.

1 (3) Section 4q(a)(1) of the Commodity Ex-
2 change Act (7 U.S.C. 6q(a)(1)) is amended by strik-
3 ing “1a(9)” and inserting “1a(15)”.

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

6 (A) in subsection (f)(1)(D), by striking
7 “1a(47)(A)(v)” and inserting “1a(73)(A)(v)”;
8 and

9 (B) in subsection (h)(5)(A)(i), in the mat-
10 ter preceding subclause (I), by striking “1a(18)
11 of this Act” and inserting “1a(41)”.

12 (5) Section 4t(b)(1)(C) of the Commodity Ex-
13 change Act (7 U.S.C. 6t(b)(1)(C)) is amended by
14 striking “1a(47)(A)(v),” and inserting
15 “1a(73)(A)(v),”.

16 (6) Section 5 of the Commodity Exchange Act
17 (7 U.S.C. 7) is amended—

18 (A) in subsection (d)(23), by striking
19 “1a(47)(A)(v)” and inserting “1a(73)(A)(v)”;
20 and

21 (B) in subsection (e)(1), by striking
22 “1a(9)” and inserting “1a(15)”.

23 (7) Section 5b(k)(3)(A) of the Commodity Ex-
24 change Act (7 U.S.C. 7a-1(k)(3)(A)) is amended by

1 striking “1a(47)(A)(v))” and inserting
2 “1a(73)(A)(v))”.

3 (8) Section 5h(f)(10)(A)(iii) of the Commodity
4 Exchange Act (7 U.S.C. 7b–3(f)(10)(A)(iii)) is
5 amended by striking “1a(47)(A)(v))” and inserting
6 “1a(73)(A)(v))”.

7 (9) Section 21(f)(4)(C) of the Commodity Ex-
8 change Act (7 U.S.C. 24a(f)(4)(C)) is amended by
9 striking “1a(48)” and inserting “1a(74)”.

10 (10) Section 5(e) of the Securities Act of 1933
11 (15 U.S.C. 77e(e)) is amended by striking “section
12 1a(18) of the Commodity Exchange Act (7 U.S.C.
13 1a(18))” and inserting “section 1a of the Com-
14 modity Exchange Act (7 U.S.C. 1a)”.

15 (11) Section 3C(g)(3)(A)(v) of the Securities
16 Exchange Act of 1934 (15 U.S.C. 78c–
17 3(g)(3)(A)(v)) is amended by striking “section
18 1a(10) of the Commodity Exchange Act;” and in-
19 serting “section 1a of the Commodity Exchange Act
20 (7 U.S.C. 1a);”.

21 (12) Section 6(g)(5)(B)(i) of the Securities Ex-
22 change Act of 1934 (15 U.S.C. 78f(g)(5)(B)(i)) is
23 amended—

24 (A) in subclause (I), by striking “section
25 1a(18)(B)(ii) of the Commodity Exchange Act”

1 and inserting “subparagraph (B)(ii) of section
2 1a(41) of the Commodity Exchange Act (7
3 U.S.C. 1a(41))”; and

4 (B) in subclause (II), by striking “such
5 section 1a(18))” and inserting “that section”).

6 (13) Section 15F(h)(5)(A)(i) of the Securities
7 Exchange Act of 1934 (15 U.S.C. 78o–
8 10(h)(5)(A)(i)) is amended, in the matter preceding
9 subclause (I), by striking “1a(18)” and inserting
10 “1a(41)”.

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

14 (A) in subsection (a)(8), by striking
15 “1a(47)(D)” each place it appears and insert-
16 ing “1a(73)(D)”; and

17 (B) in subsection (d)(1), by striking
18 “1a(47)(A)(v)” each place it appears and in-
19 serting “1a(73)(A)(v)”.

20 (15) Section 752(a) of the Dodd-Frank Wall
21 Street Reform and Consumer Protection Act (15
22 U.S.C. 8325(a)) is amended by striking “section
23 1a(39) of the Commodity Exchange Act),” and in-
24 serting “section 1a of the Commodity Exchange Act
25 (7 U.S.C. 1a)),”.

1 (16) Section 403 of the Legal Certainty for
2 Bank Products Act of 2000 (7 U.S.C. 27a) is
3 amended—

4 (A) in subsection (a)(2), by striking
5 “1a(47)(A)(v)” and inserting “1a(73)(A)(v)”;
6 and

7 (B) in each of subsections (b)(1) and
8 (c)(2), by striking “1a(47)” and inserting
9 “1a(73)”.

10 **SEC. 20102. DEFINITIONS UNDER THIS DIVISION.**

11 In this division—

12 (1) the terms “ancillary asset”, “ancillary asset
13 originator”, “decentralized finance messaging sys-
14 tem”, “decentralized finance trading protocol”, “dig-
15 ital asset”, “digital commodity”, “digital commodity
16 broker”, “digital commodity dealer”, “digital com-
17 modity exchange”, “distributed ledger utility”, and
18 “mixed digital asset transaction” have the meanings
19 given those terms, respectively, in section 1a of the
20 Commodity Exchange Act (7 U.S.C. 1a); and

21 (2) the terms “decentralized governance sys-
22 tem” and “distributed ledger” have the meanings
23 given those terms, respectively, in section 10001.

1 **SEC. 20103. RULEMAKINGS.**

2 (a) JOINT RULEMAKING FOR EXCHANGES AND
3 INTERMEDIARIES.—The Commodity Futures Trading
4 Commission and the Securities and Exchange Commission
5 shall jointly issue rules to exempt persons dually registered
6 with the Commodity Futures Trading Commission and the
7 Securities and Exchange Commission from duplicative,
8 conflicting, or unduly burdensome provisions of this Act,
9 the securities laws (as defined in section 3(a) of the Secu-
10 rities Exchange Act of 1934 (15 U.S.C. 78c(a))), and the
11 Commodity Exchange Act (7 U.S.C. 1 et seq.), and the
12 rules under those Acts, to the extent that the exemption
13 would—

14 (1) foster the development of fair and orderly
15 markets in digital assets;

16 (2) be necessary or appropriate for the protec-
17 tion of customers; and

18 (3) be consistent with the protection of inves-
19 tors.

20 (b) JOINT RULEMAKING FOR MIXED DIGITAL ASSET
21 TRANSACTIONS.—The Commodity Futures Trading Com-
22 mission and the Securities and Exchange Commission
23 shall jointly issue rules applicable to mixed digital asset
24 transactions under this Act and the amendments made by
25 this Act, including by further defining such term.

1 (c) JOINT RULEMAKING, PROCEDURES, OR GUID-
2 ANCE FOR DELISTING.—Not later than 180 days after the
3 date of enactment of this Act, the Commodity Futures
4 Trading Commission and the Securities and Exchange
5 Commission (referred to in this subsection as the “Com-
6 missions”) shall jointly issue rules, procedures, or guid-
7 ance (as determined appropriate by the Commissions) re-
8 garding the process to delist an asset for trading under
9 section 20104 if the Commissions determine that the list-
10 ing is inconsistent with the Commodity Exchange Act (7
11 U.S.C. 1 et seq.), the securities laws (as defined in section
12 3(a) of the Securities Exchange Act of 1934 (15 U.S.C.
13 78c(a))) (including regulations under those laws), or this
14 Act.

15 (d) CONFLICTS OF INTEREST RULEMAKING.—

16 (1) RULEMAKING.—The Commodity Futures
17 Trading Commission shall issue rules establishing
18 requirements for the identification, mitigation, and
19 resolution of material conflicts of interest among
20 and across registered entities (as defined in section
21 1a of the Commodity Exchange Act (7 U.S.C. 1a))
22 and persons required to be registered with the Com-
23modity Futures Trading Commission, including con-
24 flicts of interest related to market regulation func-
25 tions and vertically integrated market structures and

1 their varying responsibilities, without prohibiting af-
2 filiation or preventing multiple registrations solely
3 because of common ownership or control.

4 (2) MINIMUM STANDARDS.—The rules issued
5 under paragraph (1) shall, at a minimum, to the ex-
6 tent necessary and appropriate to mitigate or resolve
7 material conflicts of interest—

8 (A) establish governance, personnel, or fi-
9 nancial resource separation among affiliated en-
10 tities that perform distinct regulated functions
11 that present conflicts of interest with each other
12 not otherwise mitigated or resolved by other
13 safeguards;

14 (B) impose appropriate restrictions on a
15 trading facility or an affiliated entity thereof
16 from engaging in self-dealing;

17 (C) require appropriate safeguards for cus-
18 tody and use of customer assets to prevent con-
19 flicts arising from commingling or misuse;

20 (D) mandate disclosure and management
21 of material conflicts, including those involving
22 affiliated entities or proprietary trading;

23 (E) ensure independent oversight and deci-
24 sion-making in market operations and compli-
25 ance; and

1 (F) provide for graduated penalties, includ-
2 ing disgorgement and registration conditions,
3 suspensions, or revocations for repeated viola-
4 tions, in a manner consistent with sections 6b,
5 6c, and 8a of the Commodity Exchange Act (7
6 U.S.C. 13a, 13a–1, 12a).

7 (e) CREDIT RULEMAKING.—After the Secretary of
8 the Treasury, the Board of Governors of the Federal Re-
9 serve System, the Securities and Exchange Commission,
10 and the Commodity Futures Trading Commission (re-
11 ferred to in this subsection as the “agencies”) have sub-
12 mitted their report on the financial stability risks arising
13 from the extension and maintenance of credit on digital
14 assets, including the agencies’ legislative and regulatory
15 recommendations with respect to any reported financial
16 stability risks posed by the extension and maintenance of
17 credit on digital assets, to the Committee on Banking,
18 Housing, and Urban Affairs of the Senate, the Committee
19 on Agriculture, Nutrition, and Forestry of the Senate, the
20 Committee on Financial Services of the House of Rep-
21 resentatives, and the Committee of Agriculture of the
22 House of Representatives pursuant to section 10313, the
23 Commodity Futures Trading Commission shall prescribe
24 rules and regulations based on the agencies’ recommenda-
25 tions, as appropriate, to mitigate financial stability risks

1 arising from the extension and maintenance of credit on
2 digital assets.

3 (f) ANCILLARY ASSET MANIPULATION RULE-
4 MAKING.—

5 (1) RULEMAKING REQUIRED.—The Commodity
6 Futures Trading Commission, in consultation with
7 the Securities and Exchange Commission, shall pro-
8 mulgate rules to further define manipulation, at-
9 tempted manipulation, other deceptive or manipula-
10 tive conduct, abusive conduct, or other unfair and
11 deceptive practices with respect to an ancillary asset
12 under section 6(c) of the Commodity Exchange Act
13 (7 U.S.C. 9).

14 (2) OBLIGATIONS.—The rulemaking under
15 paragraph (1) shall establish conduct obligations ap-
16 plicable to ancillary asset originators and persons ex-
17 ercising control or substantial influence over ancil-
18 lary assets, such as prohibitions on trading while in
19 possession of material non-public information and on
20 conflicted or self-dealing conduct.

21 (3) CONSIDERATION OF ORIGINATOR CON-
22 DUCT.—In promulgating rules under paragraph (1),
23 the Commodity Futures Trading Commission shall
24 address the extent to which conduct by an ancillary
25 asset originator or any related person may con-

1 tribute to such conduct identified under paragraph
2 (2).

3 (g) RULEMAKING ON DISQUALIFICATIONS.—

4 (1) NO AUTOMATIC EFFECT.—No provision of
5 any statute, rule, or regulation described in para-
6 graph (3) that provides, upon the occurrence of a
7 specified event, for the automatic disqualification
8 from, or ineligibility for, any registration, right, or
9 privilege, service in any capacity, or membership in
10 a self-regulatory organization (referred to in this
11 subsection as a “disqualifying provision”) shall have
12 effect with respect to any person (other than a nat-
13 ural person) unless the Federal agency or self-regu-
14 latory organization responsible for administering
15 such disqualifying provision (referred to in this sub-
16 section as a “regulatory authority”) makes a deter-
17 mination to apply the disqualifying provision with
18 respect to the particular matter in accordance with
19 the process established under paragraph (2).

20 (2) JOINT AGENCY RULEMAKING.—

21 (A) IN GENERAL.—Not later than 360
22 days after the date of enactment of this Act,
23 the Commodity Futures Trading Commission
24 and the Securities and Exchange Commission
25 shall jointly issue rules or regulations regarding

1 the disqualifying provisions to establish a proc-
2 ess for each regulatory authority to determine,
3 prior to the disposition of any applicable mat-
4 ter, whether to apply the relevant disqualifying
5 provision.

6 (B) REQUIREMENTS.—The rules or regula-
7 tions issued under subparagraph (A) shall—

8 (i) provide for consistency across reg-
9 ulatory authorities in the administration of
10 disqualifying provisions;

11 (ii) require the party subject to a dis-
12 qualifying provision to provide to the rel-
13 evant regulatory authority written notice
14 that the party is subject to the disquali-
15 fying provision not later than 30 calendar
16 days after the occurrence of the event
17 specified in the disqualifying provision;

18 (iii) provide for a nonpublic process,
19 as appropriate to protect confidentiality, in
20 cases in which a regulatory action that
21 would trigger a disqualifying provision has
22 not yet been made public;

23 (iv) provide that an event may not re-
24 sult in the application of a disqualifying
25 provision to a person (other than a natural

1 person) unless that application, in whole or
2 in part, to that person is necessary and ap-
3 propriate in the public interest and for the
4 protection of investors;

5 (v) take into consideration applicable
6 mitigating factors;

7 (vi) provide that a disqualifying provi-
8 sion may be determined to apply only if
9 the event triggering the disqualifying pro-
10 vision occurred in the same legal entity
11 that would become subject to the applica-
12 tion of the disqualifying provision and re-
13 lates to the conduct of the business line
14 that is directly affected by the disquali-
15 fying provision; and

16 (vii) balance the scope of the rules or
17 regulations with ensuring adequate inves-
18 tor protections and safeguards.

19 (3) PROVISIONS DESCRIBED.—The provisions
20 referred to in paragraph (1) are—

21 (A) the Commodity Exchange Act (7
22 U.S.C. 1 et seq.);

23 (B) the Securities Act of 1933 (15 U.S.C.
24 77a et seq.);

1 (C) the Securities Exchange Act of 1934
2 (15 U.S.C. 78a et seq.);

3 (D) the Investment Company Act of 1940
4 (15 U.S.C. 80a–1 et seq.);

5 (E) the Investment Advisers Act of 1940
6 (15 U.S.C. 80b–1 et seq.);

7 (F) any rule or regulation issued under
8 any provision of law described in subparagraphs
9 (A) through (E); and

10 (G) any rule of a self-regulatory organiza-
11 tion issued under the authority of a provision,
12 rule, or regulation described in subparagraphs
13 (A) through (F).

14 (h) RULEMAKING FOR PERSONS DUAL-REGISTERED
15 WITH THE SECURITIES AND EXCHANGE COMMISSION.—

16 (1) CONFLICTS OF INTEREST POLICIES AND
17 PROCEDURES.—Each person or entity dual-reg-
18 istered with the Securities and Exchange Commis-
19 sion and the Commodity Futures Trading Commis-
20 sion as permitted under section 15(p) of the Securi-
21 ties Exchange Act of 1934, as added by this Act,
22 shall establish, maintain, and, as applicable, enforce
23 and comply with written policies and procedures rea-
24 sonably designed to mitigate any conflicts of inter-
25 est, including with respect to transactions or ar-

1 rangements with affiliates registered with the Secu-
2 rities and Exchange Commission, taking into consid-
3 eration the nature of the business of such person or
4 entity.

5 (2) EXEMPTION FROM DUPLICATIVE, CON-
6 FLICTING, OR UNDULY BURDENSOME PROVISIONS.—
7 The Securities and Exchange Commission shall pre-
8 scribe rules for a person or entity with multiple reg-
9 istrations, where at least one such registration in-
10 cludes any dual registration permitted under section
11 15(p) of the Securities Exchange Act of 1934, as
12 added by this Act, to exempt the person or entity
13 from duplicative, conflicting, or unduly burdensome
14 provisions of the Securities Exchange Act of 1934
15 and rules thereunder, to the extent such an exemp-
16 tion would protect investors, maintain fair, orderly,
17 and efficient markets, and facilitate capital forma-
18 tion.

19 (3) IMPLEMENTING ORGANIZATIONS.—The Se-
20 curities and Exchange Commission shall require any
21 registered national securities association that has as
22 a member a registered broker or registered dealer
23 that is registered with the Commodity Futures
24 Trading Commission as a digital commodity broker
25 or digital commodity dealer as permitted under sec-

1 tion 15(p)(1) of the Securities Exchange Act of
2 1934, as added by this Act, or otherwise transacts
3 in payment stablecoins to revise such rules as may
4 be necessary to further the purposes of and compli-
5 ance with this section.

6 (4) MEMORANDUM OF UNDERSTANDING.—The
7 Securities and Exchange Commission shall enter
8 into a memorandum of understanding with the Com-
9 modity Futures Trading Commission to ensure—

10 (A) non-duplicative supervision and en-
11 forcement with respect to registrants of the Se-
12 curities and Exchange Commission dual-reg-
13 istered with the Commodity Futures Trading
14 Commission as permitted under section 15(p) of
15 the Securities Exchange Act of 1934, as added
16 by this Act; and

17 (B) appropriate information sharing be-
18 tween the Commissions to further the purposes
19 of and compliance with this section, the Securi-
20 ties Exchange Act of 1934, and the Commodity
21 Exchange Act.

22 (5) RULE OF CONSTRUCTION.—Nothing in this
23 section shall be construed to limit the anti-fraud,
24 anti-manipulation, or false reporting enforcement
25 authorities of the Commodity Futures Trading Com-

1 mission with respect to a contract of sale of a com-
2 modity and persons effecting such contracts.

3 **SEC. 20104. NOTICE OF INTENT TO REGISTER FOR DIGITAL**
4 **COMMODITY EXCHANGES, BROKERS, AND**
5 **DEALERS.**

6 (a) IN GENERAL.—

7 (1) NOTICE OF INTENT TO REGISTER.—Any
8 person may file a notice of intent to register with
9 the Commodity Futures Trading Commission (re-
10 ferred to in this section as the “Commission”) as
11 a—

12 (A) digital commodity exchange, for a per-
13 son intending to register as a digital commodity
14 exchange under section 5i of the Commodity
15 Exchange Act;

16 (B) digital commodity broker, for a person
17 intending to register as a digital commodity
18 broker under section 4u of that Act; or

19 (C) digital commodity dealer, for a person
20 intending to register as a digital commodity
21 dealer under section 4u of that Act.

22 (2) CONDITIONS.—A person filing a notice of
23 intent to register under paragraph (1) shall be in
24 compliance with this section if the person—

1 (A) submits to the Commission and con-
2 tinues to materially update a statement of the
3 nature of the registrations the filer intends to
4 pursue;

5 (B) submits to the Commission and con-
6 tinues to materially update the information re-
7 quired by subsections (b) and (c);

8 (C) complies with subsections (d) and (g);

9 (D) in the case of a person filing a notice
10 of intent to register as a digital commodity
11 broker or digital commodity dealer, is a member
12 of a futures association registered under section
13 17 of the Commodity Exchange Act (7 U.S.C.
14 21), and complies with the rules of the associa-
15 tion, including the rules of the association per-
16 taining to conflicts of interest, customer disclo-
17 sures, financial responsibility, operational resil-
18 ience, cybersecurity, and protection of customer
19 assets;

20 (E) in the case of a person filing a notice
21 of intent to register as a digital commodity ex-
22 change that does not also file a notice of intent
23 to register as a digital commodity broker, limits
24 direct transactions on the exchange to trans-
25 actions taking place among digital commodity

1 brokers (acting as agent) and digital commodity
2 dealers and eligible contract participants (act-
3 ing as principal);

4 (F) in the case of a person filing a notice
5 of intent to register as a digital commodity ex-
6 change that also files a notice of intent to reg-
7 ister as a digital commodity broker, intermedi-
8 ates in its capacity as a digital commodity
9 broker all transactions on the exchange not oth-
10 erwise taking place among digital commodity
11 brokers (acting as agent) and digital commodity
12 dealers and eligible contract participants (act-
13 ing as principal);

14 (G) submits to examination and super-
15 vision by the Commission and, in the case of a
16 person filing a notice of intent to register as a
17 digital commodity broker or digital commodity
18 dealer, any registered futures association des-
19 ignated by the Commission; and

20 (H) biannually certifies compliance with all
21 requirements applicable under this section.

22 (3) REGISTRATION PROCESS.—Within 30 days
23 after the date of enactment of this Act, the Commis-
24 sion shall adopt, by rule, regulation, or order, a

1 process for the filing of notices of intent to register
2 pursuant to paragraph (1)

3 (b) DISCLOSURE OF GENERAL INFORMATION.—A
4 person filing a notice of intent to register under subsection
5 (a) shall disclose to the Commission the following:

6 (1) Information concerning the management of
7 the person, including information describing—

8 (A) the ownership and management of the
9 person;

10 (B) the financial condition of the person;

11 (C) affiliated entities;

12 (D) potential conflicts of interest;

13 (E) the address of the person, including—

14 (i) the place of incorporation;

15 (ii) principal place of business; and

16 (iii) an address for service of process;

17 and

18 (F) a list of the States in which the person
19 has operations.

20 (2) Information concerning the operations of
21 the person, including—

22 (A) a general description of the person's
23 business and the terms of service for United
24 States customers;

1 (B) a description of the person's account
2 approval process;

3 (C) any rulebook or other customer order
4 fulfilment rules;

5 (D) risk management procedures;

6 (E) a description of the product listing
7 process; and

8 (F) anti-money laundering policies and
9 procedures.

10 (c) LISTINGS.—

11 (1) IN GENERAL.—Except as provided in para-
12 graph (2), a person filing a notice of intent to reg-
13 ister under subsection (a) may continue to offer, so-
14 licit, trade, facilitate, execute, clear, report, or other-
15 wise deal in any digital asset offered on or through
16 the facilities of the person before filing a notice
17 under this section, until the date that is 180 days
18 after the effective date of the final rules of the Com-
19 mission for the registration of digital commodity ex-
20 changes, digital commodity brokers, or digital com-
21 modity dealers, as appropriate, subject to the condi-
22 tions that—

23 (A) in the case of a digital commodity ex-
24 change, the person shall comply with subpara-
25 graphs (A) and (C) of section 5i(c)(3) of the

1 Commodity Exchange Act as though the person
2 was registered with the Commission; and

3 (B) in the case of a digital commodity
4 broker or digital commodity dealer, the person
5 shall comply with section 4u(d) of the Com-
6 modity Exchange Act as though the person was
7 registered with the Commission.

8 (2) DELISTING.—A person filing a notice of in-
9 tent to register under subsection (a) shall cease of-
10 fering, soliciting, trading, facilitating, executing,
11 clearing, reporting, or otherwise dealing in any dig-
12 ital asset required to be delisted pursuant to a joint
13 delisting process established under section 20103(c).

14 (d) REQUIREMENTS.—A person filing a notice of in-
15 tent to register under subsection (a) shall comply with the
16 following requirements:

17 (1) STATUTORY DISQUALIFICATIONS.—Except
18 to the extent otherwise specifically provided by Com-
19 mission or registered futures association rule, regu-
20 lation, or order, the person shall not permit an indi-
21 vidual who is subject to a statutory disqualification
22 under paragraph (2) or (3) of section 8a of the
23 Commodity Exchange Act (7 U.S.C. 12a) to effect
24 or be involved in effecting transactions on behalf of
25 the person, if the person knew, or in the exercise of

1 reasonable care should have known, of the statutory
2 disqualification.

3 (2) BOOKS AND RECORDS.—The person shall
4 keep their books and records open to inspection and
5 examination by the Commission and by any reg-
6 istered futures association of which the person is a
7 member.

8 (3) CUSTOMER DISCLOSURES.—The person
9 shall disclose to customers—

10 (A) if the person has filed a notice of reg-
11 istration as is a digital commodity broker or
12 digital commodity dealer, information about—

13 (i) the material risks and characteris-
14 tics of the assets listed for trading on the
15 person;

16 (ii) the material risks and characteris-
17 tics of the transactions facilitated by the
18 person; and

19 (iii) the location and manner in which
20 the digital assets of the customer will be
21 and are custodied; and

22 (B) any material incentives or conflicts of
23 interest that person is unable to resolve; and

24 (C) in their disclosure documents, offering
25 documents, and promotional material—

1 (i) in a prominent manner, that they
2 are not registered with or regulated by the
3 Commission; and

4 (ii) the contact information for the
5 whistleblower, complaint, and reparation
6 programs of the Commission.

7 (4) COMMUNICATIONS.—The person shall com-
8 municate in a fair and balanced manner based on
9 principles of fair dealing and good faith.

10 (5) FINANCIAL RESPONSIBILITY.—

11 (A) DIGITAL COMMODITY EXCHANGES.—A
12 person filing a notice of intent to register as a
13 digital commodity exchange shall comply with
14 section 5i(c)(11)(B) of the Commodity Ex-
15 change Act as though it was registered with the
16 Commission as a digital commodity exchange.

17 (B) DIGITAL COMMODITY BROKERS AND
18 DIGITAL COMMODITY DEALERS.—A person fil-
19 ing a notice of intent to register as a digital
20 commodity broker or a digital commodity dealer
21 shall comply with financial responsibility re-
22 quirements established by a registered futures
23 association that are consistent with the require-
24 ments applicable to a futures commission mer-
25 chant or swap dealer.

1 (6) OPERATIONAL RESILIENCE AND CYBERSE-
2 CURITY.—

3 (A) DIGITAL COMMODITY EXCHANGES.—A
4 person filing a notice of intent to register as a
5 digital commodity exchange shall comply with
6 section 5i(c)(14) of the Commodity Exchange
7 Act as though it was registered with the Com-
8 mission.

9 (B) DIGITAL COMMODITY BROKERS AND
10 DIGITAL COMMODITY DEALERS.—A person fil-
11 ing a notice of intent to register as a digital
12 commodity broker or a digital commodity dealer
13 shall comply with operational resilience and cy-
14 bersecurity requirements established by a reg-
15 istered futures association that are consistent
16 with the requirements applicable to a futures
17 commission merchant or swap dealer.

18 (7) CUSTOMER ASSETS.—

19 (A) IN GENERAL.—The person shall—

20 (i) protect and ensure the safety of
21 the customer money, assets, and property,
22 including to minimize the risk of loss to
23 the customer or unreasonable delay in cus-
24 tomer access to money, assets, and prop-
25 erty of the customer;

(ii) treat and deal with all money, as-
sets, and property, including any rights as-
sociated with any such money, assets, or
property, of any customer received as be-
longing to the customer;

6 (iii) calculate the total digital asset
7 obligations of the person, and at all times
8 hold money, assets, or property equal to or
9 in excess of the total digital asset obliga-
10 tions;

(iv) not commingle such money, assets, and property held to meet the total commodity obligation with the funds of the person or use the money, assets, or property to margin, secure, or guarantee any trade or contract, or to secure or extend the credit, of any customer or person other than the one for whom the same are held, except that—

(I) the money, assets, and property of any customer may be commingled with that of any other customer, if separately accounted for; and

24 (II) the share of the money, as-
25 sets, and property, as in the normal

1 course of business are necessary to
2 margin, guarantee, secure, transfer,
3 adjust, or settle a contract of sale of
4 a commodity asset, may be withdrawn
5 and applied to do so, including the
6 payment of commissions, brokerage,
7 interest, taxes, storage, and other
8 charges lawfully accruing in connec-
9 tion with the contract of sale of a dig-
10 ital commodity;

11 (v) establish, maintain, and enforce
12 written policies and procedures reasonably
13 designed to ensure the segregation, safe-
14 guarding, and prompt return of customer
15 assets; and

16 (vi) submit such reports regarding
17 customer assets, financial condition, and
18 compliance as the Commission or reg-
19 istered futures association, of which the
20 person is a member, may require.

