119TH CONGRESS
1ST SESSION

S. _____

To amend the Securities Act of 1933 to impose disclosure requirements for certain transactions involving ancillary assets, and for other purposes.

IN THE SENATE OF THE UNITED STATES

_____

_____ introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Securities Act of 1933 to impose disclosure requirements for certain transactions involving ancillary assets, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Responsible Financial Innovation Act of 2025''.

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

SEC. 2. DEFINITIONS.

In this Act:

(1) ANCILLARY ASSET; ANCILLARY ASSET ORIGINATOR.—The terms ''ancillary asset'' and ''ancillary asset originator'' have the meanings given those terms in section 4B(a) of the Securities Act of 1933, as added by this Act.

(2) COMMISSION.—The term ''Commission'' means the Securities and Exchange Commission.

(3) DIGITAL ASSET.—The term ''digital asset''—

(A) means any digital representation of value that is recorded on a cryptographically-secured distributed ledger; and

(B) does not include any asset that—

(i) is not commercially fungible, including a digital collectible or other unique asset described in subparagraph (A); or

(ii) represents ownership of, or control over, an asset that is not itself an asset described in subparagraph (A).

(4) DISTRIBUTED LEDGER.—The term ''distributed ledger'' means technology—

(A) through which data is shared across a network that creates a public digital ledger of verified transactions or information among network participants; and

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

(i) maintain the integrity of the digital ledger described in that subparagraph; and

(ii) execute other functions.

(5) SECURITIES LAWS.—The term ''securities laws'' has the meaning given the term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).

TITLE I—RESPONSIBLE SECURITIES INNOVATION

SEC. 101. DISCLOSURE REQUIREMENTS FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

The Securities Act of 1933 (15 U.S.C. 77a et seq.) is amended by inserting after section 4A (15 U.S.C. 77d–1) the following:

''SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

''(a) DEFINITIONS.—In this section:

''(1) ANCILLARY ASSET.—

''(A) IN GENERAL.—The term 'ancillary asset' means an intangible, commercially fungible asset, including a digital commodity, that is offered, sold, or otherwise distributed to a person in connection with the purchase and sale of a security through an arrangement that constitutes an investment contract, as that term is used in section 2(a)(1) and as further clarified

by the Commission through the final rule adopted under section 105 of the Responsible Financial Innovation Act of 2025.

''(B) DISQUALIFYING FINANCIAL RIGHTS.—The term 'ancillary asset' does not include an asset that provides the owner of the asset with any of the following rights in a person:

''(i) A debt or equity interest in that person.

''(ii) Liquidation rights with respect to that person.

''(iii) An entitlement to an interest, dividend, or other payment from that person.

''(iv) Any other express or implied financial interest in (including a limited partner interest or interest in intellectual property of), or provided by, that person, as provided by notice and comment rulemaking of the Commission.

''(2) ANCILLARY ASSET ORIGINATOR.—

''(A) IN GENERAL.—Consistent with paragraph (3), the term 'ancillary asset originator' means, with respect to a particular ancillary

asset, a person that (whether directly or through 1 or more subsidiary or controlled entities)—

''(i) initially offers, sells, or distributes the ancillary asset; or

''(ii) during the 12-month period beginning on the date on which the ancillary asset is initially offered, sold, or distributed, controls or causes the offer, sale, or distribution of that ancillary asset.

''(B) JOINT AND SEVERAL CONSIDERATION.—For the purposes of this paragraph, if the person that initially offered, sold, or distributed an ancillary asset (or otherwise controlled the initial offer, sale, or distribution of the ancillary asset) did not receive the largest amount of those ancillary assets distributed in the 12-month period following the commencement of that offer, sale, or distribution, then the entity that received the largest amount of those ancillary assets in that period shall be jointly and severally considered to be an ancillary asset originator with respect to that ancillary asset (with the person that controlled such offer, sale,

or distribution) solely for purposes of subsection (c).