21 (B) ADDITIONAL RESOURCES.—

22 (i) IN GENERAL.—This section shall
23 not prevent or be construed to prevent the
24 person from adding to the customer
25 money, assets, and property required to be

1 segregated under subparagraph (A) addi-
2 tional amounts of money, assets, or prop-
3 erty from the account of the person as the
4 person determines necessary to hold
5 money, assets, or property equal to or in
6 excess of the total digital asset obligations
7 of the person.

8 (ii) TREATMENT AS CUSTOMER
9 FUNDS.—Any money, assets, or property
10 deposited pursuant to clause (i) shall be
11 considered customer property within the
12 meaning of this subsection.

13 (C) PARTICIPATION IN DISTRIBUTED
14 LEDGER UTILITIES.—

15 (i) USE OF FUNDS.—A person filing a
16 notice of intent to register under sub-
17 section (a) (or a designee of such person)
18 may use a unit of a digital commodity be-
19 longing to a customer to provide a distrib-
20 uted ledger utility for a distributed ledger
21 system to which the unit of the digital
22 commodity relates if, for each use—

23 (I) the customer expressly per-
24 mits the use, in writing, to the person;
25 and

1 (II) the person complies with
2 clause (ii).

3 (ii) CUSTOMER CHOICE.—The person
4 may not—

5 (I) require a customer to provide
6 the permission referred to in clause (i)
7 as a condition of doing business with
8 the person; or

9 (II) penalize a customer for not
10 providing the permission referred to
11 in clause (i).

12 (e) PAYMENT OF FEES.—A person who has filed a
13 notice of intent to register under subsection (a) shall pay
14 all fees required under section 8e of the Commodity Ex-
15 change Act.

16 (f) COMPLIANCE.—

17 (1) IN GENERAL.—Beginning on the date that
18 is 90 days after adoption of the rules described in
19 subsection (h), a person who has filed a notice of in-
20 tent to register under subsection (a) and is in com-
21 pliance with this section shall be considered to be
22 registered with the Commission for purposes of sec-
23 tions 5i(k) and 4u(m) of the Commodity Exchange
24 Act.

1 (2) NONCOMPLIANCE.—Paragraph (1) shall not
2 apply if, after notice from the Commission and a
3 reasonable opportunity to correct the deficiency, a
4 person who has submitted a notice of intent to reg-
5 ister is not in compliance with this section.

6 (3) ANTI-FRAUD AND ANTI-MANIPULATION.—
7 Paragraph (1) shall not be construed to limit any
8 anti-fraud, anti-manipulation, or false reporting en-
9 forcement authority of the Commission, the Securi-
10 ties and Exchange Commission, a registered futures
11 association, or a national securities association.

12 (4) DELISTING.—Paragraph (1) shall not be
13 construed to limit the authority of the Commission
14 and the Securities and Exchange Commission to
15 jointly require a person to delist an asset for trading
16 if the Commission and the Securities and Exchange
17 Commission determines that the listing is incon-
18 sistent with the Commodity Exchange Act (7 U.S.C.
19 1 et seq.), the securities laws (including regulations
20 under those laws), or this Act.

21 (5) STATE ENFORCEMENT BACKSTOP.—A State
22 official authorized to bring a suit in equity or an ac-
23 tion at law pursuant to section 6d of the Commodity
24 Exchange Act (7 U.S.C. 13a–2) shall equally be au-
25 thorized to investigate and bring a suit or action,

1 consistent with that section, regarding any violation
2 of this section or any rule, regulation, or order
3 issued under this section.

4 (6) NOTICE OF INTENT TO REGISTER SUN-
5 SET.—

6 (A) IN GENERAL.—Notwithstanding sec-
7 tions 5i(k) and 4u(m) of the Commodity Ex-
8 change Act, a State or local agency may adopt
9 and enforce rules regarding—

10 (i) registration or licensing of digital
11 commodity exchanges, digital commodity
12 brokers, and digital commodity dealers, if
13 the Commission has not adopted rules pur-
14 suant to sections 5i(a)(1)(B)(ii) and
15 4u(b)(2) of the Commodity Exchange Act
16 by the notice of intent to register sunset
17 date;

18 (ii) listing of digital assets by a digital
19 commodity exchange, if the Commission
20 has not adopted rules pursuant to section
21 5i(c)(3) by the notice of intent to register
22 sunset date;

23 (iii) customer disclosures and commu-
24 nications, if the Commission has not
25 adopted rules pursuant to sections 5i(d)

1 and 4u(i)(2) of the Commodity Exchange
2 Act by the notice of intent to register sun-
3 set date;

4 (iv) financial resources or capital, if
5 the Commission has not adopted rules pur-
6 suant to sections 5i(c)(11)(A) and 4u(c) of
7 the Commodity Exchange Act by the notice
8 of intent to register sunset date;

9 (v) operational resilience or cybersecu-
10 rity, if the Commission has not adopted
11 rules pursuant to sections 5i(c)(14) and
12 4u(i)(1)(B) of the Commodity Exchange
13 Act by the notice of intent to register sun-
14 set date; or

15 (vi) segregation of customer property,
16 if the Commission has not adopted rules
17 pursuant to sections 5i(f) and 4u(l) of the
18 Commodity Exchange Act by the notice of
19 intent to register sunset date.

20 (B) DEFINITION OF NOTICE OF INTENT TO
21 REGISTER SUNSET DATE.—In this paragraph,
22 the term “notice of intent to register sunset
23 date” means the date that is 2 years after the
24 date of enactment of this Act, unless the Com-
25 mission determines by order that extraordinary

1 circumstances warrant a single extension not to
2 exceed 1 additional year.

3 (g) REGISTRATION.—

4 (1) IN GENERAL.—A person may not file a no-
5 tice of intent to register under subsection (a) after
6 the Commission has finalized the rules of the Com-
7 mission for the registration of digital commodity ex-
8 changes, digital commodity brokers, or digital com-
9 modity dealers, as appropriate.

10 (2) TRANSITION TO REGISTRATION.—Sub-
11 section (f)(1) shall not apply to a person who has
12 submitted a notice of intent to register under sub-
13 section (a) if—

14 (A) the Commission—

15 (i) determines, after notice from the
16 Commission and a reasonable opportunity
17 for a hearing and to correct the deficiency,
18 that the person has failed to comply with
19 the requirements of this section; or

20 (ii) denies the application of the per-
21 son to register; or

22 (B) the digital commodity exchange, digital
23 commodity broker, or digital commodity dealer
24 that filed a notice of intent to register failed to
25 apply for registration as such with the Commis-

1 sion within 180 days after the effective date of
2 the final rules of the Commission for the reg-
3 istration of digital commodity exchanges, digital
4 commodity brokers, or digital commodity deal-
5 ers, as appropriate.

6 (h) RULEMAKING.—

7 (1) IN GENERAL.—Not later than 180 days
8 after the date of enactment of this Act, a registered
9 futures association shall adopt and enforce rules ap-
10 plicable to persons required by subsection (a)(2) to
11 be members of the association, including rules per-
12 taining to conflicts of interest, customer disclosures,
13 financial responsibility, operational resilience, cyber-
14 security, and protection of customer assets, subject
15 to the condition that, in the case of a person that
16 has filed a notice of intent to register as a digital
17 commodity exchange in addition to a digital com-
18 modity broker or digital commodity dealer, the au-
19 thority of the registered futures association shall not
20 extend to the business and obligations of the person
21 as a digital commodity exchange.

22 (2) FEES.—The rules adopted under paragraph
23 (1) may provide for dues in accordance with section
24 17(b)(6) of the Commodity Exchange Act (7 U.S.C.
25 21(b)(6)).

1 (3) EFFECT.—A registered futures association
2 shall submit to the Commission any rule adopted
3 under paragraph (1), which shall take effect pursu-
4 ant to the requirements of section 17(j) of the Com-
5 modity Exchange Act (7 U.S.C. 21(j)).

6 (i) LIABILITY OF THE FILER.—It shall be unlawful
7 for any person to provide false information in support of
8 a filing under this section if the person knew or reasonably
9 should have known that the information was false.

10 (j) WHISTLEBLOWER ENFORCEMENT.—For purposes
11 of section 23 of the Commodity Exchange Act (7 U.S.C.
12 26), the term “this Act” includes this section.

13 (k) EFFECTIVE DATE.—Notwithstanding section
14 30101, this section and any amendment made by this sec-
15 tion, or any provision of the Commodity Exchange Act in-
16 corporated by reference into this section, shall take effect
17 on the date of enactment of this Act.

18 (l) NO LIMIT OF AUTHORITY.—Nothing in this sec-
19 tion, or any rule or regulation promulgated under this sec-
20 tion, may be construed to limit the authority of the Com-
21 modity Futures Trading Commission to grant exemptions
22 pursuant to section 4(c) of the Commodity Exchange Act
23 (7 U.S.C. 6(c)).

24 (m) EXEMPTIVE AUTHORITY.—In order to promote
25 responsible innovation and fair competition, or protect

1 customers, the Commission may exempt any persons or
2 class of persons who have filed a notice of registration pur-
3 suant to subsection (a) from any of the requirements of
4 this section or the Commodity Exchange Act (7 U.S.C.
5 1 et seq.) or any rules or regulations promulgated under
6 this section or that Act, as applicable.

7 **SEC. 20105. COMMODITY EXCHANGE ACT SAVINGS PROVI-**
8 **SIONS.**

9 (a) IN GENERAL.—Except as expressly provided in
10 this Act or an amendment made by this Act, nothing in
11 this Act or any amendment made by this Act shall affect
12 or apply to, or be interpreted to affect or apply to—

13 (1) any agreement, contract, or transaction that
14 is subject to the Commodity Exchange Act (7 U.S.C.
15 1a et seq.) as—

16 (A) a contract of sale of a commodity for
17 future delivery or an option on such a contract
18 (as those terms are defined in section 1a of the
19 Commodity Exchange Act (7 U.S.C. 1a));

20 (B) a swap (as defined in that section);

21 (C) a security futures product (as defined
22 in that section);

23 (D) an option authorized under section 4c
24 of that Act (7 U.S.C. 6c);

1 (E) an agreement, contract, or transaction
2 described in section 2(c)(2)(C)(i) of that Act (7
3 U.S.C. 2(c)(2)(C)(i)); or

4 (F) a leverage transaction authorized
5 under section 19 of that Act (7 U.S.C. 23); or

6 (2) the activities of any person with respect to
7 any agreement, contract, or transaction described in
8 paragraph (1).

9 (b) PROHIBITIONS ON SPOT DIGITAL COMMODITY
10 ENTITIES.—Nothing in this Act authorizes, or shall be in-
11 terpreted to authorize, a digital commodity exchange, dig-
12 ital commodity broker, or digital commodity dealer to en-
13 gage in any activities involving any transaction, contract,
14 or agreement described in subsection (a)(1), solely by vir-
15 tue of being registered as a digital commodity exchange,
16 digital commodity broker, or digital commodity dealer.

17 (c) EFFECT.—An agreement, contract, or transaction
18 described in subsection (a)(1) shall not be regulated as
19 a digital commodity agreement, contract, or transaction
20 solely because it is issued, recorded, represented, or trans-
21 ferred on a distributed ledger or other similar technology.

22 **SEC. 20106. ADMINISTRATIVE REQUIREMENTS.**

23 Section 4c(a) of the Commodity Exchange Act (7
24 U.S.C. 6c(a)) is amended—

25 (1) in paragraph (3)—

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

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

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

6 “(D) a contract of sale of a digital com-
7 modity.”; and

8 (2) in paragraph (4)—

9 (A) in subparagraph (A)—

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.”;

18 (B) in subparagraph (B)—

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

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

23 (iii) by adding at the end the fol-
24 lowing:

1 “(iv) a contract of sale of a digital
2 commodity.”; and

3 (C) in subparagraph (C)—

4 (i) by redesignating clauses (i)
5 through (iii) as subclauses (I) through
6 (III), respectively, and indenting appro-
7 priately;

8 (ii) in the matter preceding subclause
9 (I) (as so redesignated), by striking “It
10 shall” and inserting the following:

11 “(i) IN GENERAL.—It shall”;

12 (iii) in clause (i) (as so designated)—

13 (I) in subclause (II), by striking
14 “or” at the end; and

15 (II) in subclause (III), by strik-
16 ing “a swap, provided, however, that
17 nothing” and inserting the following:

18 “a swap; or

19 “(IV) a contract of sale of a dig-
20 ital commodity.

21 “(ii) EFFECT.—Nothing”; and

22 (iv) in clause (ii) (as so designated),
23 by striking “clauses (i), (ii), or (iii)” and
24 inserting “any of subclauses (I) through
25 (IV) of clause (i)”.

1 **SEC. 20107. IMPLEMENTATION.**

2 (a) GLOBAL RULEMAKING TIMEFRAME.—Unless oth-
3 erwise provided in this division or an amendment made
4 by this division, the Commodity Futures Trading Commis-
5 sion and the Securities and Exchange Commission, or
6 both, shall individually, and jointly where required, pro-
7 mulgate rules and regulations required of each Commis-
8 sion under this division or an amendment made by this
9 division not later than 360 days after the date of enact-
10 ment of this Act.

11 (b) RULES AND REGISTRATION BEFORE FINAL EF-
12 FECTIVE DATES.—

13 (1) IN GENERAL.—In order to prepare for the
14 implementation of this division and the amendments
15 made by this division, the Commodity Futures Trad-
16 ing Commission and the Securities and Exchange
17 Commission may, before any effective date provided
18 in this division or an amendment made by this divi-
19 sion—

20 (A) promulgate rules, regulations, or or-
21 ders permitted or required by this division or
22 the amendments made by this division;

23 (B) conduct studies and prepare reports
24 and recommendations required by this division
25 or the amendments made by this division;

1 (C) register persons under this division or
2 the amendments made by this division; and

3 (D) exempt persons, agreements, contracts,
4 or transactions from provisions of this division
5 or the amendments made by this division, in ac-
6 cordance with this division or those amend-
7 ments.

8 (2) LIMITATION ON EFFECTIVENESS.—An ac-
9 tion by the Commodity Futures Trading Commission
10 or the Securities and Exchange Commission under
11 paragraph (1) shall not become effective before the
12 effective date otherwise applicable to the action
13 under this division or the amendments made by this
14 division.

15 (c) SENSE OF CONGRESS.—It is the sense of Con-
16 gress that prior to implementation of this division, the
17 Commodity Futures Trading Commission—

18 (1) be fully constituted as described in section
19 2(a)(2) of the Commodity Exchange Act (7 U.S.C.
20 2(a)(2)) to carry out all existing responsibilities and
21 those directed by this division, with not fewer than
22 2 of the Commissioners nominated, prior to such ap-
23 pointments, following consultation and coordination
24 with the ranking minority member of the Committee

1 on Agriculture, Nutrition, and Forestry of the Sen-
2 ate; and

3 (2) be appropriately staffed to ensure sufficient
4 regulatory capacity, expertise, and enforcement read-
5 iness necessary to implement this division and the
6 amendments made by this division.

7 **SEC. 20108. SENSE OF CONGRESS.**

8 It is the sense of Congress that nothing in this divi-
9 sion or any amendment made by this division should be
10 interpreted to authorize any entity to regulate any com-
11 modity, other than a digital commodity, on any spot mar-
12 ket.

13 **SEC. 20109. FEDERAL PREEMPTION.**

14 (a) IN GENERAL.—Notwithstanding any other provi-
15 sion of law, the Commodity Futures Trading Commission
16 shall have exclusive jurisdiction over any person registered
17 under this division with respect to activities and trans-
18 actions subject to this division.

19 (b) PRESERVATION OF AUTHORITY.—Nothing in this
20 Act or the amendments made by this Act shall affect the
21 ability of a State or local agency to investigate and bring
22 enforcement actions—

23 (1) against a person registered with the Com-
24 modity Futures Trading Commission regarding
25 fraud, deceit, manipulation, or any other violation of

1 the Commodity Exchange Act (7 U.S.C. 1 et seq.)
2 or any rule, regulation, or order of the Commodity
3 Futures Trading Commission under that Act, in ac-
4 cordance with section 6d of that Act (7 U.S.C. 13a-
5 2); or

6 (2) against any unregistered person for a viola-
7 tion of any generally applicable State or local law,
8 including a law relating to fraud, deceit, unfair or
9 deceptive acts or practices, consumer protection,
10 banking, payments, property, contracts, criminal
11 law, or unlawful conduct or practices.

12 **TITLE XII—REGISTRATION FOR**
13 **DIGITAL COMMODITY INTER-**
14 **MEDIARIES AT THE COM-**
15 **MODITY FUTURES TRADING**
16 **COMMISSION**

17 **SEC. 20201. COMMISSION JURISDICTION OVER DIGITAL**
18 **COMMODITY TRANSACTIONS.**

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

22 “(J)(i) Except as expressly provided in this
23 Act, nothing in the Digital Commodity Inter-
24 mediaries Act or any amendment made by that

1 Act shall affect or apply to, or be interpreted to
2 affect or apply to—

3 “(I) any agreement, contract, or
4 transaction that is subject to this Act as—

5 “(aa) a contract of sale of a com-
6 modity for future delivery or an op-
7 tion on such a contract;

8 “(bb) a swap;

9 “(cc) a security futures product;

10 “(dd) an option authorized under
11 section 4e;

12 “(ee) an agreement, contract, or
13 transaction described in subparagraph
14 (C)(i) or (D)(i) of subsection (c)(2);

15 or

16 “(ff) a leverage transaction au-
17 thorized under section 19; or

18 “(II) the activities of any person with
19 respect to any such agreement, contract, or
20 transaction.

21 “(ii) An agreement, contract, or trans-
22 action described in clause (i)(I) shall not be
23 regulated as a digital commodity agreement,
24 contract, or transaction solely because it is
25 issued, recorded, represented, or transferred on

1 a distributed ledger or other similar tech-
2 nology.”.

1 commodity other than a digital commodity
2 or a payment stablecoin” after “sale”; and
3 (iii) by striking subclause (IV) and in-
4 serting the following:

5 “(IV) a contract of sale of a dig-
6 ital commodity or a payment
7 stablecoin that results in actual deliv-
8 ery within 2 days or such other period
9 as the Commission may determine by
10 rule or regulation based upon the typ-
11 ical commercial practice in cash or
12 spot markets for the digital com-
13 modity or payment stablecoin in-
14 volved.”;

15 (B) by redesignating clause (iv) as clause
16 (v); and

17 (C) by inserting after clause (iii) the fol-
18 lowing:

19 “(iv) AGREEMENTS FOR MARGIN FI-
20 NANCING.—Notwithstanding clause (iii), a
21 digital commodity broker or digital com-
22 modity dealer may, subject to the require-
23 ments of section 4u(c)(2), offer to or enter
24 into an agreement for margin financing
25 with a customer for the purchase or sale of

1 a digital commodity, provided any pur-
2 chase or sale made pursuant to the agree-
3 ment shall result in the delivery of the dig-
4 ital commodity into or from an account
5 carried for the customer by the digital
6 commodity broker or digital commodity
7 dealer, respectively, as determined by the
8 Commission by rule or regulation, based on
9 commercial spot market practices.”; and

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

11 “(F) COMMISSION JURISDICTION WITH RE-
12 SPECT TO DIGITAL COMMODITY TRANS-
13 ACTIONS.—

14 “(i) IN GENERAL.—Subject to sec-
15 tions 6d and 12(e), the Commission shall
16 have exclusive jurisdiction with respect to
17 any account, agreement, contract, or trans-
18 action involving a contract of sale of a dig-
19 ital commodity in interstate commerce, in-
20 cluding in a digital commodity cash or spot
21 market, that is offered, solicited, traded,
22 facilitated, executed, cleared, reported, or
23 otherwise dealt in—

24 “(I) on or subject to the rules of
25 a registered entity or an entity that is

1 required to be registered as a reg-
2 istered entity; or

3 “(II) by any other entity reg-
4 istered, or required to be registered,
5 with the Commission.

6 “(ii) LIMITATIONS.—Clause (i) shall
7 not apply with respect to—

8 “(I) custodial or depository ac-
9 tivities for a digital commodity of an
10 entity regulated by—

11 “(aa) an appropriate Fed-
12 eral banking agency;

13 “(bb) a State bank super-
14 visor (as defined in section 3 of
15 the Federal Deposit Insurance
16 Act (12 U.S.C. 1813)); or

17 “(cc) the Securities and Ex-
18 change Commission;

19 “(II) an offer or sale of an in-
20 vestment contract involving a digital
21 commodity or a securities offer or sale
22 involving a digital commodity; or

23 “(III) a mixed digital asset
24 transaction.

1 “(G) AGREEMENTS, CONTRACTS, AND
2 TRANSACTIONS IN STABLECOINS.—

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

13 “(I) on or subject to the rules of
14 a registered entity; or

15 “(II) by any other entity reg-
16 istered with the Commission.

17 “(ii) PAYMENT STABLECOIN TRANS-
18 ACTION RULES.—This Act shall apply to a
19 transaction described in clause (i) only for
20 the purpose of regulating the offer, execu-
21 tion, solicitation, or acceptance of a cash
22 or spot payment stablecoin transaction on
23 a registered entity or by any other entity
24 registered with the Commission, as if the

1 payment stablecoin were a digital com-
2 modity.

3 “(iii) NO AUTHORITY OVER PAYMENT
4 STABLECOINS.—Notwithstanding clauses
5 (i) and (ii), the Commission shall not make
6 a rule or regulation, impose a requirement
7 or obligation on a registered entity or
8 other entity registered with the Commis-
9 sion, or impose a requirement or obligation
10 on a permitted payment stablecoin issuer
11 regarding the operation of a permitted
12 payment stablecoin issuer or a payment
13 stablecoin.”.

14 (d) SENSE OF CONGRESS.—It is the sense of Con-
15 gress that the Commission should consider any agreement,
16 contract, or transaction in a digital commodity to be swap
17 for all purposes of this Act if the agreement, contract, or
18 transaction is—

19 (1) entered into, or offered, between eligible
20 contract participants; and

21 (2) entered into, or offered, on a leveraged or
22 margined basis or financed by the offeror, the
23 counterparty, or a person acting in concert with the
24 offeror or counterparty.

1 (e) NETWORK TOKENS AND ANCILLARY ASSETS.—

2 Section 2 of the Commodity Exchange Act (7 U.S.C. 2)

3 is amended by adding at the end the following:

4 “(k) TREATMENT OF NETWORK TOKENS AND ANCIL-
5 LARY ASSETS.—

6 “(1) IN GENERAL.—The offer or sale of a net-
7 work token, other than the offer or sale of an invest-
8 ment contract pursuant to which an ancillary asset
9 is offered or sold by an ancillary asset originator or
10 an underwriter with respect to an investment con-
11 tract pursuant to which such ancillary asset was
12 originally sold, shall be considered an offer or sale
13 of a digital commodity.

14 “(2) LISTING.—Notwithstanding other provi-
15 sion of law, a digital commodity exchange shall not
16 be prohibited from listing a network token and an
17 ancillary asset solely because the digital commodity
18 is a network token or an ancillary asset, respectively,
19 unless with respect to an ancillary asset, the Securi-
20 ties and Exchange Commission has notified the
21 Commission that the ancillary asset originator of the
22 ancillary asset has failed to comply with the disclo-
23 sure requirements of section 4B(b) of the Securities
24 Act of 1933 for that ancillary asset.”.

25 (f) EXEMPTIVE AUTHORITY.—

1 (1) IN GENERAL.—Section 4(c)(1) of the Com-
2 modity Exchange Act (7 U.S.C. 6(c)(1)) is amended
3 by adding after subparagraph (B) the following:

4 “For purposes of this paragraph, an agreement, contract,
5 or transaction that is subject to the jurisdiction of the
6 Commission under any of the amendments made to this
7 Act by the Digital Commodity Intermediaries Act shall be
8 subject to subsection (a). For purposes of an exemption
9 granted with respect to an agreement, contract, or trans-
10 action described in the preceding sentence, the Commis-
11 sion may exercise its authority notwithstanding paragraph
12 (2)(B)(i).”.

13 (2) NO LIMIT OF AUTHORITY.—Nothing in this
14 Act, any amendment made by this Act, or any rule
15 or regulation promulgated under this Act or any
16 amendment made by this Act may be construed to
17 limit the authority of the Commodity Futures Trad-
18 ing Commission to grant exemptions pursuant to
19 section 4(c) of the Commodity Exchange Act (7
20 U.S.C. 6(c)).

21 (g) CONFORMING AMENDMENTS.—

22 (1) Paragraph (15) of section 1a of the Com-
23 modity Exchange Act (7 U.S.C. 1a) (as amended by
24 section 17(f) of the GENIUS Act (Public Law 119–
25 27; 139 Stat. 463) and as redesignated by section

1 20101(a)(1)) is amended by striking the second sen-
2 tence.

3 (2) Section 2(a)(1)(A) of the Commodity Ex-
4 change Act (7 U.S.C. 2(a)(1)(A)) is amended, in the
5 first sentence, by striking “section 19 of this Act”
6 and inserting “subparagraph (F) or (G) of sub-
7 section (c)(2) or section 19”.

8 **SEC. 20202. REQUIRING FUTURES COMMISSION MER-**
9 **CHANTS TO USE QUALIFIED DIGITAL ASSET**
10 **CUSTODIANS.**

11 Section 4d of the Commodity Exchange Act (7 U.S.C.
12 6d) is amended—

13 (1) in subsection (a)(2)—

14 (A) in the first proviso, by striking “any
15 bank or trust company” and inserting “any
16 bank, trust company, or qualified digital asset
17 custodian, as applicable,”; and

18 (B) by inserting “: *Provided further*, That
19 any such property that is a digital asset shall
20 be held in a qualified digital asset custodian”
21 before the period at the end; and

22 (2) in subsection (f)(3)(A)(i), by striking “any
23 bank or trust company or with a” and inserting
24 “any bank, trust company, qualified digital asset
25 custodian, or”.

1 **SEC. 20203. TRADING CERTIFICATION AND APPROVAL FOR**
2 **DIGITAL COMMODITIES.**

3 Section 5c of the Commodity Exchange Act (7 U.S.C.
4 7a-2) is amended—

5 (1) in subsection (a)(1), by striking “5(d) and
6 5b(c)(2)” and inserting “5(d), 5b(c)(2), and 5i(c)”;

7 (2) in subsection (b)—

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

11 (B) in paragraph (3), by inserting “digital
12 commodity exchange,” before “derivatives” each
13 place it appears;

14 (3) in subsection (c)—

15 (A) in paragraph (2), by inserting “or par-
16 ticipants” before “(in”;

17 (B) in paragraph (4)(B), by striking
18 “1a(10)” and inserting “1a(16)”;

19 (C) in paragraph (5), by adding at the end
20 the following:

21 “(D) SPECIAL RULES FOR DIGITAL COM-
22 MODITY CONTRACTS.—In certifying any new
23 rule or rule amendment, or listing any new con-
24 tract or instrument, in connection with a con-
25 tract of sale of a commodity for future delivery,
26 option, swap, or other agreement, contract, or

1 transaction, that is based on or references a
2 digital commodity, a registered entity may
3 make or rely on a certification under subsection
4 (d) for the digital commodity.”; and
5 (4) by inserting after subsection (c) the fol-
6 lowing:

7 “(d) CERTIFICATIONS FOR DIGITAL COMMODITY
8 TRADING.—

9 “(1) IN GENERAL.—Notwithstanding subsection
10 (c), for the purposes of listing or offering a digital
11 commodity for trading in a digital commodity cash
12 or spot market, an eligible entity shall submit a
13 written certification to the Commission that the dig-
14 ital commodity meets the requirements of this Act
15 (including the regulations prescribed under this
16 Act).

17 “(2) CONTENTS OF THE CERTIFICATION.—In
18 making a written certification under this subsection,
19 an eligible entity shall furnish to the Commission a
20 concise explanation and analysis of how the digital
21 commodity meets the requirements of section
22 5i(c)(3).

23 “(3) MODIFICATIONS.—

24 “(A) IN GENERAL.—An eligible entity shall
25 modify a certification made under paragraph

1 (1) to account for material changes in any in-
2 formation provided in connection with the re-
3 quirements of section 5i(c)(3).

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

8 “(4) DISAPPROVAL.—

9 “(A) IN GENERAL.—The written certifi-
10 cation described in paragraph (1) shall become
11 effective unless the Commission finds that the
12 listing of the digital commodity is inconsistent
13 with the requirements of this Act or the rules
14 and regulations prescribed under this Act.

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

19 “(C) PUBLIC FINDINGS.—The Commission
20 shall make public any disapproval decision, and
21 any related findings and analysis, made under
22 this paragraph.

23 “(5) REVIEW.—

24 “(A) IN GENERAL.—Unless the Commis-
25 sion makes a disapproval decision under para-

1 graph (4), the written certification described in
2 paragraph (1) shall become effective, pursuant
3 to the certification by the eligible entity and no-
4 tice of the certification to the public (in a man-
5 ner determined by the Commission) on the date
6 that is—

7 “(i) 20 business days after the date
8 the Commission receives the certification
9 (or such shorter period as determined by
10 the Commission by rule or regulation), in
11 the case of a digital commodity that has
12 not been certified under this section or for
13 which a certification is being modified
14 under paragraph (3); or

15 “(ii) 1 business day after the date the
16 Commission receives the certification (or
17 such shorter period as determined by the
18 Commission by rule or regulation) for any
19 digital commodity that has been certified
20 under this section.

21 “(B) EXTENSIONS.—The time for consid-
22 eration under subparagraph (A) may be ex-
23 tended—

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1 “(i) once, for 30 business days,
2 through written notice to the eligible entity
3 by the Commission—

4 “(I) that there are novel or com-
5 plex issues that require additional
6 time to analyze;

7 “(II) that the explanation by the
8 submitting eligible entity is inad-
9 equate; or

10 “(III) of a potential inconsistency
11 with this Act; and

12 “(ii) once, for an additional 30 busi-
13 ness days, through written notice to the el-
14 igible entity from the Commission that in-
15 cludes a description of any issues with the
16 certification, including any—

17 “(I) novel or complex issues that
18 require additional time to analyze;

19 “(II) missing information or in-
20 adequate explanations; or

21 “(III) potential inconsistencies
22 with this Act.

23 “(6) PRIOR APPROVAL BEFORE REGISTRA-
24 TION.—

1 “(A) IN GENERAL.—A person applying for
2 registration with the Commission for the pur-
3 poses of listing or offering a digital commodity
4 for trading in a digital commodity cash or spot
5 market may request that the Commission grant
6 prior approval for the person to list or offer the
7 digital commodity on being registered with the
8 Commission.

9 “(B) REQUEST FOR PRIOR APPROVAL.—A
10 person seeking prior approval under subpara-
11 graph (A) shall furnish the Commission with a
12 written certification that the digital commodity
13 meets the requirements of this Act (including
14 the regulations prescribed under this Act) and
15 the information described in paragraph (2).

16 “(C) DEADLINE.—The Commission shall
17 take final action on a request for prior approval
18 not later than 90 business days after submis-
19 sion of the request, unless the person submit-
20 ting the request agrees to an extension of the
21 time limitation established under this subpara-
22 graph.

23 “(D) DISAPPROVAL.—

24 “(i) IN GENERAL.—The Commission
25 shall approve the listing of the digital com-

1 modity requested under subparagraph (A)
2 unless the Commission finds that the list-
3 ing is inconsistent with this Act or the
4 rules and regulations prescribed under this
5 Act.

6 “(ii) ANALYSIS REQUIRED.—The
7 Commission shall include, with any find-
8 ings made under clause (i), a detailed anal-
9 ysis of the factors on which the decision is
10 based.

11 “(iii) PUBLIC FINDINGS.—The Com-
12 mission shall make public any disapproval
13 decision, and any related findings and
14 analysis, made under this subparagraph.

15 “(7) ELIGIBLE ENTITY DEFINED.—In this sub-
16 section, the term ‘eligible entity’ means a registered
17 entity or group of registered entities acting jointly.”.

18 **SEC. 20204. REGISTRATION AND REGULATION OF DIGITAL**
19 **COMMODITY EXCHANGES.**

20 (a) IN GENERAL.—The Commodity Exchange Act is
21 amended by inserting after section 5h (7 U.S.C. 7b–3) the
22 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.—

8 “(i) IN GENERAL.—A person desiring
9 to register as a digital commodity exchange
10 shall submit to the Commission an applica-
11 tion in such form and containing such in-
12 formation as the Commission shall require
13 for the purpose of making the determina-
14 tions required for approval.

15 “(ii) RULEMAKING REQUIRED.—The
16 Commission shall, by rule, prescribe the
17 contents of an application under clause (i),
18 including governance, resources, systems
19 safeguards, surveillance, and conflict man-
20 agement.

21 “(C) NOTICE FILING.—Notwithstanding
22 subparagraphs (A) and (B), a trading facility
23 that is already registered as a designated con-
24 tract market shall be registered as a digital

1 commodity exchange, provided that the trading
2 facility shall—

3 “(i) file written notice with the Com-
4 mission in such form as the Commission,
5 by rule or regulation, may prescribe, con-
6 taining such information as the Commis-
7 sion may prescribe as necessary or appro-
8 priate in the public interest, and

9 “(ii) the registration of the trading fa-
10 cility is not suspended pursuant to an
11 order of the Commission.

12 “(2) ADDITIONAL REGISTRATIONS.—In order to
13 foster the development of fair and orderly markets,
14 protect customers, and promote responsible innova-
15 tion, the Commission shall—

16 “(A) prescribe rules to exempt an entity
17 registered with the Commission under more
18 than 1 section of this Act from duplicative, con-
19 flicting, or unduly burdensome provisions of
20 this Act and the rules under this Act;

21 “(B) prescribe rules establishing require-
22 ments for the identification, mitigation, and
23 resolution of conflicts of interest among and
24 across affiliated entities or entities with mul-
25 tiple registrations under this Act, including con-

1 flicts of interest related to vertically integrated
2 market structures and their varying responsibil-
3 ities and activities; and

4 “(C) after an analysis of the risks and ben-
5 efits, prescribe rules to provide for portfolio
6 marginining in accordance with section 10402 of
7 the Digital Asset Market Clarity Act.

8 “(b) TRADING.—

9 “(1) PROHIBITION ON CERTAIN TRADING PRAC-
10 TICES.—

11 “(A) CONTRACTS DESIGNED TO DEFRAUD
12 OR MISLEAD.—Section 4b shall apply to any
13 agreement, contract, or transaction in a digital
14 commodity as if the agreement, contract, or
15 transaction were a contract of sale of a com-
16 modity for future delivery.

17 “(B) PROHIBITED TRANSACTIONS.—Sec-
18 tion 4c shall apply to any agreement, contract,
19 or transaction in a digital commodity as if the
20 agreement, contract, or transaction were a
21 transaction involving the purchase or sale of a
22 commodity for future delivery.

23 “(C) ENFORCEMENT AUTHORITY.—Section
24 4b–1 shall apply to any agreement, contract, or
25 transaction in a digital commodity as if the

1 agreement, contract, or transaction were a con-
2 tract of sale of a commodity for future delivery.

3 “(2) PROHIBITION ON ACTING AS A
4 COUNTERPARTY.—

5 “(A) IN GENERAL.—A digital commodity
6 exchange or any affiliate of a digital commodity
7 exchange shall not trade on or subject to the
8 rules of the digital commodity exchange for its
9 own account.

10 “(B) EXCEPTIONS.—Subject to the limita-
11 tions described in subparagraph (C), a digital
12 commodity exchange or any affiliate of a digital
13 commodity exchange may trade on the digital
14 commodity exchange for its own account solely
15 in connection with conducting one or more of
16 the following activities in support of the busi-
17 ness of the digital commodity exchange and not
18 as an independent, for-profit line of business:

19 “(i) CUSTOMER DIRECTION.—A trans-
20 action for, or entered into at the direction
21 of, or for the benefit of, an unaffiliated
22 customer.

23 “(ii) LIQUIDITY PROVISION.—A trans-
24 action in connection with the provision of
25 liquidity on the digital commodity ex-

1 change if conducted pursuant to policies
2 and procedures reasonably designed to
3 limit such activity to the reasonably ex-
4 pected customer demand for liquidity on
5 the digital commodity exchange.

6 “(iii) RISK-MITIGATING HEDGING.—A
7 transaction in connection with risk-miti-
8 gating hedging activities that are designed
9 to reduce specific risks to the digital com-
10 modity exchange or its affiliate in connec-
11 tion with and related to its digital com-
12 modity activities.

13 “(iv) OPERATIONAL NEEDS.—A trans-
14 action necessary or appropriate to address
15 a failed transaction, erroneous transaction,
16 segregation or capital buffer, or other
17 operational need of the business of the dig-
18 ital commodity exchange or its affiliates.

19 “(v) FUNCTIONAL USE.—A trans-
20 action related to the functional operation
21 of a distributed ledger system.

22 “(C) RULEMAKING.—The Commission
23 shall adopt rules establishing appropriate condi-
24 tions, requirements, or other limitations on the
25 use of the exceptions described in subparagraph

1 (B) that are necessary for the protection of cus-
2 tomers, the promotion of innovation, or the
3 maintenance of fair, orderly, and efficient mar-
4 kets, which shall require that the digital com-
5 modity exchange has put in place adequate pro-
6 tections against conflicts of interest, such as
7 timely and effective disclosure to clients, cus-
8 tomers, and counterparties of any material con-
9 flicts of interest or information barriers reason-
10 ably designed to protect against such conflicts
11 of interest.

12 “(D) NOTICE REQUIREMENT.—In order
13 for a digital commodity exchange or any affil-
14 iate of a digital commodity exchange to engage
15 in trading on the affiliated digital commodity
16 exchange pursuant to subparagraph (B), the
17 digital commodity exchange or affiliate shall
18 provide to the Commission notice that shall
19 enumerate how any proposed activity is con-
20 sistent with the exceptions described in sub-
21 paragraph (B) and the purposes of this Act.

22 “(E) COMMISSION VISIBILITY INTO LI-
23 QUIDITY PROVISION.—A digital commodity ex-
24 change shall report to the Commission such
25 quantitative metrics as the Commission deter-

1 mines, by rule, to be appropriate to provide the
2 Commission with sufficient visibility into the ac-
3 tivities of the digital commodity exchange or its
4 affiliates in reliance on subparagraph (B)(ii).

5 “(c) CORE PRINCIPLES FOR DIGITAL COMMODITY
6 EXCHANGES.—

7 “(1) COMPLIANCE WITH CORE PRINCIPLES.—

8 “(A) IN GENERAL.—To be registered, and
9 maintain registration, as a digital commodity
10 exchange, a digital commodity exchange shall
11 comply with—

12 “(i) the core principles described in
13 this subsection; and

14 “(ii) any requirement that the Com-
15 mission may impose by rule or regulation
16 pursuant to section 8a(5).

17 “(B) REASONABLE DISCRETION OF A DIG-
18 ITAL COMMODITY EXCHANGE.—Unless other-
19 wise determined by the Commission by rule or
20 regulation, a digital commodity exchange shall
21 have reasonable discretion in establishing the
22 manner in which the digital commodity ex-
23 change complies with the core principles de-
24 scribed in this subsection.

1 “(2) COMPLIANCE WITH RULES.—A digital
2 commodity exchange shall—

3 “(A) establish and enforce compliance with
4 any rule of the digital commodity exchange, in-
5 cluding—

6 “(i) the terms and conditions of the
7 trades traded or processed on or through
8 the digital commodity exchange; and

9 “(ii) any limitation on access to the
10 digital commodity exchange;

11 “(B) establish and enforce trading, trade
12 processing, and participation rules that will
13 deter abuses and have the capacity to detect,
14 investigate, and enforce those rules, including
15 means—

16 “(i) to provide market participants
17 with impartial access to the market; and

18 “(ii) to capture information that may
19 be used in establishing whether rule viola-
20 tions have occurred; and

21 “(C) establish rules governing the oper-
22 ation of the exchange, including rules specifying
23 trading procedures to be used in entering and
24 executing orders traded or posted on the ex-
25 change.

1 “(3) LISTING STANDARDS FOR DIGITAL COM-
2 MODITIES.—

3 “(A) NOT READILY SUSCEPTIBLE TO MA-
4 NIPULATION.—A digital commodity exchange
5 shall permit trading only in a digital commodity
6 that is not readily susceptible to manipulation.

7 “(B) DISCLOSURES TO THE SECURITIES
8 AND EXCHANGE COMMISSION.—A digital com-
9 modity exchange shall establish policies and
10 procedures to permit trading in a digital com-
11 modity only if—

12 “(i) disclosures with respect to the
13 digital commodity required under, as appli-
14 cable, section 4B of the Securities Act of
15 1933 have been furnished with the Securi-
16 ties and Exchange Commission; or

17 “(ii) such other similar information
18 that is related to the ongoing development
19 plan of the distributed ledger system and
20 is able to be publicly ascertained, as the
21 Commission may, by rule or regulation, re-
22 quire, has been provided to the public.

23 “(C) PUBLIC INFORMATION REQUIRE-
24 MENTS.—

1 “(i) IN GENERAL.—A digital com-
2 modity exchange shall—

3 “(I) permit trading in a digital
4 commodity only if the digital com-
5 modity exchange reasonably deter-
6 mines that the information required
7 by clause (ii) is correct, current, and
8 available to the public;

9 “(II) establish policies and proce-
10 dures reasonably designed to deter-
11 mine that the information provided
12 pursuant to clause (ii) is correct, cur-
13 rent, and available to the public; and

14 “(III) communicate in a fair and
15 balanced manner based on principles
16 of fair dealing and good faith.

17 “(ii) REQUIRED INFORMATION.—With
18 respect to a digital commodity and each
19 distributed ledger system to which the dig-
20 ital commodity relates for which the digital
21 commodity exchange will make the digital
22 commodity available to the customers of
23 the digital commodity exchange, the infor-
24 mation required by this clause is the fol-
25 lowing:

1 “(I) TECHNOLOGY.—The under-
2 lying technology of the digital com-
3 modity, which may include the source
4 code for any distributed ledger system
5 to which the digital commodity re-
6 lates.

7 “(II) TRANSACTION HISTORY.—A
8 description of the steps necessary to
9 independently access, search, and
10 verify the transaction history of any
11 distributed ledger system to which the
12 digital commodity relates, to the ex-
13 tent any such independent access,
14 search, and verification activities are
15 technically feasible with respect to
16 such distributed ledger system.

17 “(III) DIGITAL COMMODITY ECO-
18 NOMICS.—A narrative description of
19 the purpose of any distributed ledger
20 system to which the digital commodity
21 relates and the operation of any such
22 distributed ledger system, including—

23 “(aa) information explaining
24 the launch and supply process,
25 including the number of digital

1 assets to be issued in an initial
2 allocation, the total number of
3 digital commodities to be created,
4 the release schedule for the dig-
5 ital commodities, and the total
6 number of digital commodities
7 then outstanding;

8 “(bb) information detailing
9 any applicable consensus mecha-
10 nism or process for validating
11 transactions, method of gener-
12 ating or mining digital commod-
13 ities, and any process for burning
14 or destroying digital commodities
15 on the distributed ledger system;

16 “(cc) an explanation of gov-
17 ernance mechanisms for imple-
18 menting changes to the distrib-
19 uted ledger system or forming
20 consensus among holders of the
21 digital commodities; and

22 “(dd) sufficient information
23 for a third party to create a tool
24 for verifying the transaction his-
25 tory of the digital commodity.

1 “(IV) TRADING VOLUME AND
2 VOLATILITY.—The trading volume
3 and volatility of the digital commodity
4 on the exchange.

5 “(V) CUSTOMER PROTEC-
6 TIONS.—

7 “(aa) Information about the
8 material risks and characteristics
9 of the digital commodity.

10 “(bb) Any material incen-
11 tives or conflicts of interest that
12 the digital commodity exchange
13 may have in connection with the
14 listing of the digital commodity.

15 “(cc) Information required
16 by the Commission by rule or
17 regulation pertaining to mar-
18 keting and advertising, including
19 testimonials and endorsements.

20 “(VI) ADDITIONAL INFORMA-
21 TION.—Such additional information
22 as the Commission shall determine by
23 rule or regulation to be necessary for
24 a customer to understand the finan-
25 cial and operational risks of a digital

1 commodity, and to be practically fea-
2 sible to provide.

3 “(4) MONITORING OF TRADING AND TRADE
4 PROCESSING.—

5 “(A) IN GENERAL.—A digital commodity
6 exchange shall provide a competitive, open, and
7 efficient market and mechanism for executing
8 transactions that protects the price discovery
9 process of trading on the exchange.

10 “(B) PROTECTION OF MARKETS AND MAR-
11 KET PARTICIPANTS.—A digital commodity ex-
12 change shall establish and enforce rules—

13 “(i) to protect markets and market
14 participants from abusive practices com-
15 mitted by any party, including abusive
16 practices committed by a party acting as
17 an agent for a participant; and

18 “(ii) to promote fair and equitable
19 trading on the exchange.

20 “(C) TRADING PROCEDURES.—A digital
21 commodity exchange shall—

22 “(i) establish and enforce rules or
23 terms and conditions defining, or specifica-
24 tions detailing—

1 “(I) trading procedures to be
2 used in entering and executing orders
3 traded on or through the facilities of
4 the digital commodity exchange; and

5 “(II) procedures for trade proc-
6 essing of digital commodities on or
7 through the facilities of the digital
8 commodity exchange; and

9 “(ii) monitor trading in digital com-
10 modities to prevent manipulation, price
11 distortion, and disruptions, through sur-
12 veillance, compliance, and disciplinary
13 practices and procedures, including meth-
14 ods for conducting real-time monitoring of
15 trading and comprehensive and accurate
16 trade reconstructions.

17 “(5) ABILITY TO OBTAIN INFORMATION.—A
18 digital commodity exchange shall—

19 “(A) establish and enforce rules that will
20 allow the exchange to obtain any necessary in-
21 formation to perform any of the functions de-
22 scribed in this section;

23 “(B) provide the information to the Com-
24 mission on request; and

1 “(C) have the capacity to carry out such
2 international information-sharing agreements as
3 the Commission may require.

4 “(6) EMERGENCY AUTHORITY.—A digital com-
5 modity exchange shall adopt rules to provide for the
6 exercise of emergency authority, in consultation or
7 cooperation with the Commission or a registered en-
8 tity, as is necessary and appropriate, including the
9 authority to facilitate the liquidation or transfer of
10 open positions in any digital commodity or to sus-
11 pend or curtail trading in a digital commodity.

12 “(7) TIMELY PUBLICATION OF TRADING INFOR-
13 MATION.—

14 “(A) IN GENERAL.—A digital commodity
15 exchange shall make public on its website time-
16 ly information on price, trading volume, and
17 other trading data on digital commodities to the
18 extent prescribed by the Commission by rule or
19 regulation.

20 “(B) CAPACITY OF DIGITAL COMMODITY
21 EXCHANGE.—A digital commodity exchange
22 shall have the capacity to electronically capture
23 and transmit trade information with respect to
24 transactions executed on the exchange.

25 “(8) RECORDKEEPING AND REPORTING.—

1 “(A) IN GENERAL.—A digital commodity
2 exchange shall—

3 “(i) maintain records relating to the
4 business of the digital commodity ex-
5 change, including a complete audit trail, in
6 a form and manner acceptable to the Com-
7 mission for a period of 5 years;

8 “(ii) report to the Commission, in a
9 form and manner acceptable to the Com-
10 mission, such information as the Commis-
11 sion determines to be necessary or appro-
12 priate for the Commission to perform the
13 duties of the Commission under this Act;

14 “(iii) keep any such records of digital
15 commodities that relate to a security open
16 to inspection and examination by the Secu-
17 rities and Exchange Commission; and

18 “(iv) provide to the Commission an
19 annual financial statement certified by an
20 independent public accountant.

21 “(B) PROVIDING INFORMATION.—A digital
22 commodity exchange shall provide to the Com-
23 mission (including any designee of the Commis-
24 sion) information under subparagraph (A) in

1 such form and at such frequency as is required
2 by the Commission.

3 “(9) ANTITRUST CONSIDERATIONS.—Unless
4 necessary or appropriate to achieve the purposes of
5 this Act, a digital commodity exchange shall not—

6 “(A) adopt any rules or take any actions
7 that result in any unreasonable restraint of
8 trade; or

9 “(B) impose any material anticompetitive
10 burden on trading.

11 “(10) CONFLICTS OF INTEREST.—

12 “(A) IN GENERAL.—A digital commodity
13 exchange shall establish and enforce rules—

“(i) to minimize conflicts of interest in the decision-making processes of the digital commodity exchange, including conflicts of interest that might potentially bias the judgement or supervision of the digital commodity exchange and contravene the principles of fair and equitable trading;

21 “(ii) to minimize conflicts of interest
22 that might arise—

23 “(I) out of transactions or ar-
24 rangements with affiliates (including

1 affiliates engaging in digital com-
2 modity activities); or

3 “(II) as a result of multiple reg-
4 istrations under this Act;

5 “(iii) to establish a process for resolv-
6 ing conflicts of interest referred to in
7 clauses (i) and (ii);

8 “(iv) to require disclosure by the dig-
9 ital commodity exchange of any material
10 incentives or conflicts of interest that the
11 digital commodity exchange is unable to re-
12 solve; and

13 “(v) relating to such additional mat-
14 ters as the Commission shall determine by
15 rule or regulation to be necessary in the
16 public interest.

17 “(B) AFFILIATES.—

18 “(i) IN GENERAL.—A digital com-
19 modity exchange may permit an affiliated
20 digital commodity broker or digital com-
21 modity dealer to facilitate impartial access
22 to the digital commodity exchange, subject
23 to the rules prescribed by the Commission
24 with respect to conflicts of interest regard-

1 ing transactions or arrangements with af-
2 filiates.

3 “(ii) AFFILIATED DIGITAL COM-
4 MODITY BROKERS AND DIGITAL COM-
5 MODITY DEALERS.—In this subparagraph,
6 the term ‘affiliated digital commodity
7 broker or digital commodity dealer’ in-
8 cludes the digital commodity exchange act-
9 ing in the capacity of a digital commodity
10 broker or digital commodity dealer if the
11 digital commodity exchange is dually reg-
12 istered in such capacity.

13 “(11) FINANCIAL RESOURCES.—

14 “(A) IN GENERAL.—A digital commodity
15 exchange shall have adequate financial, oper-
16 ational, and managerial resources, as shall be
17 determined by the Commission by rule or regu-
18 lation, to discharge each responsibility of the
19 digital commodity exchange.

20 “(B) MINIMUM AMOUNT OF FINANCIAL RE-
21 SOURCES.—A digital commodity exchange shall
22 possess financial resources that, at a minimum,
23 exceed the sum of—

24 “(i) the total amount that would en-
25 able the digital commodity exchange to

1 cover the operating costs of the digital
2 commodity exchange for a 1-year period,
3 as calculated on a rolling basis; and

4 “(ii) the total amount necessary to
5 meet the financial obligations of the digital
6 commodity exchange to all customers of
7 the digital commodity exchange.

8 “(C) PROHIBITION.—The resources used
9 to meet the requirements under subparagraph
10 (B) shall not include digital commodities origi-
11 nated by the digital commodity exchange or af-
12 filiates of the digital commodity exchange.

13 “(12) DISCIPLINARY PROCEDURES.—A digital
14 commodity exchange shall establish and enforce dis-
15 ciplinary procedures that authorize the digital com-
16modity exchange to discipline, suspend, or expel
17 members or market participants that violate the
18 rules of the digital commodity exchange, or similar
19 methods for performing the same functions, includ-
20 ing delegation of the functions to third parties.

21 “(13) GOVERNANCE FITNESS STANDARDS.—

22 “(A) GOVERNANCE ARRANGEMENTS.—A
23 digital commodity exchange shall establish gov-
24 ernance arrangements that are transparent to
25 fulfill public interest requirements.

1 “(B) FITNESS STANDARDS.—A digital
2 commodity exchange shall establish and enforce
3 appropriate fitness standards for—

4 “(i) officers and directors;

5 “(ii) any individual or entity with di-
6 rect access to, or control of, customer as-
7 sets; and

8 “(iii) other persons, as determined by
9 the Commission by rule or regulation.

10 “(C) BOARD OF DIRECTORS.—Except as
11 otherwise provided by the Commission by rule,
12 regulation, or order, a digital commodity ex-
13 change shall be governed by a board of direc-
14 tors, subject to the following requirements:

15 “(i) The composition of the board of
16 directors shall be sufficient to maintain ap-
17 propriate independence, as determined by
18 the Commission.

19 “(ii) A digital commodity exchange
20 shall endeavor to recruit individuals to
21 serve on the board of directors from
22 among, and to have the composition of the
23 board reflect, a broad and culturally di-
24 verse pool of qualified candidates.