''(3) FOREIGN ORIGINATOR.—

''(A) IN GENERAL.—The term 'foreign originator' means an ancillary asset originator incorporated or organized outside of the United States, other than a foreign government, or an ancillary asset originator that satisfies either of the following conditions:

''(i) The ancillary asset originator—

''(I) does not have shareholders, members, or other equity owners; and

''(II)(aa) the formation of the ancillary asset originator was directed or caused by 1 or more citizens or residents of the United States, or entities formed under the laws of a State or Indian Tribe; or

''(bb) the business of the ancillary asset originator is principally administered in the United States.

''(ii) Both of the following subclauses are satisfied:

''(I) More than 50 percent of the outstanding voting securities of the

ancillary asset originator are directly or indirectly owned by residents of the United States.

"(II) At least 1 of the following items is satisfied:

"(aa) The majority of the executive officers or directors of the ancillary asset originator are citizens or residents of the United States.

"(bb) More than 50 percent of the assets of the ancillary asset originator are located in the United States or owned by persons located in the United States.

"(cc) The business of the ancillary asset originator is principally administered in the United States.

"(B) INCLUSION.—The term 'foreign originator' includes an ancillary asset originator that has only offered, sold, or distributed ancillary assets outside of the United States or, to the knowledge of the ancillary asset originator, only to persons other than U.S. persons, as of

the last business day of the most recently completed fiscal quarter of the ancillary asset originator.

''(4) GRATUITOUS DISTRIBUTION.—The term 'gratuitous distribution' means a distribution of ancillary assets in exchange for not more than a nominal value of cash, property, services, or other assets in a broad, equitable, and non-discretionary manner.

''(b) TREATMENT OF ANCILLARY ASSETS AND TRANSACTIONS.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, and subject to paragraph (2), an ancillary asset shall not be a security, and secondary transactions in an ancillary asset shall not be considered transactions in securities, under—

''(A) section 2(a)(1);

''(B) section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a));

''(C) section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a));

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

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

''(F) any applicable requirement of State law, including any provision of State law that directly or indirectly prohibits, limits, or imposes any conditions on the use, offer, sale, transfer, or disposition of an ancillary asset in a manner that is not substantially similar to prohibitions, limitations, or conditions imposed by that State relating to assets that are commodities under the laws of that State and that is inconsistent with this section.

''(2) SELF-CERTIFICATION.—

''(A) SUBMISSION.—An ancillary asset originator may, in connection with an offer, sale, or distribution of the related ancillary asset, submit to the Commission a written self-certification, supported by reasonable evidence, that such ancillary asset does not provide the owner of the asset with a right described in subsection (a)(1)(B).

''(B) AUTOMATIC EFFECTIVENESS.—A self-certification submitted under subparagraph (A) by an ancillary asset originator shall become effective upon the earlier of—

''(i) the date on which the Commission notifies the ancillary asset originator

in writing that the Commission does not object to the self-certification; or

''(ii) if the Commission has not issued a rebuttal to the ancillary asset originator in accordance with subparagraph (C), 60 days after the date on which the ancillary asset originator submits the self-certification.

''(C) SEC REBUTTAL.—The Commission may reject a self-certification submitted under subparagraph (A) by an ancillary asset originator—

''(i) only during the 60-day period described in subparagraph (B)(ii); and

''(ii) by providing to the ancillary asset originator 10 days notice of the intent of the Commission to rebut that self-certification, after which the Commission shall—

''(I) conduct a hearing before the Commission; and

''(II) have a vote of the Commission to rebut the self-certification after a finding, based on clear and convincing evidence, that the related

asset provides the owner of the asset with a right described in subsection (a)(1)(B).

''(3) GRATUITOUS DISTRIBUTION.—A gratuitous distribution shall not be considered to be a transaction in securities under any provision of law described in paragraph (1).