1 “(14) SYSTEM SAFEGUARDS.—A digital com-
2 modity exchange shall—

3 “(A) establish and maintain a program of
4 risk analysis and oversight to identify and mini-
5 mize sources of operational and security risks
6 (including cybersecurity risks), through the de-
7 velopment of appropriate controls and proce-
8 dures, and automated systems that—

9 “(i) are reliable and secure; and

10 “(ii) have adequate scalable capacity;

11 “(B) establish and maintain emergency
12 procedures, backup resources, and a plan for
13 disaster recovery that allow for—

14 “(i) the timely recovery and resump-
15 tion of operations;

16 “(ii) the fulfillment of the responsibil-
17 ities and obligations of the digital com-
18 modity exchange; and

19 “(iii) the appropriate safeguarding
20 and ability to access the private keys or
21 other credentials necessary to transmit dig-
22 ital commodities in the possession, custody,
23 or control of the digital commodity ex-
24 change; and

1 “(C) periodically conduct tests to verify
2 that the backup resources of the digital com-
3 modity exchange are sufficient to ensure contin-
4 ued—

5 “(i) order processing and trade
6 matching;

7 “(ii) price reporting;

8 “(iii) market surveillance;

9 “(iv) maintenance of a comprehensive
10 and accurate audit trail; and

11 “(v) access and ability to transfer dig-
12 ital commodities in the possession, custody,
13 or control of the digital commodity ex-
14 change.

15 “(15) RISK MANAGEMENT PROCEDURES.—A
16 digital commodity exchange shall establish robust
17 and professional risk management systems adequate
18 for managing the day-to-day business of the digital
19 commodity exchange.

20 “(d) CONSUMER PROTECTION.—The Commission
21 shall adopt rules or regulations imposing customer protec-
22 tion requirements that—

23 “(1) require disclosure by a digital commodity
24 exchange to a customer (other than another digital
25 commodity exchange registered under this section),

1 which shall be updated in a timely manner to reflect
2 material changes, and in accordance with paragraph
3 (5), of—

4 “(A) the underlying technology of any dig-
5 ital commodity that is listed on the digital com-
6 modity exchange;

7 “(B) the functionality and utility of any
8 digital commodity that is listed on the digital
9 commodity exchange;

10 “(C) the governance structure of any dig-
11 ital commodity that is listed on the digital com-
12 modity exchange;

13 “(D) the trading volume and volatility of
14 any digital commodity that is listed on the dig-
15 ital commodity exchange;

16 “(E) information about the material risks
17 and characteristics of any applicable digital
18 commodities; and

19 “(F) any material incentives or conflicts of
20 interest that the digital commodity exchange
21 may have in connection with the listing of any
22 applicable digital commodities;

23 “(2) establish a duty for a digital commodity
24 exchange to communicate in a fair and balanced

1 manner based on principles of fair dealing and good
2 faith;

3 “(3) establish standards governing digital com-
4 modity exchange marketing and advertising, includ-
5 ing testimonials and endorsements;

6 “(4) establish such other standards and re-
7 quirements as the Commission may determine are—

8 “(A) appropriate for the protection of cus-
9 tomers; or

10 “(B) otherwise in furtherance of the pur-
11 poses of this Act; and

12 “(5) standardize and simplify disclosures under
13 paragraph (1), including requiring that disclosures—

14 “(A) be conspicuous;

15 “(B) use plain language comprehensible to
16 customers; and

17 “(C) succinctly explain the information
18 that is required to be communicated to the cus-
19 tomer.

20 “(e) INFORMATION SHARING.—

21 “(1) IN GENERAL.—Subject to section 8, and
22 on request, the Commission shall share information
23 collected under subsection (c)(8)(A) with—

24 “(A) the Board of Governors of the Fed-
25 eral Reserve System;

1 “(B) the Securities and Exchange Commis-
2 sion;

3 “(C) each appropriate Federal banking
4 agency;

5 “(D) each appropriate State bank super-
6 visor (as defined in section 3 of the Federal De-
7 posit Insurance Act (12 U.S.C. 1813));

8 “(E) the Financial Stability Oversight
9 Council;

10 “(F) the Department of Justice;

11 “(G) State securities regulators; and

12 “(H) any other person that the Commis-
13 sion determines to be appropriate, including—

14 “(i) foreign financial supervisors (in-
15 cluding foreign futures authorities);

16 “(ii) foreign central banks; and

17 “(iii) foreign ministries.

18 “(2) CONFIDENTIALITY AGREEMENT.—Before
19 the Commission may share information with any en-
20 tity described in paragraph (1), the Commission
21 shall receive a written agreement from the entity
22 stating that the entity shall abide by the confiden-
23 tiality requirements described in section 8 relating to
24 the information on digital commodities that is pro-
25 vided.

1 “(f) HOLDING OF CUSTOMER ASSETS.—

2 “(1) IN GENERAL.—The Commission shall pre-
3 scribe, by rule or regulation, policies and procedures
4 to be established by a digital commodity exchange
5 that are designed to protect and ensure the safety
6 of customer money, assets, and property, including
7 to minimize the risk of loss to the customer or un-
8 reasonable delay in customer access to the money,
9 assets, and property of the customer.

10 “(2) QUALIFIED DIGITAL ASSET CUSTODIAN.—

11 Each digital commodity exchange shall hold in a
12 qualified digital asset custodian each unit of a dig-
13 ital asset that is—

14 “(A) the property of a customer of the dig-
15 ital commodity exchange;

16 “(B) required to be held by the digital
17 commodity exchange under subsection (c)(11);
18 or

19 “(C) otherwise so required by the Commis-
20 sion to reasonably protect customers and cus-
21 tomer assets or promote the public interest.

22 “(3) SEGREGATION OF FUNDS.—

23 “(A) IN GENERAL.—A digital commodity
24 exchange shall treat and deal with all money,
25 assets, and property that is received by the dig-

1 ital commodity exchange, or accrues to a cus-
2 tomer as the result of trading in digital com-
3 modities, as belonging to the customer.

“(B) COMMINGLING PROHIBITED.—Money, assets, and property described in subparagraph (A) shall be separately accounted for and shall not be commingled with the funds of the digital commodity exchange or be used to margin, secure, or guarantee any trades or accounts of any customer or person other than the person for whom the same are held.

12 “(C) EXCEPTIONS.—

13 “(i) USE OF FUNDS.—

“(I) IN GENERAL.—Notwithstanding subparagraph (A), money, assets, and property described in subparagraph (A) may, for convenience, be commingled and deposited in the same account or accounts with any bank, trust company, derivatives clearing organization, or qualified digital asset custodian.

23 “(II) WITHDRAWAL.—Notwith-
24 standing subparagraph (A), such
25 share of the money, assets, and prop-

1 erty described in subparagraph (A) as
2 in the normal course of business shall
3 be necessary to margin, guarantee, se-
4 cure, transfer, adjust, or settle a con-
5 tract of sale of a digital commodity
6 with the digital commodity exchange
7 or participant thereof may be with-
8 drawn and applied to such purposes,
9 including the payment of commis-
10 sions, brokerage, interest, taxes, stor-
11 age, and other charges, lawfully ac-
12 cruing in connection with the contract
13 of sale.

14 “(ii) COMMISSION ACTION.—Notwith-
15 standing subparagraph (A), in accordance
16 with such terms and conditions as the
17 Commission may prescribe by rule, regula-
18 tion, or order, any money, assets, or prop-
19 erty of the customers of a digital com-
20 modity exchange may be commingled and
21 deposited in customer accounts with any
22 other money, assets, or property received
23 by the digital commodity exchange and re-
24 quired by the Commission to be separately
25 accounted for and treated and dealt with

1 as belonging to the customer of the digital
2 commodity exchange.

3 “(4) PERMITTED INVESTMENTS.—Money de-
4 scribed in paragraph (3) may be invested in obliga-
5 tions of the United States, in general obligations of
6 any State or of any political subdivision of a State,
7 and in obligations fully guaranteed as to principal
8 and interest by the United States, or in any high-
9 quality liquid asset that the Commission may by rule
10 or regulation prescribe, and such investments shall
11 be made in accordance with such rules and regula-
12 tions and subject to such conditions as the Commis-
13 sion shall prescribe.

14 “(5) CUSTOMER PROTECTION DURING BANK-
15 RUPTCY.—

16 “(A) CUSTOMER PROPERTY.—

17 “(i) IN GENERAL.—All assets held on
18 behalf of a customer by a digital com-
19 modity exchange, and all money, assets,
20 and property of any customer received by
21 a digital commodity exchange for trading
22 or custody, or to facilitate, margin, guar-
23 antee, or secure contracts of sale of a dig-
24 ital commodity (including money, assets, or
25 property accruing to the customer as the

1 result of the transactions), shall be consid-
2 ered customer property for purposes of sec-
3 tion 761 of title 11, United States Code.

4 “(ii) CUSTOMERS.—For purposes of
5 this subparagraph, the term ‘customer’
6 does not include any person, to the extent
7 that such person has a claim based on any
8 open repurchase agreement, open reverse
9 repurchase agreement, or digital com-
10 modity borrowed agreement, except to the
11 extent of any margin delivered to or by the
12 customer with respect to which there is a
13 segregation requirement.

14 “(B) TRANSACTIONS.—A purchase, sale,
15 or loan of, margin loan or other extension of
16 credit on, or repurchase, reverse repurchase, or
17 other transaction involving the sale of a digital
18 commodity occurring on or subject to the rules
19 of a digital commodity exchange shall be consid-
20 ered—

21 “(i) a contract for the purchase or
22 sale of a commodity for future delivery, on
23 or subject to the rules of, a contract mar-
24 ket or board of trade for purposes of the
25 definition of ‘commodity contract’ in sec-

1 tion 761 of title 11, United States Code,
2 section 11 of the Federal Deposit Insur-
3 ance Act (12 U.S.C. 1821), and section
4 210 of the Dodd-Frank Wall Street Re-
5 form and Consumer Protection Act (12
6 U.S.C. 5390); and

7 “(ii) a ‘commodity contract’ for pur-
8 poses of section 5(b)(2)(C) of the Securi-
9 ties Investor Protection Act of 1970 (15
10 U.S.C. 78eee(b)(2)(C)).

11 “(C) EXCHANGES.—A digital commodity
12 exchange shall be considered a futures commis-
13 sion merchant for purposes of section 761 of
14 title 11, United States Code, section 11 of the
15 Federal Deposit Insurance Act (12 U.S.C.
16 1821), and section 210 of the Dodd-Frank Wall
17 Street Reform and Consumer Protection Act
18 (12 U.S.C. 5390).

19 “(D) BANKRUPTCY TREATMENT OF DIG-
20 ITAL COMMODITIES.—A purchase, sale, or loan
21 of, margin loan or other extension of credit on,
22 or repurchase, reverse repurchase, or other
23 transaction involving a digital commodity occur-
24 ring with a commodity broker, stockbroker, fi-
25 nancial institution, financial participant, or se-

curities clearing agency (as those terms are defined in section 101 of title 11, United States Code) shall be subject to sections 362(b)(6), 362(o), 546(e), 548(d)(2)(B), 553, 556, 561, and 562 of title 11, United States Code, to section 11 of the Federal Deposit Insurance Act (12 U.S.C. 1821), and to section 210 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5390) as though it was 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’ with a ‘futures commission merchant’ as those terms are used in section 761 of title 11, United States Code, and considered a ‘commodity contract’ for purposes of section 5(b)(2)(C) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78eee(b)(2)(C)).

“(E) ASSETS USED IN DISTRIBUTED LEDGER UTILITIES.—

“(i) INTERPRETATION AND GUIDANCE.—Not later than 90 days after the date of enactment of this Act, the Commission shall—

1 “(I) issue an interpretation as to
2 whether customer digital commodities
3 used in distributed ledger utilities due
4 to a customer election under para-
5 graph (7) and section 4u(1)(6) or sec-
6 tion 20104 of the Digital Commodity
7 Intermediaries Act are customer prop-
8 erty and to be included in the calcula-
9 tion of net equity for purposes of sec-
10 tion 761 of title 11, United States
11 Code; and

12 “(II) issue guidance for digital
13 commodity exchanges, digital com-
14 modity brokers, and digital commodity
15 dealers with respect to disclosures
16 they should provide to customers re-
17 garding the interpretation.

18 “(ii) RULEMAKING.—Not later than
19 180 days following publication of the Com-
20 mission’s interpretation under clause (i),
21 the Commission shall issue regulations and
22 recommendations to Congress, as appro-
23 priate, to address issues identified in the
24 interpretation, including requiring a digital
25 commodity exchange, digital commodity

1 broker, or digital commodity dealer to dis-
2 close such issues to customers.

3 “(6) MISUSE OF CUSTOMER PROPERTY.—

4 “(A) IN GENERAL.—It shall be unlawful—

5 “(i) for any digital commodity ex-
6 change that has received any customer
7 money, assets, or property for custody to
8 dispose of, or use any such money, assets,
9 or property as belonging to the digital
10 commodity exchange or any person other
11 than a customer of the digital commodity
12 exchange; or

13 “(ii) for any other person, including
14 any depository, other digital commodity ex-
15 change, or digital asset custodian that has
16 received any customer money, assets, or
17 property for deposit, to hold, dispose of, or
18 use any such money, assets, or property as
19 belonging to the depositing digital com-
20 modity exchange or any person other than
21 the customers of the digital commodity ex-
22 change.

23 “(B) USE FURTHER DEFINED.—For pur-
24 poses of this paragraph, the term ‘use’ with re-
25 spect to a digital commodity, includes utilizing

1 any unit of a digital asset to participate in a
2 distributed ledger utility or a decentralized gov-
3 ernance system associated with the digital com-
4 modity or the distributed ledger system to
5 which the digital commodity relates in any
6 manner other than that expressly directed by
7 the customer from whom the unit of a digital
8 commodity was received.

9 “(7) PARTICIPATION IN DISTRIBUTED LEDGER
10 UTILITIES.—

11 “(A) USE OF FUNDS.—A digital com-
12 modity exchange (or a designee of a digital
13 commodity exchange) may use a unit of a dig-
14 ital commodity belonging to a customer to pro-
15 vide a distributed ledger utility for a distributed
16 ledger system to which the unit of the digital
17 commodity relates if for each use—

18 “(i) the customer expressly permits
19 the use, in writing, to the digital com-
20 modity exchange; and

21 “(ii) the digital commodity exchange
22 complies with subparagraph (B).

23 “(B) LIMITATIONS.—

24 “(i) IN GENERAL.—The Commission
25 shall, by rule, establish notice and written

1 disclosure requirements and any other limi-
2 tations and rules related to a permission
3 provided under subparagraph (A) or the
4 treatment of customer assets in the event
5 of an insolvency, resolution, or liquidation
6 proceeding, including a description of the
7 manner in which any digital commodity
8 would be treated in an insolvency, resolu-
9 tion, or liquidation proceeding, and how
10 the treatment of digital commodities dif-
11 fers from the treatment of any other assets
12 in the event of an insolvency, resolution, or
13 liquidation proceeding, that are reasonably
14 necessary to protect customers, including
15 eligible contract participants, non-eligible
16 contract participants, and any other class
17 of customers.

18 “(ii) CUSTOMER CHOICE.—A digital
19 commodity exchange may not—

20 “(I) require a customer to pro-
21 vide the permission referred to in sub-
22 paragraph (A) as a condition of doing
23 business on the exchange; or

1 “(II) penalize a customer for not
2 providing the permission referred to
3 in subparagraph (A).

4 “(C) REQUIREMENTS.—The Commission
5 may, by rule, modify the requirements of para-
6 graph (2) or (3) and adopt rules pursuant to
7 section 20(a) to facilitate the use of a unit of
8 a digital commodity belonging to a customer to
9 provide a distributed ledger utility and address
10 the treatment of customer assets in the event of
11 an insolvency, resolution, or liquidation pro-
12 ceeding of a digital commodity exchange that
13 engages in such use.

14 “(g) MARKET ACCESS REQUIREMENTS.—

15 “(1) AFFILIATED DIGITAL COMMODITY BRO-
16 KERS.—

17 “(A) IN GENERAL.—A registered digital
18 commodity exchange may permit an affiliated
19 digital commodity broker to facilitate impartial
20 access to the digital commodity exchange.

21 “(B) DEFINITION OF AFFILIATED DIGITAL
22 COMMODITY BROKERS.—In this paragraph, the
23 term ‘affiliated digital commodity broker’ in-
24 cludes the digital commodity exchange acting in
25 the capacity of a digital commodity broker if

1 the digital commodity exchange is dually reg-
2 istered in such capacity.

3 “(2) ADDITIONAL REQUIREMENTS.—The Com-
4 mission may, by rule, impose additional require-
5 ments related to the operations and activities of a
6 digital commodity exchange and an affiliated digital
7 commodity broker to protect market participants,
8 promote fair and equitable trading on the digital
9 commodity exchange, and promote responsible inno-
10 vation.

11 “(h) DESIGNATION OF CHIEF COMPLIANCE OFFI-
12 CER.—

13 “(1) IN GENERAL.—A digital commodity ex-
14 change shall designate an individual to serve as a
15 chief compliance officer.

16 “(2) DUTIES.—The chief compliance officer of
17 a digital commodity exchange shall—

18 “(A) report directly to the board or to the
19 senior officer of the exchange;

20 “(B) review compliance with the core prin-
21 ciples in this section;

22 “(C) in consultation with the board of the
23 exchange, a body performing a function similar
24 to that of a board, or the senior officer of the

1 exchange, resolve any conflicts of interest that
2 may arise;

3 “(D) establish and administer the policies
4 and procedures required to be established pur-
5 suant to this section;

6 “(E) ensure compliance with this Act and
7 the rules and regulations issued under this Act,
8 including rules prescribed by the Commission
9 pursuant to this section; and

10 “(F) establish procedures for the remedi-
11 ation of noncompliance issues found during
12 compliance office reviews, look-backs, internal
13 or external audit findings, self-reported errors,
14 or through validated complaints.

15 “(3) REQUIREMENTS FOR PROCEDURES.—In
16 establishing procedures under paragraph (2)(F), the
17 chief compliance officer shall design the procedures
18 to establish the handling, management response, re-
19 mediation, retesting, and closing of noncompliance
20 issues.

21 “(4) ANNUAL REPORTS.—

22 “(A) IN GENERAL.—In accordance with
23 rules that shall be prescribed by the Commis-
24 sion, the chief compliance officer of a digital

1 commodity exchange shall annually prepare and
2 sign a report that contains a description of—

3 “(i) the compliance of the digital com-
4 modity exchange with this Act; and

5 “(ii) the policies and procedures, in-
6 cluding the code of ethics and conflicts of
7 interest policies, of the digital commodity
8 exchange.

9 “(B) REQUIREMENTS.—The chief compli-
10 ance officer shall—

11 “(i) submit each report described in
12 subparagraph (A) with the appropriate fi-
13 nancial report of the digital commodity ex-
14 change that is required to be submitted to
15 the Commission pursuant to this section;
16 and

17 “(ii) include in the report a certifi-
18 cation that, under penalty of law, the re-
19 port is accurate and complete.

20 “(i) APPOINTMENT OF TRUSTEE.—

21 “(1) IN GENERAL.—If a proceeding under sec-
22 tion 5e results in the suspension or revocation of the
23 registration of a digital commodity exchange, or if a
24 digital commodity exchange withdraws from registra-
25 tion, the Commission, on notice to the digital com-

1 modity exchange, may apply to the appropriate
2 United States district court for the judicial district
3 in which the digital commodity exchange is located
4 for the appointment of a trustee.

5 “(2) ASSUMPTION OF JURISDICTION.—If the
6 Commission applies for appointment of a trustee
7 under paragraph (1)—

8 “(A) the court may take exclusive jurisdic-
9 tion over the digital commodity exchange and
10 the records and assets of the digital commodity
11 exchange, wherever located; and

12 “(B) if the court takes jurisdiction under
13 subparagraph (A), the court shall appoint the
14 Commission, or a person designated by the
15 Commission, as trustee with power to take pos-
16 session and continue to operate or terminate
17 the operations of the digital commodity ex-
18 change in an orderly manner for the protection
19 of customers, subject to such terms and condi-
20 tions as the court may prescribe.

21 “(j) EXEMPTIONS.—

22 “(1) IN GENERAL.—In order to promote re-
23 sponsible innovation and fair competition, or protect
24 customers, the Commission may (on its own initia-
25 tive or on application of the digital commodity ex-

1 change) exempt, either unconditionally or on stated
2 terms or conditions or for stated periods and either
3 retroactively or prospectively, or both, a digital com-
4modity exchange from the requirements of this Act,
5 if the Commission determines that—

6 “(A) the exemption would be consistent
7 with the public interest and the purposes of this
8 Act; and

9 “(B) the exemption will not have a mate-
10 rial adverse effect on the ability of the Commis-
11 sion or the digital commodity exchange to dis-
12 charge regulatory or self-regulatory duties
13 under this Act.

14 “(2) FOREIGN EXCHANGES.—

15 “(A) IN GENERAL.—The Commission may
16 exempt, conditionally or unconditionally, a dig-
17 ital commodity exchange from registration
18 under this section if the Commission finds that
19 the digital commodity exchange is subject to
20 comparable, comprehensive supervision and reg-
21 ulation on a consolidated basis by the appro-
22 priate governmental authorities in the home
23 country of the digital commodity exchange.

24 “(B) TRANSITION PERIOD.—Until the
25 Commission has issued its final rules under this

1 section, the Commission may exempt a foreign
2 digital commodity exchange from registration
3 under this section if—

4 “(i) the foreign digital commodity ex-
5 change—

6 “(I) keeps the books and records
7 of the foreign digital commodity ex-
8 change open to inspection and exam-
9 ination by any representative of the
10 Commission upon reasonable request;
11 and

12 “(II) reports to the Commission,
13 in a form and manner acceptable to
14 the Commission, such information as
15 the Commission determines to be rea-
16 sonably necessary or appropriate for
17 the Commission to perform the duties
18 of the Commission under this Act;
19 and

20 “(ii) the appropriate government au-
21 thorities in the home country of the foreign
22 digital commodity exchange—

23 “(I) certify that the foreign dig-
24 ital commodity exchange—

25 “(aa) is subject to—

1 “(AA) supervision and
2 regulation on a consolidated
3 basis by a governmental au-
4 thority in its home country,
5 including requirements relat-
6 ing to beneficial ownership,
7 control persons, governance,
8 risk management, financial
9 reporting, and market integ-
10 rity; and

11 “(BB) clear and en-
12 forceable managerial and su-
13 pervisory responsibility at
14 the consolidated level; and

15 “(bb) is in good standing
16 and not subject to unresolved,
17 material enforcement actions re-
18 lating to market integrity, cus-
19 tomer protection, or financial
20 crime; and

21 “(II) enter into a memorandum
22 of understanding with the Commission
23 in which those appropriate govern-
24 ment authorities agree to provide to
25 the Commission information regarding

1 the foreign digital commodity ex-
2 change that the Commission requests.

3 “(C) SUSPENSION OR REVOCATION.—The
4 Commission may suspend or revoke an exemp-
5 tion under subparagraph (B) if the Commission
6 determines that the foreign digital commodity
7 exchange or the appropriate government au-
8 thority in the home country of the foreign dig-
9 ital commodity exchange fails to substantially
10 comply with the requirements described in sub-
11 paragraph (B).

12 “(k) FEDERAL PREEMPTION.—

13 “(1) IN GENERAL.—Notwithstanding any other
14 provision of law, the Commission shall have exclusive
15 jurisdiction over any digital commodity exchange
16 registered under this section with respect to activi-
17 ties and transactions subject to this Act.

18 “(2) PRESERVATION OF AUTHORITY.—Nothing
19 in this Act shall affect the ability of a State or local
20 agency to investigate and bring enforcement ac-
21 tions—

22 “(A) against a person registered with the
23 Commission regarding fraud, deceit, manipula-
24 tion, or any other violation of this Act or any
25 rule, regulation, or order of the Commission

1 under this Act, in accordance with section 6d;
2 or

3 “(B) against any unregistered person for
4 violation of any generally applicable State or
5 local law, including a law relating to fraud, de-
6 ceit, unfair or deceptive acts or practices, con-
7 sumer protection, banking, payments, property,
8 contracts, criminal law, or unlawful conduct or
9 practices.

10 “(l) REGULATIONS.—The Commission shall prescribe
11 such rules and regulations as are appropriate for the im-
12 plementation of this section.

13 “(m) CUSTOMER DEFINED.—In this section, the
14 term ‘customer’ means any person that maintains an ac-
15 count for the trading of digital commodities directly with
16 a digital commodity exchange (other than a person that
17 is owned or controlled, directly or indirectly, by the digital
18 commodity exchange) for its own behalf or on behalf of
19 any other person.”.

20 (b) JURISDICTION OF STATES.—Section 6d(1) of the
21 Commodity Exchange Act (7 U.S.C. 13a–2(1)) is amend-
22 ed by inserting “digital commodity exchange, digital com-
23 modity broker, digital commodity dealer” before “contract
24 market”.

(c) PRIVATE RIGHTS OF ACTION.—Section 22 of the
Commodity Exchange Act (7 U.S.C. 25) is amended—

3 (1) in subsection (a)—

4 (A) in paragraph (1)—

5 (i) in subparagraph (B)—

6 (I) by striking “commodity) or
7 any swap;” and inserting “com-
8modity), any swap, or any digital com-
9modity transaction;”; and

(II) by striking “to make such contract” and all that follows through the semicolon at the end and inserting “to make such contract, any swap, or any digital commodity transaction;”;

(ii) in subparagraph (C), by con-
forming the margin of clause (iv) to the
margin of clauses (i) through (iii); and

18 (iii) in subparagraph (D)—

(I) in the matter preceding clause
(i), by striking “subparagraph (B)
hereof or swap” and inserting “sub-
paragraph (B), a swap, or a digital
commodity”; and

24 (II) in clause (ii), by striking
25 “any such contract or swap” and in-

1 serting “any such contract, swap, or
2 digital commodity”; and

3 (B) in paragraph (2), in the second sen-
4 tence, by striking “advance of”; and
5 (2) in subsection (b)(1)(A), by inserting “5i,”
6 after “5h,”.

7 (d) SUSPENSION OR REVOCATION OF DESIGNATION
8 AS REGISTERED ENTITY.—Section 6(b) of the Commodity
9 Exchange Act (7 U.S.C. 8(b)) is amended—

10 (1) by striking “or derivatives transaction exe-
11 cution facility” the first 2 places it appears and in-
12 serting “, derivatives transaction execution facility,
13 or digital commodity exchange”; and

14 (2) by striking “or derivatives transaction exe-
15 cution facility or” each place it appears and insert-
16 ing “, derivatives transaction execution facility, dig-
17 ital commodity exchange, or”.

18 **SEC. 20205. REGISTRATION AND REGULATION OF QUALI-**
19 **FIED DIGITAL ASSET CUSTODIANS.**

20 The Commodity Exchange Act (7 U.S.C. 1 et seq.)
21 is amended by inserting after section 5i (as added by sec-
22 tion 20204(a)) the following:

23 **“SEC. 5j. QUALIFIED DIGITAL ASSET CUSTODIANS.**

24 “(a) IN GENERAL.—A person shall be considered a
25 qualified digital asset custodian if the person—

1 “(1) holds digital assets on behalf of a person
2 registered under this Act or a customer of a person
3 registered under this Act; and

4 “(2) is in compliance with subsections (b) and
5 (c).

6 “(b) SUPERVISION REQUIREMENT.—A person is in
7 compliance with this subsection if the digital asset custo-
8 dian is subject to—

9 “(1) supervision and examination for custody
10 and safekeeping of digital assets by an appropriate
11 Federal banking agency, the National Credit Union
12 Administration, the Commission, or the Securities
13 and Exchange Commission; or

14 “(2) adequate supervision and appropriate reg-
15 ulation for custody and safekeeping of digital assets
16 by—

17 “(A) a State bank supervisor (as defined
18 in section 3 of the Federal Deposit Insurance
19 Act (12 U.S.C. 1813)), including a State bank
20 supervisor that has primary regulatory author-
21 ity over non-depository trust companies;

22 “(B) a State credit union supervisor (as
23 defined in section 6003 of the Anti-Money
24 Laundering Act of 2020 (31 U.S.C. 5311 note;
25 division F of Public Law 116–283)); or

1 “(C) an appropriate foreign governmental
2 authority in the home country of the person, if
3 it provides comparable, comprehensive super-
4 vision and regulation of the person.

5 “(c) OTHER REQUIREMENTS.—A person is in compli-
6 ance with this subsection if the following requirements are
7 met:

8 “(1) NOT OTHERWISE PROHIBITED.—The per-
9 son has not been prohibited by the applicable super-
10 visor described in subsection (b) from engaging in
11 an activity with respect to the custody and safe-
12 keeping of digital assets.

13 “(2) INFORMATION SHARING.—

14 “(A) IN GENERAL.—The person shares in-
15 formation with the Commission on request and
16 complies with such requirements for periodic
17 sharing of information regarding customer ac-
18 counts that the digital asset custodian holds on
19 behalf of an entity registered with the Commis-
20 sion as the Commission determines by rule are
21 reasonably necessary to effectuate any of the
22 provisions, or to accomplish any of the pur-
23 poses, of this Act.

24 “(B) PROVISION OF INFORMATION.—If the
25 person is subject to regulation and examination

1 by an appropriate Federal banking agency, the
2 digital asset custodian may satisfy any informa-
3 tion request described in subparagraph (A) by
4 providing the Commission with a detailed list-
5 ing, in writing, of the digital assets of a cus-
6 tomer in the custody of, or use by, the digital
7 asset custodian.

8 “(3) RULEMAKING.—

9 “(A) IN GENERAL.—The Commission shall
10 prescribe rules for a person registered with the
11 Commission to also be registered with the Com-
12 mission as a qualified digital asset custodian.

13 “(B) CONTENT.—In prescribing the rules
14 under subparagraph (A), the Commission shall
15 require a person registered with the Commis-
16 sion as a qualified digital asset custodian—

17 “(i) to implement requirements con-
18 sistent with the requirements described in
19 subsection (d)(1);

20 “(ii) to establish sufficient system
21 safeguards;

22 “(iii) to prevent or mitigate conflicts
23 of interest, as appropriate; and

1 “(iv) to establish separate governance
2 arrangements 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 digital asset custodian;

20 “(B) hold capital sufficient to conduct an
21 orderly wind-down and resolution of the digital
22 asset custodian;

23 “(C) protect customer assets;

1 “(D) establish and maintain books and
2 records regarding the business of the digital
3 asset custodian;

4 “(E) submit financial statements and au-
5 dited financial statements to the applicable su-
6 pervisor described in subsection (b);

7 “(F) provide disclosures to the applicable
8 supervisor described in subsection (b) regarding
9 actions, proceedings, and other items as deter-
10 mined by the supervisor;

11 “(G) maintain and enforce policies and
12 procedures for compliance with applicable State
13 and Federal laws, including those related to
14 anti-money laundering and cybersecurity;

15 “(H) establish a business continuity plan
16 to ensure functionality in cases of disruption;
17 and

18 “(I) establish policies and procedures to re-
19 solve complaints.

20 “(2) RULEMAKING WITH RESPECT TO DEFINI-
21 TIONS.—

22 “(A) IN GENERAL.—For purposes of this
23 section, the Commission shall, by rule, further
24 define the terms ‘adequate supervision’ and ‘ap-
25 propriate regulation’ as necessary and appro-

1 priate for the protection of customers, and con-
2 sistent with the purposes of this Act.

3 “(B) EXISTING DIGITAL ASSET
4 CUSTODIANS.—A State depository institution or
5 a trust company operating as a digital asset
6 custodian before the effective date of a rule-
7 making under subparagraph (A) is deemed sub-
8 ject to adequate supervision and appropriate
9 regulation if—

10 “(i) the State depository institution or
11 trust company is expressly permitted by a
12 State bank supervisor to engage in the cus-
13 tody and safekeeping of digital assets;

14 “(ii) the State bank supervisor has es-
15 tablished licensing, examination, and su-
16 pervisory processes that require the State
17 depository institution or trust company to,
18 at a minimum, meet the conditions de-
19 scribed in subparagraphs (A) through (I)
20 of paragraph (1); and

21 “(iii) the State depository institution
22 or trust company is in good standing with
23 its State bank supervisor.

24 “(C) TRANSITION PERIOD FOR CERTAIN
25 CUSTODIANS.—In implementing the rulemaking

1 under subparagraph (A), the Commission shall
2 provide a transition period of not less than 2
3 years for any State depository institution or
4 trust company that is deemed subject to ade-
5 quate supervision and appropriate regulation
6 under subparagraph (B) on the effective date of
7 the rulemaking.

8 “(e) AUTHORITY TO TEMPORARILY SUSPEND STAND-
9 ARDS.—The Commission may, by rule or order, tempo-
10 rarily suspend, in whole or in part, any requirement im-
11 posed under, or any standard referred to in, this section,
12 or any requirement to utilize a qualified digital asset cus-
13 todian, if the Commission determines that the suspension
14 would be consistent with the public interest and the pur-
15 poses of this Act.

16 “(f) FEDERAL PREEMPTION.—

17 “(1) IN GENERAL.—Notwithstanding any other
18 provision of law, the Commission shall have exclusive
19 jurisdiction over any qualified digital asset custodian
20 registered under this section with respect to activi-
21 ties and transactions subject to this Act.

22 “(2) PRESERVATION OF AUTHORITY.—Nothing
23 in this Act shall affect the ability of a State or local
24 agency to investigate and bring enforcement ac-
25 tions—

1 “(A) against a person registered with the
2 Commission regarding fraud, deceit, manipula-
3 tion, or any other violation of this Act or any
4 rule, regulation, or order of the Commission
5 under this Act, in accordance with section 6d of
6 this Act; or

7 “(B) against any unregistered person for
8 violation of any generally applicable State or
9 local law, including a law relating to fraud, de-
10 ceit, unfair or deceptive acts or practices, con-
11 sumer protection, banking, payments, property,
12 contracts, criminal law, or unlawful conduct or
13 practices.”.

14 **SEC. 20206. REGISTRATION AND REGULATION OF DIGITAL**
15 **COMMODITY BROKERS AND DEALERS.**

16 (a) IN GENERAL.—The Commodity Exchange Act is
17 amended by inserting after section 4t (7 U.S.C. 6t) the
18 following:

19 **“SEC. 4u. REGISTRATION AND REGULATION OF DIGITAL**
20 **COMMODITY BROKERS AND DEALERS.**

21 “(a) REGISTRATION.—

22 “(1) REQUIREMENT.—It shall be unlawful for
23 any person to act as a digital commodity broker or
24 digital commodity dealer unless the person is reg-
25 istered as such with the Commission.

1 “(2) NOTICE FILING.—A person that is already
2 registered as a futures commission merchant or a
3 swap dealer shall be registered as a digital com-
4 modity broker or a digital commodity dealer, subject
5 to the conditions that—

6 “(A) the person shall file written notice
7 with the Commission and any registered futures
8 association of which it is a member of its inten-
9 tion to register as a digital commodity broker
10 or a digital commodity dealer, in such form as
11 the Commission, by rule or regulation, may pre-
12 scribe, and containing such information as the
13 Commission, by rule or regulation, may pre-
14 scribe as necessary or appropriate in the public
15 interest; and

16 “(B) the registration of the futures com-
17 mission merchant or swap dealer is not sus-
18 pended pursuant to an order of the Commis-
19 sion.

20 “(3) DE MINIMIS.—A person acting as a digital
21 commodity broker or digital commodity dealer shall
22 not be required to register under this section if the
23 person engages in no more than a de minimis
24 amount of brokering or dealing activity in a digital

1 commodity, as the Commission may determine by
2 rule or regulation.

3 “(4) ADDITIONAL REGISTRATION.—

4 “(A) RULES.—In order to foster the devel-
5 opment of fair and orderly markets, protect
6 customers, and promote responsible innovation,
7 the Commission shall—

8 “(i) prescribe rules to exempt an enti-
9 ty registered with the Commission under
10 more than 1 section of this Act from dupli-
11 cative, conflicting, or unduly burdensome
12 provisions of this Act and the rules under
13 this Act;

14 “(ii) prescribe rules establishing re-
15 quirements for the identification, mitiga-
16 tion, and resolution of conflicts of interest
17 among and across affiliated entities or en-
18 tities with multiple registrations under this
19 Act, including conflicts of interest related
20 to vertically integrated market structures
21 and their varying responsibilities and ac-
22 tivities; and

23 “(iii) after an analysis of the risks
24 and benefits, prescribe rules to provide for
25 portfolio margining in accordance with sec-

1 tion 10402 of the Digital Asset Market
2 Clarity Act.

3 “(B) MEMBERSHIP IN A REGISTERED FU-
4 TURES ASSOCIATION.—

5 “(i) IN GENERAL.—Any person re-
6 quired to be registered as a digital com-
7 modity broker or digital commodity dealer
8 under this section shall become and remain
9 a member of a registered futures associa-
10 tion.

11 “(ii) DIGITAL COMMODITY EX-
12 CHANGES.—If the person described in
13 clause (i) is also registered as a digital
14 commodity exchange, the authority of the
15 registered futures association shall not ex-
16 tend to the business and obligations of the
17 person as a digital commodity exchange.

18 “(C) HARMONIZATION.—In prescribing
19 rules for digital commodity brokers or digital
20 commodity dealers, the Commission shall, to the
21 greatest extent feasible, seek to avoid duplica-
22 tion, inconsistencies, or burdens for a person
23 registered in multiple capacities.

24 “(b) REQUIREMENTS.—

1 “(1) IN GENERAL.—A person shall register as
2 a digital commodity broker or digital commodity
3 dealer by filing a registration application with the
4 Commission.

5 “(2) CONTENTS.—

6 “(A) IN GENERAL.—The application under
7 paragraph (1) shall be made in such form and
8 manner as is prescribed by the Commission,
9 and shall contain such information as the Com-
10 mission considers necessary concerning the
11 business in which the applicant is or will be en-
12 gaged.

13 “(B) CONTINUAL REPORTING.—A person
14 that is registered as a digital commodity broker
15 or digital commodity dealer shall continue to
16 submit to the Commission reports that contain
17 such information pertaining to the business of
18 the person as the Commission may require.

19 “(3) STATUTORY DISQUALIFICATION.—Except
20 to the extent otherwise specifically provided by rule,
21 regulation, or order, it shall be unlawful for a digital
22 commodity broker or digital commodity dealer to
23 permit any person who is associated with a digital
24 commodity broker or a digital commodity dealer and
25 who is subject to a statutory disqualification to ef-

1 fect or be involved in effecting a contract of sale of
2 a digital commodity on behalf of the digital com-
3 modity broker or the digital commodity dealer, re-
4 spectively, if the digital commodity broker or digital
5 commodity dealer, respectively, knew, or in the exer-
6 cise of reasonable care should have known, of the
7 statutory disqualification.

8 “(c) RULEMAKING.—

9 “(1) IN GENERAL.—The Commission shall pre-
10 scribe such rules applicable to registered digital com-
11 modity brokers and registered digital commodity
12 dealers as are appropriate to carry out this section,
13 including rules in the public interest that limit the
14 activities of digital commodity brokers and digital
15 commodity dealers.

16 “(2) FINANCING AGREEMENTS.—

17 “(A) IN GENERAL.—The Commission shall
18 prescribe rules and regulations applicable to
19 digital commodity brokers or digital commodity
20 dealers that shall set forth minimum require-
21 ments related to disclosure, recordkeeping, mar-
22 gin financing arrangements, rehypothecation,
23 capital, reporting, business conduct, documenta-
24 tion, and supervision of employees and agents,
25 in connection with—

1 “(i) an agreement described in section
2 2(c)(2)(D)(iv); or

3 “(ii) any other margined, leveraged,
4 or financing arrangement for the purchase
5 or sale of a digital commodity with an eli-
6 gible contract participant.

7 “(B) SPECIFIC AUTHORITY.—Except as
8 prohibited by section 2(c)(2)(G)(iii), the Com-
9 mission may also make, promulgate, and en-
10 force such rules and regulations as, in the judg-
11 ment of the Commission, are reasonably nec-
12 essary to effectuate any of the provisions of, or
13 to accomplish any of the purposes of, this Act
14 in connection with an agreement referred to in
15 subparagraph (A).

16 “(d) CAPITAL REQUIREMENTS.—

17 “(1) IN GENERAL.—Each digital commodity
18 broker and digital commodity dealer shall meet such
19 minimum capital requirements as the Commission
20 may prescribe to address the risks associated with
21 digital commodity trading and to ensure that the
22 digital commodity broker or digital commodity deal-
23 er, respectively, is able, at all times, to meet and
24 continue to meet the obligations of such a registrant.

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) DIGITAL COMMODITY TRADING NOT READILY
13 SUSCEPTIBLE TO MANIPULATION.—A digital commodity
14 broker or digital commodity dealer may only offer trades
15 in digital commodities that are not readily susceptible to
16 manipulation.

17 “(f) EXECUTION.—The Commission shall prescribe
18 rules and regulations regarding the execution of digital
19 commodity transactions by a digital commodity broker or
20 a digital commodity dealer with or on behalf of customers,
21 which shall address—

22 “(1) fair and objective pricing;

23 “(2) the recording, maintaining, and disclosure
24 of information;

1 “(3) the protection of the price discovery proc-
2 ess; and

3 “(4) requirements specific to digital commodity
4 transactions with or on behalf of a customer who is
5 not an eligible contract participant.

6 “(g) REPORTING AND RECORDKEEPING.—

7 “(1) IN GENERAL.—Each digital commodity
8 broker and digital commodity dealer shall—

9 “(A) make such reports as are required by
10 the Commission by rule or regulation regarding
11 the transactions, positions, and financial condi-
12 tion of the digital commodity broker or digital
13 commodity dealer, respectively;

14 “(B) keep books and records in such form
15 and manner and for such period as shall be pre-
16 scribed by the Commission by rule or regula-
17 tion; and

18 “(C) keep the books and records open to
19 inspection and examination by any representa-
20 tive of the Commission.

21 “(2) EXEMPTION FOR CERTAIN PAYMENT
22 STABLECOIN TRANSACTIONS.—The requirements of
23 this subsection shall not apply to payment stablecoin
24 transactions unrelated to the trading of a digital
25 commodity.

1 “(h) DAILY TRADING RECORDS.—

2 “(1) IN GENERAL.—Each digital commodity
3 broker and digital commodity dealer shall maintain
4 daily trading records of the transactions of the dig-
5 ital commodity broker or digital commodity dealer,
6 respectively, and all related records (including re-
7 lated forward or derivatives transactions) and re-
8 corded communications, including electronic mail, in-
9 stant messages, and recordings of telephone calls,
10 for such period as the Commission shall require by
11 rule or regulation.

12 “(2) INFORMATION REQUIREMENTS.—The daily
13 trading records described in paragraph (1) shall in-
14 clude such information as the Commission shall re-
15 quire by rule or regulation.

16 “(3) COUNTERPARTY RECORDS.—Each digital
17 commodity broker and digital commodity dealer shall
18 maintain daily trading records for each customer or
19 counterparty in a manner and form that is identifi-
20 able with each digital commodity transaction.

21 “(4) AUDIT TRAIL.—Each digital commodity
22 broker and digital commodity dealer shall maintain
23 a complete audit trail for conducting comprehensive
24 and accurate trade reconstructions.

1 “(5) EXEMPTION FOR CERTAIN PAYMENT
2 STABLECOINS TRANSACTIONS.—The requirements of
3 this subsection shall not apply to payment stablecoin
4 transactions unrelated to the trading of a digital
5 commodity.

6 “(i) BUSINESS CONDUCT STANDARDS.—

7 “(1) IN GENERAL.—Each digital commodity
8 broker and digital commodity dealer shall conform
9 with such business conduct standards as the Com-
10 mission, by rule or regulation, shall prescribe related
11 to—

12 “(A) fraud, manipulation, and other abu-
13 sive practices involving spot digital commodity
14 transactions (including transactions that are of-
15 fered but not entered into);

16 “(B) diligent supervision of the business of
17 the registered digital commodity broker or dig-
18 ital commodity dealer, respectively; and

19 “(C) such other matters as the Commis-
20 sion determines appropriate.

21 “(2) BUSINESS CONDUCT REQUIREMENTS.—
22 The Commission shall, by rule, prescribe business
23 conduct requirements that—

24 “(A) require disclosure by a registered dig-
25 ital commodity broker and registered digital

1 commodity dealer to any counterparty to the
2 transaction (other than an eligible contract par-
3 ticipant) of—

4 “(i) information about the material
5 risks and characteristics of the digital com-
6 modity;

7 “(ii) information about the material
8 risks and characteristics of the transaction;
9 and

10 “(iii) information consistent with the
11 requirements imposed on a digital com-
12 modity exchange by subparagraphs (B)
13 and (C)(ii) of section 5i(c)(3), for a trade
14 in a digital commodity that has not been
15 certified by a digital commodity exchange
16 or approved by the Commission under sec-
17 tion 5c(d) and that is not being executed
18 on a digital commodity exchange;

19 “(B) establish a duty for such a digital
20 commodity broker and such a digital commodity
21 dealer to communicate in a fair and balanced
22 manner based on principles of fair dealing and
23 good faith;

24 “(C) establish standards governing digital
25 commodity broker and digital commodity dealer

1 marketing and advertising, including
2 testimonials and endorsements;

3 “(D) establish a duty for digital com-
4 modity brokers and digital commodity dealers
5 to provide fair, transparent, and objective pric-
6 ing; and

7 “(E) establish such other standards and
8 requirements as the Commission may determine
9 are appropriate for the protection of customers.

10 “(3) PROHIBITION ON FRAUDULENT PRAC-
11 TICES.—It shall be unlawful for a digital commodity
12 broker or digital commodity dealer to—

13 “(A) employ any device, scheme, or artifice
14 to defraud any customer or counterparty;

15 “(B) engage in any transaction, practice,
16 or course of business that operates as a fraud
17 or deceit on any customer or counterparty; or

18 “(C) engage in any act, practice, or course
19 of business that is fraudulent, deceptive, or ma-
20 nipulative.

21 “(j) DUTIES.—

22 “(1) RISK MANAGEMENT PROCEDURES.—Each
23 digital commodity broker and digital commodity
24 dealer shall establish robust and professional risk
25 management systems adequate for managing the

1 day-to-day business of the digital commodity broker
2 or digital commodity dealer, respectively.

3 “(2) DISCLOSURE OF GENERAL INFORMA-
4 TION.—Each digital commodity broker and digital
5 commodity dealer shall disclose to the Commission
6 information concerning—

7 “(A) the terms and conditions of the trans-
8 actions of the digital commodity broker or dig-
9 ital commodity dealer, respectively;

10 “(B) the trading operations, mechanisms,
11 and practices of the digital commodity broker
12 or digital commodity dealer, respectively;

13 “(C) financial integrity protections relating
14 to the activities of the digital commodity broker
15 or digital commodity dealer, respectively; and

16 “(D) other information relevant to trading
17 in digital commodities by the digital commodity
18 broker or digital commodity dealer, respectively.

19 “(3) ABILITY TO OBTAIN INFORMATION.—Each
20 digital commodity broker and digital commodity
21 dealer shall—

22 “(A) establish and enforce internal systems
23 and procedures to obtain any necessary infor-
24 mation to perform any of the functions de-
25 scribed in this section; and

1 “(B) provide the information to the Com-
2 mission, on request.

3 “(4) CONFLICTS OF INTEREST.—Each digital
4 commodity broker and digital commodity dealer shall
5 establish, maintain, and enforce written policies and
6 procedures—

7 “(A) reasonably designed, taking into con-
8 sideration the nature of the business of the per-
9 son—

10 “(i) to minimize any conflicts of inter-
11 est in the decision-making process, includ-
12 ing conflicts arising—

13 “(I) out of transactions or ar-
14 rangements with affiliates (including
15 affiliates engaging in digital com-
16 modity activities); or

17 “(II) as a result of multiple reg-
18 istrations under this Act;

19 “(ii) to establish a process for resolv-
20 ing conflicts of interest described in clause
21 (i); and

22 “(iii) to require disclosure by a digital
23 commodity broker or digital commodity
24 dealer of any material incentives or con-
25 flicts of interest that the digital commodity

1 broker or digital commodity dealer is un-
2 able to resolve; and

3 “(B) relating to such additional matters as
4 the Commission determines by rule or regula-
5 tion to be necessary or appropriate in the public
6 interest.

7 “(5) ANTITRUST CONSIDERATIONS.—Unless
8 necessary or appropriate to achieve the purposes of
9 this Act, a digital commodity broker or digital com-
10 modity dealer shall not—

11 “(A) adopt any process or take any action
12 that results in any unreasonable restraint of
13 trade; or

14 “(B) impose any material anticompetitive
15 burden on trading or clearing.

16 “(k) DESIGNATION OF CHIEF COMPLIANCE OFFI-
17 CER.—

18 “(1) IN GENERAL.—Each digital commodity
19 broker and digital commodity dealer shall designate
20 an individual to serve as a chief compliance officer.

21 “(2) DUTIES.—The chief compliance officer of
22 a registered digital commodity broker or a registered
23 digital commodity dealer shall—

24 “(A) report directly to the board or to the
25 senior officer of the registered digital com-

1 modity broker or registered digital commodity
2 dealer;

3 “(B) review the compliance of the reg-
4 istered digital commodity broker or registered
5 digital commodity dealer with respect to the
6 registered digital commodity broker and reg-
7 istered digital commodity dealer requirements
8 described in this section;

9 “(C) in consultation with the board of di-
10 rectors, a body performing a function similar to
11 the board, or the senior officer of the organiza-
12 tion, resolve any conflicts of interest that may
13 arise;

14 “(D) be responsible for administering each
15 policy and procedure that is required to be es-
16 tablished pursuant to this section;

17 “(E) ensure compliance with this Act (in-
18 cluding regulations), including each rule pre-
19 scribed by the Commission under this section;

20 “(F) establish procedures for the remedi-
21 ation of noncompliance issues identified by the
22 chief compliance officer through any—

23 “(i) compliance office review;

24 “(ii) look-back;

1 “(iii) internal or external audit find-
2 ing;

3 “(iv) self-reported error; or

4 “(v) validated complaint; and

5 “(G) establish and follow appropriate pro-
6 cedures for the handling, management response,
7 remediation, retesting, and closing of non-
8 compliance issues.

9 “(3) ANNUAL REPORTS.—

10 “(A) IN GENERAL.—In accordance with
11 rules that shall be prescribed by the Commis-
12 sion, the chief compliance officer of a registered
13 digital commodity broker or a registered digital
14 commodity dealer shall annually prepare and
15 sign a report that contains a description of—

16 “(i) the compliance of the registered
17 digital commodity broker or registered dig-
18 ital commodity dealer with this Act (in-
19 cluding regulations); and

20 “(ii) each policy and procedure of the
21 registered digital commodity broker or reg-
22 istered digital commodity dealer followed
23 by the chief compliance officer (including
24 the code of ethics and conflicts of interest
25 policies).

1 “(B) REQUIREMENTS.—The chief compli-
2 ance officer shall ensure that a compliance re-
3 port under subparagraph (A)—

4 “(i) accompanies each appropriate fi-
5 nancial report of the registered digital
6 commodity broker or registered digital
7 commodity dealer that is required to be
8 furnished to the Commission pursuant to
9 this section; and

10 “(ii) includes a certification that,
11 under penalty of law, the compliance re-
12 port is accurate and complete.

13 “(l) SEGREGATION OF DIGITAL COMMODITIES.—

14 “(1) HOLDING OF CUSTOMER ASSETS.—

15 “(A) IN GENERAL.—Each digital com-
16 modity broker and digital commodity dealer
17 shall hold customer money, assets, and property
18 in a manner to minimize the risk of loss to the
19 customer or unreasonable delay in customer ac-
20 cess to the money, assets, and property of the
21 customer.

22 “(B) QUALIFIED DIGITAL ASSET CUSTO-
23 DIAN.—Each digital commodity broker and dig-
24 ital commodity dealer shall hold in a qualified

1 digital asset custodian each unit of a digital
2 asset that is—

3 “(i) the property of a customer or
4 counterparty of the digital commodity
5 broker or digital commodity dealer, respec-
6 tively;

7 “(ii) required to be held by the digital
8 commodity broker or digital commodity
9 dealer under subsection (c); or

10 “(iii) otherwise so required by the
11 Commission to reasonably protect cus-
12 tomers and customer assets or promote the
13 public interest.

14 “(C) NON-CUSTODIAL INTERMEDIARY.—
15 This subsection shall not apply with respect to
16 digital commodities when the digital commodity
17 broker or digital commodity dealer does not
18 maintain control over the private keys or other
19 credentials necessary to exclusively possess and
20 transfer any unit of a digital commodity belong-
21 ing to the customer.

22 “(2) SEGREGATION OF FUNDS.—

23 “(A) IN GENERAL.—Each digital com-
24 modity broker and digital commodity dealer
25 shall treat and deal with all money, assets, and

1 property that is received by the digital com-
2 modity broker or digital commodity dealer, or
3 accrues to a customer as the result of trading
4 in digital commodities, as belonging to the cus-
5 tomer.

6 “(B) COMMINGLING PROHIBITED.—

7 “(i) IN GENERAL.—Except as pro-
8 vided in clause (ii), each digital commodity
9 broker and digital commodity dealer shall
10 separately account for money, assets, and
11 property of a digital commodity customer,
12 and shall not commingle any such money,
13 assets, or property with the funds of the
14 digital commodity broker or digital com-
15 modity dealer, respectively, or use any such
16 money, assets, or property to margin, se-
17 cure, or guarantee any trades or accounts
18 of any customer or person other than the
19 person for whom the money, assets, or
20 property are held.

21 “(ii) EXCEPTIONS.—

22 “(I) USE OF FUNDS.—

23 “(aa) IN GENERAL.—A dig-
24 ital commodity broker or digital
25 commodity dealer may, for con-

1 venience, commingle and deposit
2 in the same account or accounts
3 with any bank, trust company,
4 derivatives clearing organization,
5 or qualified digital asset custo-
6 dian money, assets, and property
7 of customers.

8 “(bb) WITHDRAWAL.—The
9 share of the money, assets, and
10 property described in item (aa)
11 as in the normal course of busi-
12 ness shall be necessary to mar-
13 gin, guarantee, secure, transfer,
14 adjust, or settle a contract of sale
15 of a digital commodity with a
16 registered entity may be with-
17 drawn and applied to such pur-
18 poses, including the payment of
19 commissions, brokerage, interest,
20 taxes, storage, and other charges,
21 lawfully accruing in connection
22 with the contract.