''(c) DISCLOSURE REQUIREMENTS FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.—

''(1) SPECIFIED PERIODIC DISCLOSURE REQUIREMENTS.—

''(A) IN GENERAL.—Any offer, sale, or distribution of an ancillary asset by, or caused by, an ancillary asset originator (other than a foreign originator) shall be subject to the periodic disclosure requirements under subsection (d).

''(B) EXCLUSION.—Subparagraph (A) shall not apply if—

''(i) the aggregate value raised by the ancillary asset originator through the offer, sale, or distribution of the security to which the ancillary asset relates was $5,000,000 or less (adjusted for inflation) during the 12-month period immediately

following the date of the first such offer, sale, or distribution; and

''(ii) the average daily aggregate value of trading in the ancillary asset in all spot markets open to the public in the United States for which trading volume is generally available is $5,000,000 or less (adjusted for inflation) during the 12-month period (or such shorter period as the Commission may determine) immediately preceding the reporting date specified by paragraph (2), based on the knowledge of the ancillary asset originator after due inquiry.

''(C) CALCULATION.—For the purposes of this paragraph, the calculation of daily aggregate value shall be based on a reasonable calculation of public data.

''(2) COMMENCEMENT OF COMPLIANCE WITH SPECIFIED PERIODIC DISCLOSURE REQUIREMENTS.—

''(A) IN GENERAL.—An ancillary asset originator subject to the requirements of paragraph (1) shall comply with the periodic disclosure requirements under subsection (d) begin-

ning not later than 90 days after the last day of the most recently completed fiscal year of the ancillary asset originator after the date of enactment of this section.

''(B) EXCLUSION.—The requirements of this paragraph shall not apply if an ancillary asset originator has submitted a certification under subsection (d)(3)(B) and the Commission has not denied that certification.

''(3) TRANSITION RULE.—

''(A) IN GENERAL.—An ancillary asset originator, other than a foreign originator, that initially offered, sold, or distributed (or otherwise controlled or caused the offer, sale, or distribution of) an ancillary asset before the date of enactment of this section, and that otherwise meets the requirements of paragraph (1), shall comply with the periodic disclosure requirements under subsection (d) beginning not later than 1 year after the last day of the fiscal year of the originator in which that date of enactment occurs.

''(B) EFFECT ON CERTIFICATION.—An ancillary asset originator subject to this paragraph that meets the requirements of sub-

section (d)(3) may furnish a certification as provided in that subsection without complying with the periodic disclosure requirements under subsection (d).

''(d) SPECIFIED PERIODIC DISCLOSURE REQUIREMENTS.—

''(1) IN GENERAL.—

''(A) FURNISHING OF INFORMATION.—An ancillary asset originator that is subject to the requirements of paragraph (1) or (3) of subsection (c) shall furnish with the Commission, on a semiannual basis, in such form as the Commission may prescribe by rule after notice and comment, and until the requirement terminates under paragraph (3) of this subsection, the information described in paragraph (2) of this subsection, to the extent that the information is material and known or reasonably knowable to the ancillary asset originator.

''(B) REQUIREMENTS FOR RULES.—A rule prescribed under subparagraph (A) shall be reasonably tailored based on the size of the applicable ancillary asset originator in accordance with section 109(b) of the Responsible Financial Innovation Act of 2025.

''(2) CATEGORIES OF INFORMATION.—The information required under paragraph (1) shall include the following with respect to the applicable ancillary asset originator and the related ancillary asset:

''(A) Basic corporate information regarding the ancillary asset originator and the ancillary asset activities of the ancillary asset originator, which may include the following items, as the Commission shall determine by rule:

''(i) The experience of the ancillary asset originator (or persons controlling the ancillary asset originator) in developing ancillary assets.

''(ii) If the ancillary asset originator (or persons controlling the ancillary asset originator) have previously distributed ancillary assets, information on the subsequent distribution history of those ancillary assets, including price history, if the information is publicly available.