23 “(II) COMMISSION ACTION.—In
24 accordance with such terms and con-
25 ditions as the Commission may pre-

1 scribe by rule, regulation, or order,
2 any money, assets, or property of the
3 customers of a digital commodity
4 broker or digital commodity dealer
5 may be commingled and deposited in
6 customer accounts with any other
7 money, assets, or property received by
8 the digital commodity broker or dig-
9 ital commodity dealer, respectively,
10 and required by the Commission to be
11 separately accounted for and treated
12 and dealt with as belonging to the
13 customer of the digital commodity
14 broker or digital commodity dealer,
15 respectively.

16 “(3) PERMITTED INVESTMENTS.—Money de-
17 scribed in paragraph (2) may be invested in obliga-
18 tions of the United States, in general obligations of
19 any State or of any political subdivision of a State,
20 in obligations fully guaranteed as to principal and
21 interest by the United States, or in any high-quality
22 liquid asset that the Commission may by rule or reg-
23 ulation allow.

24 “(4) CUSTOMER PROTECTION DURING BANK-
25 RUPTCY.—

1 “(A) CUSTOMER PROPERTY.—

2 “(i) IN GENERAL.—All assets held on
3 behalf of a customer by a digital com-
4 modity broker or digital commodity dealer,
5 and all money, assets, and property of any
6 customer received by a digital commodity
7 broker or digital commodity dealer for
8 trading or custody, or to facilitate, margin,
9 guarantee, or secure contracts of sale of a
10 digital commodity (including money, as-
11 sets, or property accruing to the customer
12 as the result of the transactions), shall be
13 considered customer property for purposes
14 of section 761 of title 11, United States
15 Code.

16 “(ii) CUSTOMERS.—For purposes of
17 this subparagraph, the term ‘customer’
18 shall not include any person, to the extent
19 that such person has a claim based on any
20 open repurchase agreement, open reverse
21 repurchase agreement, or digital com-
22 modity borrowed agreement, except to the
23 extent of any margin delivered to or by the
24 customer with respect to which there is a
25 segregation requirement.

1 “(B) TRANSACTIONS.—A purchase, sale,
2 or loan of, margin loan or other extension of
3 credit on, or repurchase, reverse repurchase, or
4 other transaction involving a unit of a digital
5 commodity occurring with a digital commodity
6 broker or digital commodity dealer shall be con-
7 sidered—

8 “(i) a ‘contract for the purchase or
9 sale of a commodity for future delivery on,
10 or subject to the rules of, a contract mar-
11 ket or board of trade’ for purposes of the
12 definition of a ‘commodity contract’ in sec-
13 tion 761 of title 11, United States Code,
14 section 11 of the Federal Deposit Insur-
15 ance Act (12 U.S.C. 1821), and section
16 210 of the Dodd-Frank Wall Street Re-
17 form and Consumer Protection Act (12
18 U.S.C. 5390); and

19 “(ii) a ‘commodity contract’ for pur-
20 poses of section 5(b)(2)(C) of the Securi-
21 ties Investor Protection Act of 1970 (15
22 U.S.C. 78eee(b)(2)(C)).

23 “(C) BROKERS AND DEALERS.—A digital
24 commodity broker and a digital commodity
25 dealer shall be considered a futures commission

1 merchant for purposes of section 761 of title
2 11, United States Code, section 11 of the Fed-
3 eral Deposit Insurance Act (12 U.S.C. 1821),
4 and section 210 of the Dodd-Frank Wall Street
5 Reform and Consumer Protection Act (12
6 U.S.C. 5390).

7 “(5) MISUSE OF CUSTOMER PROPERTY.—

8 “(A) IN GENERAL.—It shall be unlawful—

9 “(i) for any digital commodity broker
10 or digital commodity dealer that has re-
11 ceived any customer money, assets, or
12 property for custody to dispose of, or use
13 any such money, assets, or property as be-
14 longing to the digital commodity broker or
15 digital commodity dealer, respectively, or
16 any person other than a customer of the
17 digital commodity broker or digital com-
18 modity dealer, respectively; or

19 “(ii) for any other person, including
20 any depository, digital commodity ex-
21 change, other digital commodity broker,
22 other digital commodity dealer, or digital
23 asset custodian that has received any cus-
24 tomer money, assets, or property for de-
25 posit, to hold, dispose of, or use any such

1 money, assets, or property, as belonging to
2 the depositing digital commodity broker or
3 digital commodity dealer or any person
4 other than the customers of the digital
5 commodity broker or digital commodity
6 dealer, respectively.

7 “(B) USE FURTHER DEFINED.—For pur-
8 poses of this section, ‘use’ of a digital com-
9 modity includes utilizing any unit of a digital
10 asset to participate in a distributed ledger util-
11 ity or a decentralized governance system associ-
12 ated with the digital commodity or the distrib-
13 uted ledger system to which the digital com-
14 modity relates in any manner other than that
15 expressly directed by the customer from whom
16 the unit of a digital commodity was received.

17 “(6) PARTICIPATION IN DISTRIBUTED LEDGER
18 UTILITIES.—

19 “(A) USE OF FUNDS.—A digital com-
20 modity broker or digital commodity dealer (or a
21 designee of a digital commodity broker or dig-
22 ital commodity dealer) may use a unit of a dig-
23 ital commodity belonging to a customer to pro-
24 vide a distributed ledger utility for a distributed

1 ledger system to which the unit of the digital
2 commodity relates if—

3 “(i) the customer expressly permits
4 the use, in writing, to the digital com-
5 modity broker or digital commodity dealer,
6 as the case may be; and

7 “(ii) the digital commodity broker or
8 digital commodity dealer, as the case may
9 be, complies with subparagraph (B).

10 “(B) LIMITATIONS.—

11 “(i) IN GENERAL.—The Commission
12 shall, by rule, establish notice and written
13 disclosure requirements and any other limi-
14 tations and rules related to a permission
15 provided under subparagraph (A) or the
16 treatment of customer assets in the event
17 of an insolvency, resolution, or liquidation
18 proceeding, including a description of the
19 manner in which any digital commodity
20 would be treated in an insolvency, resolu-
21 tion, or liquidation proceeding, and how
22 the treatment of digital commodities dif-
23 fers from the treatment of any other assets
24 in the event of an insolvency, resolution, or
25 liquidation proceeding, that are reasonably

1 necessary to protect customers, including
2 eligible contract participants, non-eligible
3 contract participants, and any other class
4 of customers.

5 “(ii) CUSTOMER CHOICE.—A digital
6 commodity broker or digital commodity
7 dealer may not—

8 “(I) require a customer to pro-
9 vide the permission referred to in sub-
10 paragraph (A) as a condition of doing
11 business with the digital commodity
12 broker or digital commodity dealer; or

13 “(II) penalize a customer for not
14 providing the permission referred to
15 in subparagraph (A).

16 “(C) REQUIREMENTS.—The Commission
17 may, by rule, modify the requirements of para-
18 graph (2) or subsection (g) and adopt rules
19 pursuant to section 20(a) to facilitate the use
20 of a unit of a digital commodity belonging to a
21 customer to provide a distributed ledger utility
22 and address the treatment of customer assets in
23 the event of an insolvency, resolution, or liq-
24 uidation proceeding of a digital commodity

1 broker or digital commodity dealer that engages
2 in such use.

3 “(7) PROPERTY HELD IN PORTFOLIO MARGIN
4 ACCOUNTS.—

5 “(A) IN GENERAL.—Notwithstanding para-
6 graph (2), and the rules and regulations there-
7 under, and pursuant to an exemption granted
8 by the Commission under section 4(c) or pursu-
9 ant to a rule or regulation—

10 “(i) a digital commodity broker or
11 digital commodity dealer registered under
12 subsection (b)(1) and also registered as a
13 futures commission merchant pursuant to
14 section 4f(a)(1) may, pursuant to a port-
15 folio margining program approved by the
16 Commission, hold digital commodity cus-
17 tomer money, assets, and property in a
18 portfolio margining account carried as a
19 futures account or cleared swaps account;
20 and

21 “(ii) a digital commodity broker or
22 digital commodity dealer registered under
23 subsection (b)(1) and also registered as a
24 broker or dealer pursuant to section
25 15(b)(1) of the Securities Exchange Act of

1 1934 (15 U.S.C. 78o(b)(1)) may, pursuant
2 to a portfolio margining program approved
3 by the Securities and Exchange Commis-
4 sion pursuant to section 19(b) of that Act
5 (15 U.S.C. 78s(b)), hold digital commodity
6 customer money, assets, and property in a
7 portfolio margining account carried as a
8 securities account subject to section
9 15(c)(3) of that Act (15 U.S.C. 78o(c)(3))
10 and the rules and regulations thereunder.

11 “(B) CONSULTATION.—The Commission
12 shall consult with the Securities and Exchange
13 Commission to adopt rules to ensure that such
14 transactions and accounts are subject to com-
15 parable requirements to the extent practical for
16 similar products.

17 “(m) FEDERAL PREEMPTION.—

18 “(1) IN GENERAL.—Notwithstanding any other
19 provision of law, the Commission shall have exclusive
20 jurisdiction over any digital commodity broker or
21 digital commodity dealer registered under this sec-
22 tion with respect to activities subject to this Act.

23 “(2) PRESERVATION OF AUTHORITY.—Nothing
24 in this Act shall affect the ability of a State or local

1 agency to investigate and bring enforcement ac-
2 tions—

3 “(A) against a person registered with the
4 Commission regarding fraud, deceit, manipula-
5 tion, or any other violation of this Act or any
6 rule, regulation, or order of the Commission
7 under this Act, in accordance with section 6d;
8 or

9 “(B) against any unregistered person for
10 violation of any generally applicable State or
11 local law, including a law relating to fraud, de-
12 ceit, unfair or deceptive acts or practices, con-
13 sumer protection, banking, payments, property,
14 contracts, criminal law, or unlawful conduct or
15 practices.

16 “(n) EXEMPTIONS.—In order to promote responsible
17 innovation and fair competition, or protect customers, the
18 Commission may (on its own initiative or on application
19 of the digital commodity broker or digital commodity deal-
20 er) exempt, unconditionally or on stated terms or condi-
21 tions, or for stated periods, and retroactively or prospec-
22 tively, or both, a digital commodity broker or digital com-
23 modity dealer from the requirements of this Act, if the
24 Commission determines that—

25 “(1) the exemption—

1 “(A) would be consistent with the public
2 interest and the purposes of this Act; and

3 “(B) will not have a material adverse ef-
4 fect 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 “(o) SCOPE OF APPLICATION.—A person registered
13 as a digital commodity broker or digital commodity dealer
14 shall be subject to the requirements of this section and
15 section 8a only with respect to activities that constitute
16 acting as a digital commodity broker or digital commodity
17 dealer as defined in section 1a. Activities that do not inde-
18 pendently meet those definitions shall not be subject to
19 the requirements of this section or section 8a.”.

20 (b) SUSPENSION OR REVOCATION OF REGISTRA-
21 TION.—Section 8a of the Commodity Exchange Act (7
22 U.S.C. 12a) is amended—

23 (1) in paragraph (1), by inserting “digital com-
24 modity brokers, associated persons of digital com-
25 modity brokers, digital commodity dealers, associ-

1 ated persons of digital commodity dealers, digital
2 commodity pool operators, associated persons of dig-
3 ital commodity pool operators, digital commodity
4 trading advisors, associated persons of digital com-
5 modity trading advisors,” after “to register”;

6 (2) in paragraphs (2) and (3)—

7 (A) by inserting “a cash or spot digital
8 commodity or” before “a commodity for future
9 delivery” each place it appears; and

10 (B) by inserting “digital commodity
11 broker, digital commodity dealer, digital com-
12 modity pool operator, digital commodity trading
13 advisor,” before “futures commission mer-
14 chant” each place it appears;

15 (3) in paragraph (4)—

16 (A) by striking “futures commission mer-
17 chant or” and inserting “digital commodity
18 broker, digital commodity dealer, futures com-
19 mission merchant, or”; and

20 (B) by inserting “cash or spot digital com-
21 modity or” before “commodity for future deliv-
22 ery”; and

23 (4) in paragraph (7)—

24 (A) in the matter preceding subparagraph

25 (A), by inserting “cash or spot digital commod-

1 ities or” before “commodities traded for future
2 delivery”; and

3 (B) in subparagraph (B), by inserting
4 “and for cash or spot digital commodities” after
5 “future delivery”.

6 **SEC. 20207. REGISTRATION AND REGULATION OF ASSOCI-**
7 **ATED PERSONS.**

8 (a) IN GENERAL.—Section 4k of the Commodity Ex-
9 change Act (7 U.S.C. 6k) is amended by adding at the
10 end the following:

11 “(7) ASSOCIATED PERSONS OF DIGITAL COM-
12 MODITY BROKERS AND DIGITAL COMMODITY DEAL-
13 ERS.—

14 “(A) IN GENERAL.—It shall be unlawful
15 for any person to act as an associated person
16 of a digital commodity broker or an associated
17 person of a digital commodity dealer unless the
18 person is registered with the Commission under
19 this Act and such registration shall not have ex-
20 pired, been suspended (and the period of sus-
21 pension has not expired), or been revoked.

22 “(B) DUTY OF DIGITAL COMMODITY BRO-
23 KERS AND DEALERS.—It shall be unlawful for
24 a digital commodity broker or a digital com-
25 modity dealer to permit a person described in

1 subparagraph (A) to become or remain associ-
2 ated with the digital commodity broker or dig-
3 ital commodity dealer if the digital commodity
4 broker or digital commodity dealer knew or
5 should have known that the person was not so
6 registered or that the registration had expired,
7 been suspended (and the period of suspension
8 has not expired), or been revoked.

9 “(C) FEDERAL PREEMPTION.—

10 “(i) IN GENERAL.—Notwithstanding
11 any other provision of law, the Commission
12 shall have exclusive jurisdiction over any
13 associated person of a digital commodity
14 broker or any associated person of a digital
15 commodity dealer registered under this
16 section with respect to activities and trans-
17 actions subject to this Act.

18 “(ii) PRESERVATION OF AUTHOR-
19 ITY.—Nothing in this Act shall affect the
20 ability of a State or local agency to inves-
21 tigate and bring enforcement actions—

22 “(I) against a person registered
23 with the Commission regarding fraud,
24 deceit, manipulation, or any other vio-
25 lation of this Act or any rule, regula-

1 tion, or order of the Commission
2 under this Act, in accordance with
3 section 6d; or

4 “(II) against any unregistered
5 person for violation of any generally
6 applicable State or local law, including
7 a law relating to fraud, deceit, unfair
8 or deceptive acts or practices, con-
9 sumer protection, banking, payments,
10 property, contracts, criminal law, or
11 unlawful conduct or practices.

12 “(8) ASSOCIATED PERSONS OF DIGITAL COM-
13 MODITY POOL OPERATORS AND DIGITAL COMMODITY
14 TRADING ADVISORS.—

15 “(A) IN GENERAL.—It shall be unlawful
16 for any person to act as an associated person
17 of a digital commodity pool operator or an asso-
18 ciated person of a digital commodity trading
19 advisor unless the person is registered with the
20 Commission under this Act and such registra-
21 tion shall not have expired, been suspended
22 (and the period of suspension has not expired),
23 or been revoked.

24 “(B) DUTY OF DIGITAL COMMODITY POOL
25 OPERATORS AND DIGITAL COMMODITY TRADING

1 ADVISORS.—It shall be unlawful for a digital
2 commodity pool operator or a digital commodity
3 trading advisor to permit a person described in
4 subparagraph (A) to become or remain associ-
5 ated with the digital commodity pool operator
6 or digital commodity trading advisor if the dig-
7 ital commodity pool operator or digital com-
8 modity trading advisor knew or should have
9 known that the person was not so registered or
10 that the registration had expired, been sus-
11 pended (and the period of suspension has not
12 expired), or been revoked.

13 “(C) FEDERAL PREEMPTION.—

14 “(i) IN GENERAL.—Notwithstanding
15 any other provision of law, the Commission
16 shall have exclusive jurisdiction over any
17 associated person of a digital commodity
18 pool operator or any associated person of
19 a digital commodity trading advisor reg-
20 istered under this section with respect to
21 activities and transactions subject to this
22 Act.

23 “(ii) PRESERVATION OF AUTHOR-
24 ITY.—Nothing in this Act shall affect the

1 ability of a State or local agency to inves-
2 tigate and bring enforcement actions—

3 “(I) against a person registered
4 with the Commission regarding fraud,
5 deceit, manipulation, or any other vio-
6 lation of this Act or any rule, regula-
7 tion, or order of the Commission
8 under this Act, in accordance with
9 section 6d; or

10 “(II) against any unregistered
11 person for violation of any generally
12 applicable State or local law, including
13 a law relating to fraud, deceit, unfair
14 or deceptive acts or practices, con-
15 sumer protection, banking, payments,
16 property, contracts, criminal law, or
17 unlawful conduct or practices.”.

18 (b) APPLICATION.—Section 4k(4) of the Commodity
19 Exchange Act (7 U.S.C. 6k(4)) is amended, in the first
20 sentence, by striking “or of a commodity trading advisor”
21 and inserting “of a commodity trading advisor, of a digital
22 commodity pool operator, of a digital commodity trading
23 advisor, of a digital commodity broker, or of a digital com-
24 modity dealer”.

1 **SEC. 20208. REGISTRATION AND REGULATION OF DIGITAL**
2 **COMMODITY POOL OPERATORS AND DIGITAL**
3 **COMMODITY TRADING ADVISORS.**

4 (a) DEFINITION OF ELIGIBLE CONTRACT PARTICI-
5 PANT.—Section 1a of the Commodity Exchange Act (7
6 U.S.C. 1a) is amended, in paragraph (41)(A)(iv) (as re-
7 designated by section 20101(a)), by inserting “or digital
8 commodity pool” after “commodity pool” each place it ap-
9 pears.

10 (b) COMMODITY TRADING ADVISORS AND COM-
11 MODITY POOL OPERATORS.—Section 4l of the Commodity
12 Exchange Act (7 U.S.C. 6l) is amended—

13 (1) in the matter preceding paragraph (1), by
14 striking “commodity trading advisors” and inserting
15 “digital commodity trading advisors, digital com-
16 modity pool operators, commodity trading advi-
17 sors,”; and

18 (2) in paragraph (2), inserting “with respect to
19 commodity trading advisors and commodity pool op-
20 erators, and digital commodities on or subject to the
21 rules of digital commodity exchanges with respect to
22 digital commodity trading advisors and digital com-
23 modity pool operators” before “; and”.

24 (c) INTERSTATE COMMERCE.—Section 4m of the
25 Commodity Exchange Act (7 U.S.C. 6m) is amended—

26 (1) in paragraph (1), in the first sentence—

1 (A) by striking “commodity trading advi-
2 sor or commodity pool operator” each place it
3 appears and inserting “digital commodity trad-
4 ing advisor, digital commodity pool operator,
5 commodity trading advisor, or commodity pool
6 operator”;

7 (B) by inserting “digital commodity trad-
8 ing advisor or” before “commodity trading advi-
9 sor who”;

10 (C) by striking “commodity trading ad-
11 vice” and inserting “digital commodity trading
12 advice or commodity trading advice, respec-
13 tively,”; and

14 (D) by striking “as a commodity trading
15 advisor” and inserting “as a digital commodity
16 trading advisor or a commodity trading advisor,
17 respectively”;

18 (2) in paragraph (2), by inserting “digital com-
19 modity pool or” before “commodity pool” each place
20 it appears;

21 (3) in paragraph (3)—

22 (A) in subparagraph (A), by striking “not
23 apply to” and all that follows through the pe-
24 riod at the end and inserting the following: “not
25 apply to—

1 “(i) any commodity trading advisor
2 that is registered with the Securities and
3 Exchange Commission as an investment
4 adviser whose business does not consist
5 primarily of acting as a commodity trading
6 advisor, as defined in section 1a, and that
7 does not act as a commodity trading advi-
8 sor to any commodity pool that is engaged
9 primarily in trading commodity interests;
10 or

11 “(ii) any digital commodity trading
12 advisor that is registered with the Securi-
13 ties and Exchange Commission as an in-
14 vestment adviser whose business does not
15 consist primarily of acting as a digital
16 commodity trading advisor, as defined in
17 section 1a, and that does not act as a dig-
18 ital commodity trading advisor to any dig-
19 ital commodity pool that is engaged pri-
20 marily in trading digital commodities.”;
21 and

22 (B) in subparagraph (B), by striking “sub-
23 paragraph (A),” and all that follows through
24 the period at the end and inserting the fol-
25 lowing: “subparagraph (A)—

1 “(i) a commodity trading advisor or a
2 commodity pool shall be considered to be
3 ‘engaged primarily’ in the business of
4 being a commodity trading advisor or com-
5 modity pool if it is or holds itself out to
6 the public as being engaged primarily, or
7 proposes to engage primarily, in the busi-
8 ness of advising on commodity interests or
9 investing, reinvesting, owning, holding, or
10 trading in commodity interests, respec-
11 tively; and

12 “(ii) a digital commodity trading advi-
13 sor or a digital commodity pool shall be
14 considered to be ‘engaged primarily’ in the
15 business of being a digital commodity trad-
16 ing advisor or digital commodity pool if it
17 is or holds itself out to the public as being
18 engaged primarily, or proposes to engage
19 primarily, in the business of advising on
20 digital commodities or investing, rein-
21 vesting, owning, holding, or trading in dig-
22 ital commodities, respectively.”; and

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

24 “(4) EXEMPTIVE AUTHORITY.—

“(A) IN GENERAL.—The Commission shall promulgate rules to provide appropriate exemptions for digital commodity pool operators and digital commodity trading advisors to provide relief from duplicative, conflicting, or unduly burdensome requirements or to promote responsible innovation, to the extent the exemptions—

8 “(i) foster the development of fair and
9 orderly cash or spot digital commodity
10 markets;

11 “(ii) are necessary or appropriate in
12 the public interest; and

13 “(iii) are consistent with the protec-
14 tion of customers.

“(B) EXEMPTIONS.—Notwithstanding sub-
paragraph (A), the Commission shall promul-
gate rules to provide exemptions from registra-
tion for digital commodity pools operators and
digital commodity trading advisers for the fol-
lowing categories:

“(i) Operators of, and advisers to, digital commodity pools that are excluded from the definition of ‘investment company’ by section 3(c) of the Investment

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

3 “(ii) Operators of, and advisers to,
4 digital commodity pools that do not invest
5 more than 40 percent of their total assets
6 in digital commodities.”.

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

9 (1) by striking “commodity trading advisor”
10 each place it appears and inserting “digital com-
11 modity trading advisor, digital commodity pool oper-
12 ator, commodity trading advisor,”;

13 (2) in paragraph (3)(B)—

14 (A) by striking “commodity trading advi-
15 sors” and inserting “digital commodity trading
16 advisors, digital commodity pool operators, com-
17 modity trading advisors,” and

18 (B) by inserting “digital commodity or”
19 before “futures market positions”;

20 (3) in paragraph (4)—

21 (A) in the first sentence, by inserting “dig-
22 ital commodity pool operator or” before “com-
23 modity pool operator”; and

24 (B) by inserting “client or” before “partic-
25 ipant” each place it appears; and

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

2 “(5) FEDERAL PREEMPTION.—Notwithstanding
3 any other provision of law, the Commission shall
4 have exclusive jurisdiction over any digital com-
5 modity pool operator or digital commodity trading
6 advisor registered under this section with respect to
7 activities and transactions subject to this Act.”.

8 (e) FRAUD AND MISREPRESENTATION.—Section 4o
9 of the Commodity Exchange Act (7 U.S.C. 6o) is amended
10 by inserting “digital commodity trading advisor, associ-
11 ated person of a digital commodity trading advisor, digital
12 commodity pool operator, associated person of a digital
13 commodity pool operator,” before “commodity trading ad-
14 visor, associated person of a commodity trading advisor,”
15 each place it appears.

16 (f) TECHNICAL AMENDMENTS.—

17 (1) Section 5g(a) of the Commodity Exchange
18 Act (7 U.S.C. 7b–2(a)) is amended by inserting
19 “digital commodity pool operator, digital commodity
20 trading advisor,” before “or introducing broker”.

21 (2) Section 4(c)(3)(G) of the Commodity Ex-
22 change Act (7 U.S.C. 6(c)(3)(G)) is amended by
23 striking “or a commodity” and inserting “digital
24 commodity trading advisor, or commodity”.

1 **SEC. 20209. SOFTWARE DEVELOPER PROTECTIONS AND**
2 **NON-DECENTRALIZED FINANCE TRADING**
3 **PROTOCOLS.**

4 (a) IN GENERAL.—The Commodity Exchange Act (7
5 U.S.C. 1 et seq.) is amended by inserting after section
6 4u (as added by section 20206(a)) the following:

7 **“SEC. 4v. APPLICATION TO SOFTWARE DEVELOPERS.**

8 “(a) DEFINITIONS.—In this section:

9 “(1) CONSTITUTE; DEPLOY.—The terms ‘con-
10 stitute’ and ‘deploy’ have the meanings given those
11 terms in section 15H(a) of the Securities Exchange
12 Act of 1934.

13 “(2) SMART CONTRACT.—The term ‘smart con-
14 tract’ has the meaning given the term in section
15 10001 of the Digital Asset Market Clarity Act.

16 “(b) IN GENERAL.—Notwithstanding any other pro-
17 vision of this Act, except as provided in this section, a
18 person shall not be subject to this Act and the regulations
19 promulgated under this Act solely based on the person en-
20 gaging in any of the following activities, whether singly
21 or in combination, in relation to the operation of a distrib-
22 uted ledger system or any component thereof:

23 “(1) Compiling network transactions or relay-
24 ing, searching, sequencing, validating, or acting in a
25 similar capacity.

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

5 “(3) Developing, publishing, or constituting—

6 “(A) a distributed ledger system; or

7 “(B) software or systems that create or
8 utilize hardware or software, including wallets
9 or other systems, that facilitate the ability of a
10 user to keep, safeguard, or have custody of the
11 digital assets or private keys of a user.

12 “(c) RULE OF CONSTRUCTION.—Subsection (b)(3)
13 does not extend to any activity described in paragraphs
14 (1) through (4) of subsection (d), including activity taken
15 following deployment of such software or hardware, which
16 activities instead are excluded from this Act only as and
17 to the extent provided in subsection (d).

18 “(d) APPLICATION TO DECENTRALIZED FINANCE
19 TRADING PROTOCOLS.—Notwithstanding any other provi-
20 sion of this Act, except as provided in this section, a per-
21 son shall not be subject to any digital commodity cash or
22 spot market regulatory provisions of this Act and the reg-
23 ulations promulgated thereunder solely based on the per-
24 son engaging in any of the following activities, whether
25 singly or in combination, in relation to the operation of

1 a decentralized finance trading protocol or any component
2 thereof:

3 “(1) Providing a user interface that enables a
4 user to read and access data.