''(iii) The activities that the ancillary asset originator has taken in the relevant disclosure period, and is projecting to take in the 1-year period following the submis-

sion of the disclosure, with respect to promoting the use, value, or resale of the ancillary asset (including any activity to facilitate the creation or maintenance of a trading market for the ancillary asset and any digital network that utilizes the ancillary asset).

''(iv) The anticipated cost of the activities of the ancillary asset originator described in clause (iii), whether the ancillary asset originator has unencumbered, liquid funds equal to that amount, and, if the ancillary asset originator does not have those funds, the anticipated plan of operations of the ancillary asset originator for the portion of time where those liquid funds are less than the anticipated cost of the activities of the ancillary asset originator.

''(v) To the extent the ancillary asset involves the use of a digital network or other technology, the experience of the ancillary asset originator with the use of that network or technology.

''(vi) The identities and expertise of the board of directors (or equivalent body),

senior management, and key employees of the ancillary asset originator, the experience or functions of whom are material to the development or value of the ancillary asset, as well as any personnel changes relating to the ancillary asset originator during the period covered by the disclosure.

''(vii) A concise narrative description of the assets and liabilities of the ancillary asset originator, to the extent material to the value of the ancillary asset.

''(viii) A description of any legal proceedings in which the ancillary asset originator is engaged.

''(ix) Risk factors arising from the activities of the ancillary asset originator with respect to the ancillary asset, and not generally applicable to other kinds of ancillary assets, that may limit the utility or liquidity of the ancillary asset, investor demand with respect to the ancillary asset, or the market price or value of the ancillary asset.

''(x) Information relating to ownership of the ancillary asset by—

''(I) persons owning not less than 10 percent of any class of equity security of the ancillary asset originator; and

''(II) the senior management of the ancillary asset originator.

''(xi) For any transaction involving the ancillary asset between the ancillary asset originator and any related person, promoter, control person, or employee, a description of the parties, the dollar amount and number of shares involved, and the nature and terms of the transaction, including any ongoing obligations.

''(xii) Sales or similar dispositions of other ancillary assets by the ancillary asset originator and persons that directly or indirectly control the ancillary asset originator during the 4-year period preceding the furnishing of the disclosure.

''(xiii) Purchases or similar dispositions of ancillary assets by the ancillary asset originator and affiliates of the ancillary asset originator.

''(xiv) A statement, made in good faith, from the chief financial officer of the ancillary asset originator or equivalent official, stating whether the ancillary asset originator reasonably expects to maintain or have the financial resources to continue business as a going concern for the 12-month period following the furnishing of the disclosure, absent a change in circumstances.

''(B) Economic information relating to the ancillary asset, which may include the following items, as the Commission shall determine by rule:

''(i) A general description of the ancillary asset and any digital network, application, or system that utilizes the ancillary asset, including—

''(I) the intended or known functionality and uses of the ancillary asset and any associated fees for use or disposition of the ancillary asset;

''(II) the market for the ancillary asset;

''(III) other assets or services that may compete with the ancillary asset;

''(IV) the total supply of the ancillary asset or the manner and rate of the ongoing production or creation of the ancillary asset; and

''(V) the governance and consensus mechanism for the ancillary asset and any network, application, or system that utilizes the ancillary asset, as applicable.

''(ii) If the ancillary asset originator has offered, sold, or otherwise provided ancillary assets to affiliates, investors, employees, intermediaries, or resellers, a description of the amount of assets offered, sold, or otherwise provided, the terms of each such transaction, and any contractual or other restrictions on the resale of those ancillary assets.

''(iii) If ancillary assets were distributed by the ancillary asset originator without charge or upon meeting certain conditions, a description of each distribution, in-

cluding the identity of any recipient that received more than 5 percent of the total amount of ancillary assets (calculated as a percentage of the total supply of such asset at the time of distribution).

''(iv) The amount of ancillary assets owned by the ancillary asset originator.

''(v) For the 12-month period following the furnishing of the disclosure, a description of the plans of the ancillary asset originator to support (or to cease supporting) the use or development of the ancillary asset, including markets for the ancillary asset and each digital network or system that uses the ancillary asset.

''(vi) Risk factors that may materially affect the liquidity of the ancillary asset, investor demand with respect to the ancillary asset, or the market price or value of the ancillary asset.

''(vii) To the extent available to the ancillary asset originator, the average daily price for a constant unit of value of the ancillary asset during the relevant reporting period, as well as the 12-month high

and low prices for the ancillary asset, as calculated based on the 3 largest exchanges or other markets on which the ancillary asset trades.

''(viii) If applicable, and subject to cybersecurity best practices, information relating to any external audit of the code and functionality of the ancillary asset, including the entity performing the audit and the experience of the entity in conducting similar audits.

''(ix) Any valuation report or economic analysis conducted by the ancillary asset originator regarding the ancillary asset or the projected market of the ancillary asset.

''(x) Information relating to custodial services available for the ancillary asset.

''(xi) Information on intellectual property rights claimed or disputed relating to the ancillary asset.

''(xii) A description of the technology underlying the initial distribution and trading of the ancillary asset, including the

source code for the ancillary asset, if applicable.

''(xiii) If applicable, a description of the steps necessary to independently access, search, and verify the transaction history of the ancillary asset.

''(C) In addition to the information expressly required to be included under subparagraphs (A) and (B), such further material information, if any, as may be necessary to ensure that the statements made in the disclosure are not, in light of the circumstances under which the statements are made, materially misleading.

''(3) TERMINATION OF REQUIREMENTS.—

''(A) IN GENERAL.—The obligation of an ancillary asset originator to provide disclosures under paragraph (1) shall terminate on the date that is 90 days (or such shorter period as the Commission may determine) after the date on which the ancillary asset originator submits a certification under subparagraph (B) of this paragraph, unless the Commission has denied that certification.

''(B) CERTIFICATION.—

''(i) IN GENERAL.—An ancillary asset originator may submit to the Commission a certification, based on the knowledge of the ancillary asset originator after due inquiry and supported by reasonable evidence, that, during the 1-year period preceding the date on which the ancillary asset originator submits the certification, the ancillary asset originator (including a subsidiary of the ancillary asset originator or any entity that directly or indirectly controls or is controlled by a common entity with the ancillary asset originator) did not engage in more than a nominal level of entrepreneurial or managerial efforts that primarily determined the value of the related ancillary asset, including that the essential promises made by the ancillary asset originator have been fulfilled, except that providing administrative services shall not alone be considered entrepreneurial or managerial efforts for the purposes of this clause.

''(ii) AUTOMATIC EFFECTIVENESS.—A certification submitted under clause (i) by

an ancillary asset originator shall become effective upon the earlier of—

"(I) the date on which the Commission notifies the ancillary asset originator in writing that the Commission does not object to the certification; or

"(II) if the Commission has not issued a notice of rebuttal under clause (iii), 60 days after the date on which the ancillary asset originator submits the certification.

"(iii) SEC REBUTTAL.—The Commission may reject a certification submitted under clause (i) by an ancillary asset originator—

"(I) only during the 60-day period described in clause (ii)(II); and

"(II) by providing to the ancillary asset originator 10 days notice of the intent of the Commission to rebut that certification, after which the Commission shall—

"(aa) conduct a hearing before the Commission; and

"(bb) have a vote of the Commission to rebut the certification after a finding, based on clear and convincing evidence, that the applicable ancillary asset provides the owner of the asset with a right described in subsection (a)(1)(B).

"(4) VOLUNTARY DISCLOSURE.—An ancillary asset originator may voluntarily furnish with the Commission the information required under this subsection if the ancillary asset originator determines that it is reasonably likely that the ancillary asset originator will become subject to the requirements of paragraph (1) or (3) of subsection (c) in the future.