5 “(2) Administering, maintaining, or otherwise
6 distributing a decentralized governance system relat-
7 ing to a decentralized finance trading protocol, or a
8 decentralized finance trading protocol.

9 “(3) Administering, maintaining, or otherwise
10 distributing a decentralized finance messaging sys-
11 tem or operating or participating in a smart con-
12 tract-based liquidity pool in a decentralized finance
13 trading protocol.

14 “(4) Administering, maintaining, or otherwise
15 distributing software or systems that create or de-
16 ploy hardware or software, including wallets or other
17 systems, that facilitate the ability of a user to keep,
18 safeguard, or custody the digital assets or related
19 private keys of the user.

20 “(e) ANTI-FRAUD, ANTI-MANIPULATION, AND FALSE
21 REPORTING.—Subsections (b) and (d) shall not be inter-
22 preted to apply to the anti-fraud, anti-manipulation, or
23 false reporting enforcement authorities of the Commission.

1 “(f) RULES OF CONSTRUCTION.—For the avoidance
2 of doubt, nothing in this section or the rules and regula-
3 tions promulgated thereunder may be interpreted to—

4 “(1) grant the Commission authority over per-
5 sons, systems, software, or activities that do not oth-
6 erwise fall within the jurisdiction of the Commission
7 under this Act, or to create a presumption that any
8 such activity is subject to this Act; or

9 “(2) expand the authority that the Commission
10 had under this Act on the day before the date of en-
11 actment of the Digital Asset Market Clarity Act.

12 “(g) FEDERAL PREEMPTION.—

13 “(1) IN GENERAL.—Notwithstanding any other
14 provision of law, no securities, commodities, or digi-
15 tal assets law of any State or of any political sub-
16 division of a State shall apply to an activity de-
17 scribed in subsection (b) or (d).

18 “(2) RULE OF CONSTRUCTION.—Nothing in
19 paragraph (1) may be construed to apply to the
20 anti-money laundering, anti-fraud, or anti-manipula-
21 tion authorities of a State or of any political subdivi-
22 sion of a State.

23 “(h) APPLICABILITY.—This section, and the amend-
24 ments made by this section, shall apply to conduct occur-

1 ring before, on, or after the date of enactment of the Dig-
2 ital Asset Market Clarity Act.”.

3 (b) RULEMAKING ON NON-DECENTRALIZED FINANCE
4 TRADING PROTOCOLS.—

5 (1) DEFINITIONS.—In this subsection:

6 (A) BANK SECRECY ACT.—The term
7 “Bank Secrecy Act” has the meaning given the
8 term in section 10001.

9 (B) NON-DECENTRALIZED FINANCE TRAD-
10 ING PROTOCOL.—

11 (i) IN GENERAL.—The term “non-de-
12 centralized finance trading protocol”
13 means a decentralized finance trading pro-
14 tocol that meets 1 or more of the following:

15 (I) A person or group of persons
16 under common control, or acting pur-
17 suant to an agreement, arrangement,
18 or understanding to act in concert,
19 has the authority, directly or indi-
20 rectly, through any contract, arrange-
21 ment, understanding, relationship, or
22 otherwise, to control or materially
23 alter the functionality, operation, or
24 rules of consensus or agreement of the
25 decentralized finance trading protocol.

1 (II) The decentralized finance
2 trading protocol does not operate, exe-
3 cute, and enforce its operations and
4 transactions based solely on pre-estab-
5 lished, transparent rules encoded di-
6 rectly within the source code of the
7 distributed ledger system.

8 (III) A person or group of per-
9 sons under common control, or acting
10 pursuant to an agreement, arrange-
11 ment, or understanding to act in con-
12 cert, has the authority, via operation
13 of the decentralized finance trading
14 protocol, to restrict, censor, or pro-
15 hibit the use of the decentralized fi-
16 nance trading protocol, including any
17 applicable system-based user activity.

18 (ii) SPECIAL RULE.—For purposes of
19 clause (i)(I), a decentralized governance
20 system, solely by virtue of the operation of
21 the decentralized governance system, shall
22 not be considered to be a person or a
23 group of persons under common control or
24 acting pursuant to an agreement, arrange-
25 ment, or understanding to act in concert.

1 (iii) EXCLUSIONS.—For purposes of
2 this subsection, participation in an inci-
3 dent-response or security council, as de-
4 scribed in paragraph (6), shall not, by
5 itself, be deemed to constitute control of a
6 non-decentralized finance trading protocol.

7 (iv) SCOPING.—In implementing this
8 subsection, the Commodity Futures Trad-
9 ing Commission, the Securities and Ex-
10 change Commission, and the Department
11 of the Treasury shall construe the term
12 “non-decentralized finance trading pro-
13 tocol” in a manner consistent with section
14 15H of the Securities Exchange Act of
15 1934, as added by section 10601, and sec-
16 tion 4v of the Commodity Exchange Act,
17 as added by subsection (a).

18 (2) RULES.—

19 (A) IN GENERAL.—The Commodity Fu-
20 tures Trading Commission, in consultation with
21 the Securities and Exchange Commission and
22 the Department of the Treasury, shall adopt
23 tailored, clear, and specific rules, after notice
24 and comment, that clarify how a person, or
25 group of persons under common control, or act-

ing pursuant to an agreement, arrangement, or understanding to act in concert that controls a non-decentralized finance trading protocol and is subject to the Commodity Exchange Act, as amended by this Act, shall comply with applicable requirements under the Commodity Exchange Act, as amended by this Act, including with respect to registration, conduct, disclosure, recordkeeping, supervision, and other requirements thereunder.

11 (B) REQUIREMENTS.—The rulemaking re-
12 quired under subparagraph (A) shall—

(i) ensure that the rules adopted pursuant to that rulemaking are consistent with the purposes of the Commodity Exchange Act;

(ii) protect the rights of software developers, publishers, and users to create, publish, and use code and software in a manner consistent with the First Amendment to the Constitution of the United States;

(iii) provide legal clarity for the development, publication, and operation of distributed ledger systems and the compo-

1 nents therein in a manner consistent with
2 the purposes of this section;

3 (iv) result in, by operation of law, the
4 application and enforcement by the De-
5 partment of the Treasury, where applicable
6 and pursuant to existing law, as in effect
7 on the day before the date of enactment of
8 this Act, of anti-money laundering and
9 countering the financing of terrorism re-
10 quirements under the Bank Secrecy Act
11 and other Federal law with respect to any
12 person or group of persons that the Com-
13modity Futures Trading Commission de-
14termines, through that rulemaking, is re-
15quired to register, or comply as a reg-
16istrant under, the Commodity Exchange
17 Act.

18 (C) APPLICATION.—

19 (i) IN GENERAL.—Any person or
20 group of persons determined under this
21 subsection to be required to register, or
22 comply as a registrant, under the Com-
23modity Exchange Act shall be subject to
24 that Act and the Bank Secrecy Act to the
25 extent applicable under existing law, as in

1 effect on the day before the date of enact-
2 ment of this Act, consistent with the treat-
3 ment of similarly situated participants
4 under the Commodity Exchange Act.

5 (ii) RULEMAKING.—The Secretary of
6 the Treasury, in consultation with the
7 Commodity Futures Trading Commission,
8 shall adopt tailored, clear, and specific
9 rules, after providing notice and the oppor-
10 tunity to comment, that define compliance
11 with obligations under the Bank Secrecy
12 Act and other Federal laws relating to
13 anti-money laundering and countering the
14 financing of terrorism with respect to any
15 person, or group of persons under common
16 control (or acting pursuant to an agree-
17 ment, arrangement, or understanding to
18 act in concert), that—

19 (I) controls the operation of a
20 non-decentralized finance trading pro-
21 tocol identified in the rulemaking con-
22 ducted under subparagraph (A);

23 (II) is required to register, or
24 comply as a registrant, under the
25 Commodity Exchange Act, as deter-

1 mined in the rulemaking conducted
2 under subparagraph (A); and

3 (III) is caused to be treated as a
4 financial institution under the Bank
5 Secrecy Act pursuant to existing law,
6 as in effect on the day before the date
7 of enactment of this Act, as a result
8 of registration or compliance de-
9 scribed in subclause (II).

10 (3) ACTIVITY-BASED APPLICATION.—Rules
11 adopted under paragraph (2)(A) shall require the
12 Commodity Futures Trading Commission to deter-
13 mine the applicable requirements only with respect
14 to digital commodity-related activities, based on the
15 functions performed by the controlling person or
16 group of persons, including brokerage, dealing, trad-
17 ing, execution, clearing, or custody of digital com-
18 modities, without regard to technological form, dis-
19 tributed architecture, or purportedly decentralized
20 characterization.

21 (4) RULES OF CONSTRUCTION.—

22 (A) REGISTRATION NOT REQUIRED.—
23 Nothing in this subsection, nor any rule adopt-
24 ed under this subsection, may be construed
25 to—

1 (i) require a distributed ledger system
2 or any software code to register with the
3 Commodity Futures Trading Commission
4 in its own capacity; or

5 (ii) prohibit the launch, deployment,
6 or operation of a distributed ledger system.

7 (B) NO EXPANSION OF STATUTORY AU-
8 THORITY.—Notwithstanding any rulemaking re-
9 quired under paragraph (2), and notwith-
10 standing any action the Commodity Futures
11 Trading Commission or the Secretary of the
12 Treasury may take under that paragraph, noth-
13 ing in this subsection, including any such rule-
14 making, may be construed to—

15 (i) expand or contract the statutory
16 authority of the Commodity Futures Trad-
17 ing Commission or the Department of the
18 Treasury, as in effect on the day before
19 the date of enactment of this Act, under
20 the Bank Secrecy Act; or

21 (ii) limit the use of the authority de-
22 scribed in clause (i) to determine, pursuant
23 to that rulemaking, the applicability of ex-
24 isting statutory requirements, as in effect
25 on the day before the date of enactment of

1 this Act, to persons or activities described
2 in this subsection.

3 (C) NO PRESUMPTION OF APPLICA-
4 BILITY.—Nothing in this subsection may be
5 construed to create a presumption that any per-
6 son or activity described in this subsection is or
7 is not subject to the Commodity Exchange Act
8 or the Bank Secrecy Act absent a determination
9 made pursuant to a rulemaking required under
10 this subsection.

11 (5) PRESERVATION OF EXISTING AUTHORI-
12 TIES.—Nothing in this subsection may be construed
13 to—

14 (A) limit the authority of the Commodity
15 Futures Trading Commission under the Com-
16 modity Exchange Act or the regulations pro-
17 mulgated thereunder to investigate violations,
18 bring actions, or issue subpoenas with respect
19 to persons determined, pursuant to rulemaking,
20 to be subject to such laws and regulations
21 under this subsection; or

22 (B) limit the authority of the Secretary of
23 the Treasury under the Bank Secrecy Act, in-
24 cluding to investigate violations or bring actions
25 with respect to persons determined, pursuant to

1 rulemaking, to be subject to the Bank Secrecy
2 Act.

3 (6) NON-DECENTRALIZED FINANCE TRADING
4 PROTOCOLS.—

5 (A) IN GENERAL.—In adopting rules under
6 paragraph (2), the Commodity Futures Trading
7 Commission shall treat a decentralized govern-
8 ance system and any person participating in the
9 decentralized governance system as a separate
10 person unless such person is under common
11 control or acting pursuant to an agreement, ar-
12 rangement, or understanding to act in concert.

13 (B) EMERGENCY MEASURES.—

14 (i) IN GENERAL.—Pre-defined, tem-
15 porary rules-based cybersecurity emergency
16 measures exercised by an incident-response
17 or security council exclusively in response
18 to a specific and documented cybersecurity
19 incident or imminent threat and pursuant
20 to publicly disclosed, on-chain authoriza-
21 tion mechanisms, strictly limited in scope
22 and duration solely to address such specific
23 and documented cybersecurity incident or
24 imminent threat, and without unilateral
25 control by any single person, shall not, by

1 themselves, constitute common control or
2 an agreement, arrangement, or under-
3 standing to act in concert, provided that
4 such rules and authorities, including the
5 procedures and operational limits gov-
6 erning such emergency measures, are dis-
7 closed in publicly available written docu-
8 mentation reasonably available to the ap-
9 plicable Federal regulator, by a decentral-
10 ized governance system or similar legal en-
11 tity sufficiently in advance of any exercise
12 of such emergency powers.

13 (ii) PROHIBITION.—The emergency
14 measures described in clause (i) may not
15 be used to implement protocol upgrades,
16 governance decisions, or economic changes
17 that are unrelated to the mitigation of the
18 applicable cybersecurity incident or immi-
19 nent threat, as described in that clause.

20 (C) STANDARDS.—The standards criteria
21 for temporary rules-based cybersecurity emer-
22 gency measures under subparagraph (B) shall
23 be established by rulemaking pursuant to para-
24 graph (2).

1 **SEC. 20210. RESOURCES FOR IMPLEMENTATION.**

2 The Commodity Exchange Act is amended by insert-
3 ing after section 8d (7 U.S.C. 12d) the following:

4 **“SEC. 8e. RESOURCES FOR IMPLEMENTATION REGARDING**
5 **DIGITAL COMMODITY EXCHANGES, BROKERS,**
6 **AND DEALERS.**

7 “(a) COLLECTION OF FEES.—

8 “(1) IN GENERAL.—The Commission shall, in
9 accordance with this subsection, assess and collect
10 fees from digital commodity brokers, digital com-
11 modity dealers, digital commodity exchanges, and
12 qualified digital asset custodians—

13 “(A) on the filing of a notice of intent to
14 register under section 20104 of the Digital
15 Commodity Intermediaries Act, or if the person
16 has not filed such a notice of intent to register,
17 on the filing of the person’s initial application
18 for registration; and

19 “(B) on an annual basis thereafter.

20 “(2) PURPOSE.—The fees under paragraph (1)
21 shall be used to recover the annual costs of—

22 “(A) registering digital commodity ex-
23 changes, digital commodity brokers, digital
24 commodity dealers, and qualified digital asset
25 custodians;

1 “(B) conducting oversight of digital com-
2 modity exchanges, digital commodity brokers,
3 digital commodity dealers, qualified digital asset
4 custodians, and digital commodity transactions;

5 “(C) carrying out education and outreach
6 under subsection (b); and

7 “(D) carrying out such other activities as
8 are required by the Digital Commodity Inter-
9 mediaries Act and the amendments made by
10 that Act.

11 “(3) DETERMINATION OF FEE RATES.—In de-
12 termining fee rates under paragraph (1), the Com-
13 mission shall consider—

14 “(A) the volume of business of the digital
15 commodity exchange, digital commodity broker,
16 digital commodity dealer, or qualified digital
17 asset custodian; and

18 “(B) the registration category of the dig-
19 ital commodity exchange, digital commodity
20 broker, digital commodity dealer, or qualified
21 digital asset custodian.

22 “(4) PROHIBITION.—The Commission shall not
23 require a digital commodity exchange, digital com-
24 modity broker, digital commodity dealer, or qualified
25 digital asset custodian to collect directly from cus-

1 tomers a transaction-based fee for each digital com-
2 modity transaction.

3 “(5) PUBLICATION.—

4 “(A) 1ST FISCAL YEAR.—Not later than
5 30 days after the date of enactment of this sec-
6 tion, the Commission shall publish the fee rates
7 determined pursuant to this subsection for the
8 fiscal year in which this section is enacted.

9 “(B) SUBSEQUENT FISCAL YEARS.—Not
10 later than 60 days after the date of enactment
11 of an Act making a regular appropriation to the
12 Commission for a fiscal year, the Commission
13 shall publish in the Federal Register a notice
14 of—

15 “(i) the fee rates determined pursuant
16 to this subsection for that fiscal year; and

17 “(ii) any estimates or projections on
18 which those fee rates are based.

19 “(6) RECORDS AND DISCLOSURE.—In carrying
20 out this subsection, the Commission shall not be re-
21 quired to comply with section 553 of title 5, United
22 States Code.

23 “(7) NO JUDICIAL REVIEW.—A fee rate pre-
24 scribed under this subsection shall not be subject to
25 judicial review.

1 “(8) DEPOSIT OF FEES.—Fees collected pursu-
2 ant to this subsection for any fiscal year shall be de-
3 posited and credited as offsetting collections to the
4 account providing appropriations to the Commission.

5 “(9) ANNUAL ADJUSTMENT.—For each fiscal
6 year, the Commission shall, by order, determine fee
7 rates pursuant to this subsection that are reasonably
8 likely to produce aggregate fee collections that are
9 equal to the annual appropriation to the Commission
10 by Congress for the activities described in paragraph
11 (2).

12 “(10) LAPSE OF APPROPRIATION.—If, on the
13 first day of a fiscal year, a regular appropriation to
14 the Commission has not been enacted, the Commis-
15 sion shall continue to collect (as offsetting collec-
16 tions) fees pursuant to this subsection at each of the
17 rates in effect during the preceding fiscal year.

18 “(11) BUDGET REQUESTS.—The Commissions
19 shall itemize in each budget submitted to the Presi-
20 dent or the Office of Management and Budget the
21 estimated annual costs of—

22 “(A) registering digital commodity ex-
23 changes, digital commodity brokers, digital
24 commodity dealers, and qualified digital asset
25 custodians;

1 “(B) conducting oversight of digital com-
2 modity exchanges, digital commodity brokers,
3 digital commodity dealers, qualified digital asset
4 custodians, and digital commodity transactions;

5 “(C) carrying out education and outreach
6 under subsection (b); and

7 “(D) carrying out such other activities as
8 are required by the Digital Commodity Inter-
9 mediaries Act and the amendments made by
10 that Act.

11 “(12) LIMITATIONS.—

12 “(A) IN GENERAL.—Fees may only be as-
13 sessed and imposed pursuant to this subsection
14 on digital commodity exchanges, digital com-
15 modity brokers, digital commodity dealers, and
16 qualified digital asset custodians regulated by
17 the Commission pursuant to the Digital Com-
18 modity Intermediaries Act and the amendments
19 made by that Act.

20 “(B) USE OF FEES.—Fees authorized
21 under this subsection are prohibited from fund-
22 ing any Commission activity not directly related
23 to the activities described in paragraph (2).

1 “(b) CUSTOMER EDUCATION AND OUTREACH.—The
2 Commission shall provide education and outreach to cus-
3 tomers participating in digital commodity markets.

4 “(c) AUTHORIZATION OF APPROPRIATIONS.—There
5 is authorized to be appropriated to carry out the Digital
6 Commodity Intermediaries Act and the amendments made
7 by that Act \$150,000,000, to remain available until ex-
8 pended, until the Commission has established and is col-
9 lecting registration fees pursuant to subsection (a).

10 “(d) EXPEDITED HIRING AUTHORITY.—

11 “(1) APPOINTMENT AUTHORITY.—The Chair-
12 man of the Commission may appoint individuals to
13 a position described in paragraph (2)—

14 “(A) in accordance with the statutes, rules,
15 and regulations governing appointments to posi-
16 tions in the excepted service (as defined in sec-
17 tion 2103 of title 5, United States Code); and

18 “(B) without regard to any statute, rule,
19 or regulation governing appointments to posi-
20 tions in the competitive service (as defined in
21 section 2102 of such title).

22 “(2) POSITION DESCRIBED.—A position re-
23 ferred to in paragraph (1) is a position at the Com-
24 mission that—

1 “(A) is in the competitive service (as de-
2 fined in section 2102 of title 5, United States
3 Code); and

4 “(B) requires specialized knowledge of dig-
5 ital commodities markets, financial and capital
6 market formation or regulation, financial mar-
7 ket structures or surveillance, data collection or
8 analysis, or information technology, cybersecu-
9 rity, or system safeguards.

10 “(3) RULE OF CONSTRUCTION.—The appoint-
11 ment of a candidate to a position under this sub-
12 section shall not be considered to cause the position
13 to be converted from the competitive service (as de-
14 fined in section 2102 of title 5, United States Code)
15 to the excepted service (as defined in section 2103
16 of such title).”.

17 **SEC. 20211. PORTFOLIO MARGINING.**

18 (a) IN GENERAL.—Section 4d(h) of the Commodity
19 Exchange Act (7 U.S.C. 6d(h)) is amended in the first
20 sentence—

21 (1) by inserting “or subsection (f)(2)” after
22 “subsection (a)(2)”; and

23 (2) by inserting “or a cleared swap” after “an
24 option on such a contract”.

1 (b) COMMODITY BROKER DEBTORS.—Section 20(c)
2 of the Commodity Exchange Act (7 U.S.C. 24(c)) is
3 amended—

4 (1) by inserting “and digital commodities” after
5 “securities”; and

6 (2) by inserting “or cleared swaps account”
7 after “futures account”.

8 **SEC. 20212. CLARIFICATION ON CUSTOMER PROPERTY.**

9 Section 20(a) of the Commodity Exchange Act (7
10 U.S.C. 24(a)) is amended—

11 (1) in paragraph (4), by striking “and” at the
12 end;

13 (2) in paragraph (5), by striking the period at
14 the end and inserting “; and”; and

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

16 “(6) that cash, securities, or other property of
17 the estate of a commodity broker, including the
18 trading or operating accounts of the commodity
19 broker and commodities held in inventory by the
20 commodity broker, shall, subject to any otherwise
21 unavoidable security interest, or otherwise unavoid-
22 able contractual offset or netting rights of creditors
23 (including rights set forth in a rule or bylaw of a de-
24 rivatives clearing organization or a clearing agency)
25 in respect of such property, be included in customer

1 property, but only to the extent that the property
2 that is otherwise customer property is insufficient to
3 satisfy the net equity claims of public customers (as
4 such term may be defined by the Commission by
5 rule or regulation) of the commodity broker.”.

6 **SEC. 20213. DIGITAL COMMODITY RETAIL ADVOCATE.**

7 The Commodity Exchange Act (7 U.S.C. 1 et seq.)
8 is amended by adding at the end the following:

9 **“SEC. 24. OFFICE OF THE DIGITAL COMMODITY RETAIL AD-**
10 **VOCATE.**

11 “(a) DEFINITIONS.—In this section:

12 “(1) CHAIRMAN.—The term ‘Chairman’ means
13 the Chairman of the Commission.

14 “(2) OFFICE.—The term ‘Office’ means the Of-
15 fice of the Digital Commodity Retail Advocate estab-
16 lished by subsection (b).

17 “(3) RETAIL PARTICIPANT.—The term ‘retail
18 participant’ means a person that—

19 “(A) is not an eligible contract participant;

20 “(B) is participating in a spot or cash dig-
21 ital commodity market; and

22 “(C) has engaged or is engaging in a dig-
23 ital commodity transaction with a person reg-
24 istered with the Commission.

1 “(b) OFFICE ESTABLISHED.—There is established
2 within the Commission the Office of the Digital Com-
3 modity Retail Advocate.

4 “(c) DIGITAL COMMODITY RETAIL ADVOCATE.—

5 “(1) IN GENERAL.—The Digital Commodity
6 Retail Advocate shall—

7 “(A) report directly to the Chairman; and

8 “(B) be appointed by the Chairman from
9 among individuals with experience in advocating
10 for the interests of digital commodity market
11 retail participants.

12 “(2) COMPENSATION.—The annual rate of pay
13 for the Digital Commodity Retail Advocate shall be
14 equal to the highest rate of annual pay for other
15 senior executives who report to the Chairman.

16 “(3) LIMITATION ON SERVICE.—An individual
17 who serves as the Digital Commodity Retail Advo-
18 cate may not be employed by the Commission—

19 “(A) during the 2-year period ending on
20 the date of appointment as Digital Commodity
21 Retail Advocate; or

22 “(B) during the 5-year period beginning on
23 the date on which the person ceases to serve as
24 the Digital Commodity Retail Advocate.

1 “(d) FUNCTIONS OF THE DIGITAL COMMODITY RE-
2 TAIL ADVOCATE.—The Digital Commodity Retail Advo-
3 cate shall—

4 “(1) assist retail participants in resolving sig-
5 nificant problems they may have with the Commis-
6 sion or a registered futures association;

7 “(2) identify areas in which retail participants
8 would benefit from changes in the regulations of the
9 Commission or the rules of registered futures asso-
10 ciations;

11 “(3) identify problems that retail participants
12 have with persons registered with the Commission;

13 “(4) analyze the potential impact on retail par-
14 ticipants of—

15 “(A) proposed regulations of the Commis-
16 sion; and

17 “(B) proposed rules of registered futures
18 associations;

19 “(5) to the extent practicable, propose to the
20 Commission changes in the regulations or orders of
21 the Commission, and to Congress any legislative, ad-
22 ministrative, or personnel changes, that may be ap-
23 propriate—

24 “(A) to mitigate problems identified under
25 this subsection; and

1 “(B) to promote the interests of retail par-
2 ticipants;

3 “(6) conduct research to identify and under-
4 stand issues that affect retail participants; and

5 “(7) cooperate with and provide assistance to
6 the Office of Customer Education and Outreach to
7 conduct initiatives and outreach for retail partici-
8 pants.

9 “(e) ACCESS TO DOCUMENTS.—

10 “(1) IN GENERAL.—At the discretion of the
11 Chairman, the Digital Commodity Retail Advocate
12 shall have full access to the documents of the Com-
13 mission and registered futures associations as nec-
14 essary to carry out the functions of the Office.

15 “(2) EFFECT.—Nothing in the subsection au-
16 thorizes the Digital Commodity Retail Advocate, or
17 staff of the Office, to have access to, or to release
18 publicly or internally within the Commission, propri-
19 etary or sensitive market data.

20 “(3) POLICIES AND PROCEDURES.—The Office
21 shall establish and make public on the website of the
22 Commission policies and procedures in place to safe-
23 guard the confidentiality of any documents the Dig-
24 ital Commodity Retail Advocate or staff of the Of-
25 fice has access to.

1 “(f) ANNUAL REPORTS.—

2 “(1) REPORT ON OBJECTIVES.—

3 “(A) IN GENERAL.—Not later than June
4 30 of each year, the Digital Commodity Retail
5 Advocate shall submit to the Committee on Ag-
6 riculture, Nutrition, and Forestry of the Senate
7 and the Committee on Agriculture of the House
8 of Representatives a report describing the ob-
9 jectives of the Digital Commodity Retail Advo-
10 cate for the following fiscal year.

11 “(B) CONTENTS.—Each report required
12 under subparagraph (A) shall contain full and
13 substantive analysis and explanation.

14 “(2) REPORT ON ACTIVITIES.—

15 “(A) IN GENERAL.—Not later than De-
16 cember 31 of each year, the Digital Commodity
17 Retail Advocate shall submit to the Committee
18 on Agriculture, Nutrition, and Forestry of the
19 Senate and the Committee on Agriculture of
20 the House of Representatives a report describ-
21 ing the activities of the Digital Commodity Re-
22 tail Advocate during the immediately preceding
23 fiscal year.