"(5) RULEMAKING CONSIDERATIONS.—In promulgating rules under this subsection, the Commission shall—

"(A) require only such information as the Commission finds to be necessary and appropriate to protect customers, maintain fair, orderly, and efficient markets, and facilitate capital formation, innovation, and efficiency; and

"(B) include in any final versions of those rules a cost–benefit analysis evaluating the effects of any rule on innovation, efficiency, competition, and capital formation.

"(6) LIMITATIONS.—Rules promulgated under this subsection shall not require the inclusion of financial statements of an ancillary asset originator or any information purporting to have been prepared on the authority of an expert.

"(e) EXEMPTIONS.—The Commission may, by order, exempt an ancillary asset originator from specified requirements under subsection (d) for good cause.

"(f) EFFECT OF FAILURE TO COMPLY.—The failure of an ancillary asset originator to comply with a provision of this section shall not cause an ancillary asset offered, sold, or distributed by that ancillary asset originator to be a security under any applicable law.

"(g) LIABILITY FOR FALSE OR MISLEADING STATEMENTS.—

"(1) IN GENERAL.—Except as provided in subsection (i), any statement made in a disclosure, certification, or other document furnished under this section shall be subject to section 17.

''(2) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed as creating a private right of action.

''(h) SPECIAL DISPOSITION RESTRICTIONS BY RELATED PERSONS.—The Commission shall adopt rules, consistent with section 103 of the Responsible Financial Innovation Act of 2025, establishing limitations on the disposition of certain ancillary assets with specified characteristics by related persons, as defined in such section 103.

''(i) SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS.—No liability shall arise under section 12(a)(2), section 17(a), section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)), section 240.10b–5 of title 17, Code of Federal Regulations (or any successor regulation), or any similar State law with respect to any forward-looking statement (including any statement of plans, objectives, projections, expectations, or assumptions concerning future performance, financial position, development milestones, token utility, network adoption, or market conditions) made in an ancillary asset disclosure, statement, or other document furnished pursuant to this section, if—

''(1) the statement is—

''(A) identified as forward-looking; and

"(B) accompanied by meaningful cautionary language that identifies important factors that could cause actual results to differ materially; or

"(2) the plaintiff fails to prove that the person that made the statement had actual knowledge that the statement was false or misleading when made.

"(j) RULEMAKING.—All rules under this section shall be adopted pursuant to notice and comment rulemaking under chapter 5 of title 5, United States Code, after consultation with the Commodity Futures Trading Commission.

"(k) RULES OF CONSTRUCTION.—Nothing in this section may be construed to—

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

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

"(3) except as otherwise provided in the Responsible Financial Innovation Act of 2025, create a private right of action.".

SEC. 102. EXEMPTION AND RULEMAKING FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

(a) PROMULGATION OF REGULATION DA.—

(1) IN GENERAL.—The Commission shall, in accordance with paragraph (2), adopt rules under the Securities Act of 1933 (15 U.S.C. 77a et seq.) and the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), which shall be referred to collectively as ''Regulation DA'', to implement subsections (b), (c), and (d) of this section.

(2) TIMETABLE FOR ADOPTION OF FINAL RULES.—The Commission shall—

(A) not later than 180 days after the date of enactment of this Act, publish proposed rules for Regulation DA in the Federal Register; and

(B) not later than 1 year after the date of enactment of this Act, adopt final rules for Regulation DA.

(b) EXEMPTION FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.—

(1) IN GENERAL.—Rules adopted by the Commission under this section shall provide that the Securities Act of 1933 (15 U.S.C. 77a et seq.) (other than the provisions of sections 12(a)(2) and section 17 of that Act (15 U.S.C. 77l(a)(2), 77q)) shall not

apply to an offer or sale of an ancillary asset, if the offer or sale does not exceed the greater of—

(A) $75,000,000 in gross proceeds per calendar year for a period of not longer than 4 years; or

(B) 10 percent of the total dollar value of those ancillary assets that are outstanding, as of the date of that offer or sale.