24 “(B) CONTENTS.—Each report required
25 under subparagraph (A) shall include—

1 “(i) appropriate statistical information
2 and full and substantive analysis;

3 “(ii) information on steps that the
4 Digital Commodity Retail Advocate has
5 taken during the reporting period to im-
6 prove—

7 “(I) services to and communica-
8 tion with retail participants; and

9 “(II) the responsiveness of the
10 Commission and registered futures as-
11 sociations to retail participant con-
12 cerns;

13 “(iii) a summary of the most serious
14 problems reported to the Office or the
15 Commission by retail participants during
16 the reporting period;

17 “(iv) an inventory of the items de-
18 scribed in clause (iii) that includes—

19 “(I) identification of any action
20 taken by the Commission or a reg-
21 istered futures association and the re-
22 sult of that action;

23 “(II) the period of time that each
24 item has remained on the inventory;
25 and

1 “(III) for items with respect to
2 which no action has been taken, the
3 reasons for inaction, and an identi-
4 fication of any official who is respon-
5 sible for the action;

6 “(v) recommendations for such admin-
7 istrative and legislative actions as may be
8 appropriate to resolve problems encoun-
9 tered by retail participants; and

10 “(vi) any other information, as deter-
11 mined appropriate by the Digital Com-
12 modity Retail Advocate.

13 “(C) INDEPENDENCE.—Each report re-
14 quired under subparagraph (A) shall be pro-
15 vided directly to the committees described in
16 that subparagraph without any prior review or
17 comment from the Commission, any Commis-
18 sioner, any other officer or employee of the
19 Commission, or the Office of Management and
20 Budget.

21 “(D) CONFIDENTIALITY.—No report re-
22 quired under subparagraph (A) may contain
23 confidential information.

24 “(g) OMBUDSMAN.—

1 “(1) APPOINTMENT.—Not later than 180 days
2 after the date on which the first Digital Commodity
3 Retail Advocate is appointed under subsection
4 (c)(1)(B), the Digital Commodity Retail Advocate
5 shall appoint an Ombudsman, who shall report di-
6 rectly to the Digital Commodity Retail Advocate.

7 “(2) DUTIES.—The Ombudsman appointed
8 under paragraph (1) shall—

9 “(A) act as a liaison between the Commis-
10 sion and any retail participant in resolving
11 problems the retail participant may have with
12 the Commission or a registered futures associa-
13 tion;

14 “(B) review and make recommendations
15 regarding policies and procedures to encourage
16 persons to present questions to the Digital
17 Commodity Retail Advocate regarding compli-
18 ance with this Act; and

19 “(C) establish safeguards to maintain the
20 confidentiality of communications between the
21 persons described in subparagraph (B) and the
22 Ombudsman.

23 “(3) LIMITATION.—

24 “(A) PERSONNEL.—In carrying out the
25 duties of the Ombudsman under paragraph (2),

1 the Ombudsman shall utilize personnel of the
2 Commission, to the extent practicable.

3 “(B) EFFECT.—Nothing in this paragraph
4 shall be construed as replacing, altering, or di-
5 minishing the activities of any ombudsman or
6 similar office of any other agency.

7 “(4) REPORT.—

8 “(A) REPORT ON ACTIVITIES.—The Om-
9 budsman shall submit to the Digital Commodity
10 Retail Advocate an annual report that describes
11 the activities and evaluates the effectiveness of
12 the Ombudsman during the preceding 1-year
13 period.

14 “(B) SUBMISSION.—The Digital Com-
15 modity Retail Advocate shall include the reports
16 required under subparagraph (A) in the reports
17 required to be submitted by the Digital Com-
18 modity Retail Advocate under subsection (f).”.

19 **SEC. 20214. STUDY ON DIGITAL COMMODITY PARTICI-**
20 **PANTS.**

21 Not later than 180 days after the date of enactment
22 of this Act, the Commodity Futures Trading Commission
23 (referred to in this section as the “Commission”) shall—

1 (1) examine the racial, ethnic, age, gender, in-
2 come, and education demographics of customers par-
3 ticipating in digital commodity markets;

4 (2) submit to the Committee on Agriculture,
5 Nutrition, and Forestry of the Senate and the Com-
6 mittee on Agriculture of the House of Representa-
7 tives a report—

8 (A) describing how those demographics will
9 inform the rules and regulations of the Com-
10 mission relating to customer protection;

11 (B) proposing ways in which the Commis-
12 sion can provide outreach to historically under-
13 served customers participating in digital com-
14 modity markets; and

15 (C) containing policy recommendations re-
16 lating to any other activities the Commission
17 determines to be necessary to provide appro-
18 priate protection, outreach, or other similar ac-
19 tivities relating to historically underserved cus-
20 tomers participating in digital commodity mar-
21 kets; and

22 (3) in preparing the report under this sub-
23 section, seek and consider information and input
24 from a broad range of stakeholders, including mar-

1 ket participants, customers, and consumer advo-
2 cates.

3 **SEC. 20215. DIGITAL COMMODITY TRADING REPORTS.**

4 The Commodity Exchange Act (7 U.S.C. 1 et seq.)
5 is amended by inserting after section 4v (as added by sec-
6 tion 20209(a)) the following:

7 **“SEC. 4w. DIGITAL COMMODITY TRADING REPORTS.**

8 “(a) IN GENERAL.—A digital commodity exchange,
9 digital commodity dealer, or digital commodity broker
10 shall file periodic reports with the Commission concerning
11 a customer’s reportable position in a digital commodity
12 over a threshold set by the Commission, as the Commis-
13 sion may prescribe by rule or regulation.

14 “(b) RECORDS.—A digital commodity exchange, dig-
15 ital commodity broker, or digital commodity dealer with
16 a customer who owns, holds, or controls a reportable posi-
17 tion in a digital commodity subject to oversight under this
18 section shall keep books and records showing details of
19 the customer’s positions and transactions in such digital
20 commodity.

21 “(c) REPORTABLE POSITIONS.—

22 “(1) IN GENERAL.—The Commission, by rule
23 or regulation, shall establish a reportable position, if
24 any, for a digital commodity as the Commission de-

1 termines is necessary to carry out its responsibilities
2 under this Act.

3 “(2) CONSIDERATION.—In making the deter-
4 mination under this subsection, the Commission
5 shall consider the factors described in section
6 4a(a)(3).

7 “(d) REPORTING AND RECORDKEEPING REQUIRE-
8 MENTS.—

9 “(1) IN GENERAL.—The Commission, by rule
10 or regulation, shall issue reporting and record-
11 keeping requirements to implement subsections (b)
12 and (c).

13 “(2) STANDARDIZED AND AUTOMATABLE ELE-
14 MENTS.—Rules or regulations adopted under this
15 section shall, to the extent practicable, be imple-
16 mented through standardized and automatable ele-
17 ments, including, as applicable—

18 “(A) standardized data fields and defini-
19 tions;

20 “(B) reporting formats, taxonomies, and
21 schemas;

22 “(C) submission methods, including auto-
23 mated electronic submission;

24 “(D) reporting frequency and deadlines;
25 and

1 “(E) validation standards and error-correc-
2 tion procedures.”.

3 **SEC. 20216. PROTECTION OF SELF-CUSTODIED DIGITAL AS-**
4 **SETS.**

5 (a) DEFINITION OF SELF-CUSTODIED DIGITAL
6 ASSET.—In this section, the term “self-custodied digital
7 asset” means a digital asset over which the owner main-
8 tains exclusive control of the private cryptographic key or
9 keys necessary to authorize transactions, without reliance
10 on any third-party custodian, exchange, or other inter-
11 mediary.

12 (b) PRESERVATION OF SELF-CUSTODIED OWNER-
13 SHIP RIGHTS.—

14 (1) IN GENERAL.—No digital asset lawfully
15 held in self-custody shall be deemed abandoned, un-
16 claimed, or subject to forfeiture, escheat, adverse
17 possession, finder’s title, or any similar property
18 claim under any Federal, State, or local law solely
19 due to inactivity, dormancy, or lack of an indication
20 of interest by the owner.

21 (2) PREEMPTION.—This section shall supersede
22 any law or regulation of a State or political subdivi-
23 sion thereof that treats a self-custodied digital asset
24 as abandoned or subject to escheat, forfeiture, or
25 any claim of title based on inactivity or dormancy.

1 (3) PRESERVATION OF CUSTODIAL LAW.—

2 Nothing in this section shall be construed to affect
3 or limit the application of any Federal or State un-
4 claimed property, escheat, or abandoned property
5 law to a digital asset held by a digital asset custo-
6 dian, digital commodity exchange, digital commodity
7 broker, or digital commodity dealer on behalf of a
8 customer.

9 (4) PRESERVATION OF ENFORCEMENT AUTHOR-

10 ITY.—Nothing in this section shall be construed to
11 limit the authority of any Federal, State, or local
12 agency to investigate or bring enforcement actions
13 with respect to fraud, theft, money laundering, sanc-
14 tions violations, or other unlawful conduct involving
15 a self-custodied digital asset.

16 **SEC. 20217. DISCLOSURE REQUIREMENTS CONSULTATION.**

17 In prescribing rules to implement the disclosure re-
18 quirements under section 4B(d) of the Securities Act of
19 1933, section 4u(i)(2) of the Commodity Exchange Act,
20 and subparagraphs (B)(ii) and (C)(ii) of section 5i(c)(3)
21 of the Commodity Exchange Act, the Securities and Ex-
22 change Commission and the Commodity Futures Trading
23 Commission shall consult with one another and, to the ex-
24 tent practicable, avoid inconsistent or duplicative dislo-
25 sure or public information obligations.

1 **SEC. 20218. ADDITIONAL REGISTRATIONS.**

2 Section 15 of the Securities Exchange Act of 1934
3 (15 U.S.C. 78o) is amended by adding at the end the fol-
4 lowing:

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

7 “(1) **REGISTERED BROKERS AND DEALERS.—**A
8 registered broker or registered dealer shall be per-
9 mitted to maintain a registration with the Com-
10 modity Futures Trading Commission as a digital
11 commodity broker or digital commodity dealer.

12 “(2) **NATIONAL SECURITIES EXCHANGES.—**A
13 national securities exchange, or an affiliate of a na-
14 tional securities exchange, shall be permitted to
15 maintain a registration with the Commodity Futures
16 Trading Commission as a digital commodity ex-
17 change.

18 “(3) **ALTERNATIVE TRADING SYSTEMS.—**An al-
19 ternative trading system, and the operator of an al-
20 ternative trading system, shall be permitted to main-
21 tain a registration with the Commodity Futures
22 Trading Commission as a digital commodity ex-
23 change.

24 “(4) **NOTICE OF APPLICATION.—**Any person or
25 entity described in any of paragraphs (1) through
26 (3) shall provide to the Commission, at such time

1 and in such form and manner as the Commission
2 shall prescribe, notice of any application to register
3 with the Commodity Futures Trading Commission
4 as a digital commodity broker, digital commodity
5 dealer, or digital commodity exchange.”.

6 **SEC. 20219. ELIGIBILITY OF ALTERNATIVE TRADING SYS-**
7 **TEMS.**

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

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

11 “(a) IN GENERAL.—It”; and

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

13 “(b) DIGITAL COMMODITY PROTECTIONS.—

14 “(1) IN GENERAL.—The Commission may not
15 preclude a trading platform from operating pursuant
16 to a covered exemption to exchange registration
17 under section 6 on the basis that the assets traded
18 or to be traded on that platform include—

19 “(A) digital commodities or payment
20 stablecoins; and

21 “(B) securities.

22 “(2) COVERED EXEMPTION.—In this sub-
23 section, the term ‘covered exemption’ means an ex-
24 emption—

25 “(A) described in subsection (a)(2); or

1 “(B) with respect to any other rule of the
2 Commission relating to the definition of ‘ex-
3 change’.”.

4 (b) FACILITIES.—Section 3(a)(2) of the Securities
5 Exchange Act of 1934 (15 U.S.C. 78c(a)(2)) is amended
6 by adding at the end the following: “Neither an alternative
7 trading system predominantly facilitating the trading of
8 digital commodities, payment stablecoins, or both, relative
9 to its securities traded, nor a digital commodity exchange,
10 is a ‘facility’ of an exchange.”.

11 (c) RULE OF CONSTRUCTION.—Nothing in this sec-
12 tion, the amendments made by this section, or section
13 20103(h) may be construed to—

14 (1) prohibit a national securities exchange from
15 owning or operating any other type of alternative
16 trading system; or

17 (2) create a presumption that any other type of
18 alternative trading system owned or operated by a
19 national securities exchange is a facility of that ex-
20 change.

DIVISION C—ETHICS REQUIREMENTS

SEC. 30101. BAN ON CERTAIN DIGITAL ASSET TRANS- ACTIONS.

(a) IN GENERAL.—Chapter 131 of title 5, United States Code, is amended by adding at the end the following:

“SUBCHAPTER IV—ETHICS REQUIREMENTS FOR DIGITAL ASSETS

“§ 13151. Definitions

“In this subchapter:

“(1) APPLICABLE ETHICS AGENCY.—The term ‘applicable ethics agency’ means, as appropriate, based on the covered individual—

“(A) the Office of Government Ethics, or designated agency ethics official;

“(B) the Select Committee on Ethics of the Senate or the Committee on Ethics of the House of Representatives; or

“(C) the Judicial Conference of the United States, or any committee thereof designated by the Chief Justice of the United States.

“(2) COVERED INDIVIDUAL.—The term ‘covered individual’ means—

“(A) a public official or employee; or

1 “(B) the spouse of a public official or em-
2 ployee.

3 “(3) DIGITAL ASSET; DIGITAL ASSET INTER-
4 MEDIARY.—The terms ‘digital asset’ and ‘digital
5 asset intermediary’ have the meanings given those
6 terms in section 10001 of the Digital Asset Market
7 Clarity Act.

8 “(4) ISSUE.—The term ‘issue’ means to—

9 “(A) create, mint, or launch a specific dig-
10 ital asset; or

11 “(B) direct, or exercise control over, the
12 initial offer, sale, or distribution of a specific
13 digital asset to any person.

14 “(5) PUBLIC OFFICIAL OR EMPLOYEE.—The
15 term ‘public official or employee’ means an indi-
16 vidual described in section 13103(f).

17 “(6) SPONSOR.—

18 “(A) IN GENERAL.—The term ‘sponsor’
19 means to enter into an agreement to—

20 “(i) fund, organize, or publicly en-
21 dorse or advocate for the creation, launch,
22 or express promotion of a specific digital
23 asset; or

24 “(ii) permit the use of one’s name,
25 image, likeness, office, or official position

1 in connection with the creation, launch, or
2 express promotion of a specific digital
3 asset.

4 “(B) RULE OF CONSTRUCTION.—For pur-
5 poses of this section, appearing at an event paid
6 for or organized by a person that issues or
7 sponsors a digital asset or encouraging the use
8 of digital assets generally shall not be deemed
9 sponsorship.

10 **“§ 13152. Ban on certain digital asset transactions**

11 “(a) BAN.—A covered individual shall not, in ex-
12 change for consideration—

13 “(1) issue a digital asset; or

14 “(2) sponsor a digital asset.

15 “(b) APPLICABLE PERIOD.—The prohibitions set
16 forth in subsection (a) shall apply—

17 “(1) in the case of a covered individual who is
18 a public official or employee, during the term of
19 service of that public official or employee; and

20 “(2) in the case of a covered individual who is
21 the spouse of a public official or employee, during
22 the term of service of that public official or em-
23 ployee.

24 “(c) BAN ON LISTING.—A digital asset that is found
25 to be issued or sponsored by a covered individual in viola-

tion of paragraph (1) or (2), respectively, of subsection (a) shall not be listed for trading on a digital asset intermediary.

“(d) UNAUTHORIZED THIRD-PARTY USE.—A covered individual shall not be deemed to have violated this section solely due to any action of a third party if the covered individual did not authorize, direct, coerce, exercise control over, or coordinate with the third party.

“(e) SAFE HARBOR.—

“(1) QUALIFIED BLIND TRUSTS; DIVESTMENT.—

“(A) IN GENERAL.—A covered individual shall not be deemed to violate subsection (a) if the covered individual places any direct interest in a digital asset issued or sponsored before the beginning of the applicable period under subsection (b) in a qualified blind trust, divests the direct interest, or both.

“(B) REQUIREMENTS.—Placement in a qualified blind trust, divestment, or both, shall be consistent with sections 13101 and 13104 of this title, in accordance with the same procedures, deadlines, and requirements applicable to ethics agreements executed pursuant to section 208 of title 18, and the regulations issued

1 thereunder, or the laws and regulations gov-
2 erning qualified blind trusts for covered individ-
3 uals in the legislative and judicial branches,
4 which shall include—

5 “(i) a timeline set by the applicable
6 ethics agency;

7 “(ii) eligibility for a certificate of di-
8 vestiture under section 1043 of the Inter-
9 nal Revenue Code of 1986, to the same ex-
10 tent and in the same manner as any other
11 property divested to comply with this chap-
12 ter, or any ethics agreement thereunder;
13 and

14 “(iii) certification of compliance re-
15 quirements administered by the applicable
16 ethics agency.

17 “(2) CONTINUED USE OF NAME, IMAGE, OR
18 LIKENESS.—A covered individual shall not be
19 deemed to violate this section if the issuer or spon-
20 sor of a digital asset, or a digital asset intermediary,
21 that used the name, image, or likeness of a covered
22 individual before the date on which the covered indi-
23 vidual became a covered individual, continues to use
24 the name image, or likeness of the covered indi-
25 vidual, including through the minting, sale, or dis-

1 tribution of additional digital assets, following di-
2 vestment or placement in a qualified blind trust of
3 any direct interest of the covered individual pursu-
4 ant to paragraph (1).

5 “(3) DEFINITION OF DIRECT INTEREST.—For
6 purposes of this subsection, the term ‘direct interest
7 in a digital asset’ means—

8 “(A) holding a digital asset; or

9 “(B) owning, controlling, or holding not
10 less than 20 percent, by vote or value, of the
11 outstanding amount of any class of equity inter-
12 est in a business entity, or subsidiary thereof,
13 that obtains greater than 50 percent of the rev-
14 enues of the business entity or subsidiary, as
15 applicable, from the issuance or sponsorship of
16 digital assets in a calendar year.

17 “(f) RULES OF CONSTRUCTION.—

18 “(1) ACTS AFFECTING A PERSONAL FINANCIAL
19 INTEREST.—Nothing in this section may be con-
20 strued to limit the application of section 208 of title
21 18 or of any other law or regulation aimed at pre-
22 venting conflicts of interest.

23 “(2) CONSTITUTIONAL RIGHTS.—Nothing in
24 this section or section 13153 may be construed or
25 applied in a manner that infringes the Constitution

1 of the United States, including the First Amend-
2 ment to the Constitution of the United States or ar-
3 ticle I, section 6, clause 1 of the Constitution of the
4 United States (commonly known as the ‘Speech or
5 Debate Clause’).

6 “(3) PROHIBITION REGARDING MANIPULATION
7 AND FALSE INFORMATION.—Nothing in this section
8 may be construed as limiting the application of sec-
9 tion 6(c) of the Commodity Exchange Act (7 U.S.C.
10 9) with respect to fraud and manipulation, including
11 criminal penalties.

12 “(4) FRAUDULENT INTERSTATE TRANS-
13 ACTIONS.—Nothing in this section may be construed
14 as limiting the application of section 17(a) of the Se-
15 curities Act of 1933 (15 U.S.C. 77q(a)), including
16 any criminal penalty that may be available with re-
17 spect to a violation of such section 17(a).

18 “(5) REGULATION OF THE USE OF MANIPULA-
19 TIVE AND DECEPTIVE DEVICES.—Nothing in this
20 section may be construed as limiting the application
21 of section 10(b) of the Securities Exchange Act of
22 1934 (15 U.S.C. 78j(b)), including any criminal
23 penalty that may be available with respect to a viola-
24 tion of such section 10(b).

1 “(6) FEDERAL CAMPAIGN FINANCE LAWS.—

2 Nothing in this section may be construed to super-
3 sede or modify any Federal campaign finance law, or
4 any regulation promulgated thereunder, or to pro-
5 hibit any contribution or expenditure (as those terms
6 are defined in section 301 of the Federal Election
7 Campaign Act of 1971 (52 U.S.C. 30101)) that is
8 otherwise lawful.

9 “(7) OFFICIAL ACTIONS AND DUTIES.—Nothing

10 in this section shall prohibit a covered individual
11 from making any statement or taking an official
12 governmental action on digital asset policy, digital
13 asset legislation, or digital asset regulation in the ex-
14 ercise of official duties, or with respect to making
15 any statement regarding digital assets that is not
16 made in expectation of receiving consideration.

17 “(8) INVESTMENTS.—Nothing in this section

18 shall prohibit a covered individual from holding any
19 digital asset as an investment, subject to applicable
20 financial disclosure and conflict-of-interest require-
21 ments as otherwise provided by law.

22 “(9) FEDERAL AGENCY AUTHORITY.—Nothing

23 in this section shall limit the authority of any Fed-
24 eral agency to regulate digital assets as otherwise
25 provided by law.

1 **“§ 13153. Penalties**

2 “(a) ENFORCEMENT BY THE ATTORNEY GENERAL
3 OF THE UNITED STATES.—The Attorney General shall
4 bring a civil action in an appropriate district court of the
5 United States against—

6 “(1) a covered individual who knowingly and
7 willfully violates section 13152(a); or

8 “(2) a digital asset intermediary that knowingly
9 and willfully violates section 13152(c).

10 “(b) NO ENFORCEMENT BY STATE ATTORNEYS GEN-
11 ERAL AND NO PRIVATE RIGHT OF ACTION.—For avoid-
12 ance of doubt, no action, public or private, may be brought
13 under this section by any State attorney general or any
14 person other than the Attorney General under subsection
15 (a).

16 “(c) PENALTIES FOR COVERED INDIVIDUALS.—A
17 covered individual who knowingly and willfully violates sec-
18 tion 13152(a) shall—

19 “(1) disgorge to the Treasury of the United
20 States all profit from the prohibited conduct; and

21 “(2) pay a civil monetary penalty equal to 10
22 percent of the consideration received in the trans-
23 action or \$500,000, whichever is less.

24 “(d) PENALTY FOR DIGITAL ASSET INTER-
25 MEDIARIES.—A digital asset intermediary that knowingly
26 and willfully violates the prohibition on listing under sec-

tion 13152(c) shall be subject to a civil monetary penalty of not more than \$250,000 per violation, per day.

“§ 13154. Interpretive guidance

“Not later than the effective date of division C of the Digital Asset Market Clarity Act under section 30104 of that division, each applicable ethics agency shall issue such interpretive guidance as necessary to clarify the terms and provisions under this subchapter.”.

(b) TECHNICAL AND CONFORMING.—The table of sections for chapter 131 of title 5, United States Code, is amended by adding at the end the following:

“SUBCHAPTER IV—ETHICS REQUIREMENTS FOR DIGITAL ASSETS

“13151. Definitions.

“13152. Ban on certain digital asset transactions.

“13153. Penalties.

“13154. Interpretive guidance.”.

SEC. 30102. ETHICS REQUIREMENTS RELATING TO DIGITAL ASSETS.

Section 13104 of title 5, United States Code, is amended—

(1) in subsection (a)—

(A) in paragraph (5)(B), by inserting “digital assets that are sold for remuneration,” after “commodities futures,”; and

(B) by adding at the end the following:

“(9) DIGITAL ASSETS.—The identity and category of value of any other digital asset (as defined

1 in section 10001 of the Digital Asset Market Clarity
2 Act) that is sold for remuneration that has a fair
3 market value that exceeds \$1,000 as of the close of
4 the preceding calendar year held by the reporting in-
5 dividual during the preceding calendar year.”;

6 (2) in subsection (b)(1)(B), by striking “(3)
7 and (4)” and inserting “(3), (4), and (9)”;

8 (3) in subsection (d)(1)—

9 (A) in the paragraph heading, by striking
10 “(3), (4), (5), AND (8)” and inserting “(3), (4), (5),
11 (8), AND (9)”;

12 (B) in the matter preceding subparagraph
13 (A), by striking “(3), (4), (5), and (8)” and in-
14 serting “(3), (4), (5), (8), and (9)”.

15 **SEC. 30103. GAO REPORT TO CONGRESS.**

16 (a) DEFINITION.—In this section, the term “relevant
17 congressional committees” means—

18 (1) the Committee on Banking, Housing, and
19 Urban Affairs of the Senate;

20 (2) the Committee on Agriculture, Nutrition,
21 and Forestry of the Senate;

22 (3) the Committee on Homeland Security and
23 Governmental Affairs of the Senate;

24 (4) the Committee on Financial Services of the
25 House of Representatives;

1 (5) the Committee on Agriculture of the House
2 of Representatives; and

3 (6) the Committee on Oversight and Govern-
4 ment Reform of the House of Representatives.

5 (b) REPORT.—Not later than 360 days after the date
6 of enactment of this Act, the Comptroller General of the
7 United States shall submit to the relevant congressional
8 committees a report that contains recommendations to up-
9 date Federal laws relating to ethics and enforcement pro-
10 cedures relating to ethics in order to incorporate any regu-
11 latory frameworks relating to digital assets adopted on or
12 after the date of enactment of this Act.

13 **SEC. 30104. EFFECTIVE DATE.**

14 (a) EFFECTIVE DATE.—This division, and the
15 amendments made by this division, shall take effect on the
16 date that is the earlier of the following:

17 (1) The date that is 360 days after the date of
18 enactment of this Act.

19 (2) The date that is 60 days after the publica-
20 tion in the Federal Register of the final rule promul-
21 gated pursuant to section 10102(b).

22 (b) APPLICATION.—This division, and the amend-
23 ments made by this division, shall apply only to conduct
24 that occurs on or after the effective date of this division
25 under subsection (a).

1 **SEC. 30105. SUNSET.**

2 (a) SUNSET.—Section 30101, and the amendments
3 made by section 30101, shall have no force and effect on
4 and after noon on January 20, 2029.

5 (b) TREATMENT OF PRE-SUNSET CONDUCT.—Not-
6 withstanding section 109 of title 1, United States Code,
7 after the sunset date described in subsection (a) of this
8 section, no person shall be subject to any penalty, for-
9 feiture, or liability under section 30101 of this Act, or any
10 amendment made by section 30101 of this Act, for con-
11 duct that occurs on or before that sunset date.

12 **SEC. 30106. SEVERABILITY.**

13 If any provision of this division or any amendment
14 made by this division, or the application of a provision
15 of this division or an amendment made by this division
16 to any person or circumstance, is held to be unconstitu-
17 tional, the remainder of this division, and the application
18 of the provision or amendment to any other person or cir-
19 cumstance, shall not be affected thereby.

20 **DIVISION D—EFFECTIVE DATE**

21 **SEC. 40101. EFFECTIVE DATE.**

22 (a) IN GENERAL.—Except as provided in subsection
23 (b), or as otherwise provided in this Act (or an amendment
24 made by this Act), this Act, and the amendments made
25 by this Act, shall take effect on the date that is 360 days
26 after the date of enactment of this Act.

1 (b) RULEMAKING PROVISIONS.—If a provision of this
2 Act, or an amendment made by this Act, requires a rule-
3 making, that provision shall take effect on the later of—
4 (1) the date that is 360 days after the date of
5 enactment of this Act; or
6 (2) the date that is 60 days after the date on
7 which the final rule implementing that provision is
8 published in the Federal Register.