(2) REVIEW AND ADJUSTMENT FOR INFLATION.—

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

(i) review the amount described in paragraph (1)(A);

(ii) adjust the amount described in paragraph (1)(A) to account for inflation; and

(iii) increase the amount described in paragraph (1)(A) as the Commission determines appropriate, if that action would be in the public interest and consistent with the protection of investors.

(B) REPORT.—If the Commission, after conducting a review under subparagraph (A), determines not to increase the amount described in paragraph (1)(A) (other than to adjust that amount for inflation, as required under subparagraph (A)(ii) of this paragraph), the Commission shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report detailing the reasons that the Commission did not increase that amount.

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

(1) INITIAL DISCLOSURES.—The offer or sale of the applicable ancillary asset shall be the subject of initial disclosures meeting the requirements of section 4B of the Securities Act of 1933, as added by this Act, which shall be furnished with the Commission in accordance with Regulation DA.

(2) COMMON CONTROL.—If the applicable ancillary asset is reliant on a digital network that is subject to common control by related persons, as defined in section 103(a)—

(A) the applicable ancillary asset originator shall take reasonable steps, as required under this Act (and the amendments made by this Act), for that digital network to become certified as not subject to such common control, as of the date that is 4 years after the date of the first offer or sale of that ancillary asset in reliance on the exemption under subsection (b);

(B) the failure of the ancillary asset originator described in subparagraph (A) to obtain the certification described in that subparagraph shall not invalidate good faith reliance on the exemption described in that subparagraph; and

(C) the restrictions on disposition under section 103 shall apply.

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

(A) a development stage company that either—

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

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

(B) an investment company, as defined in section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a–3), or excluded from the definition of the term ''investment company'' by subsection (b) or (c) of such section 3, provided that an ancillary asset originator shall not be deemed to be an investment company solely by virtue of investing, reinvesting, owning, holding, or trading ancillary assets, including ancillary assets offered for sale by the ancillary asset originator;

(C) a person issuing fractional undivided interests in other commodities;

(D) a person that is or has been subject to any order of the Commission entered pursuant to section 12(j) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(j)) after the date of enactment of this Act and during the 5-year period preceding the offer and sale; or

(E) a person that is or has been disqualified pursuant to section 230.506(d) of title 17, Code of Federal Regulations, or any successor regulation, unless waived by order of the Commission.

(4) FURNISHING NOTICE OF RELIANCE.—The applicable ancillary asset originator shall electronically furnish with the Commission a notice of reliance on Regulation DA not fewer than 30 days before the date on which the ancillary asset originator first offers, sells, or distributes an ancillary asset in reliance on Regulation DA, which shall contain the following information:

(A) The name of the ancillary asset originator.

(B) An attestation by a person duly authorized by the ancillary asset originator that the conditions of Regulation DA are satisfied.

(C) The website where the whitepaper, if any, of the ancillary asset originator may be found.

(D) An email address at which the ancillary asset originator may be contacted.

(5) CONTENT AND FURNISHING OF DISCLOSURES.—Not later than 30 days before the date on which the applicable ancillary asset originator, any affiliate of the ancillary asset originator, or any underwriter offers or sells an ancillary asset in reliance on Regulation DA, the ancillary asset originator furnishes with the Commission the disclosures required

under section 4B(d) of the Securities Act of 1933, as added by this Act.

(d) STATUS UNDER SECURITIES LAWS.—

(1) IN GENERAL.—An ancillary asset disclosure under section 4B of the Securities Act of 1933, as added by this Act, and any other document furnished under Regulation DA, shall be deemed to be—

(A) a ''prospectus'' solely—

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

(ii) with respect to the person that is the purchasing party in a transaction made in reliance on Regulation DA; and

(B) a ''statement'' solely for purposes of section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)) and section 240.10b5–1 of title 17, Code of Federal Regulations, or any successor regulation.

(2) REGISTRATION STATEMENT.—

(A) IN GENERAL.—An ancillary asset disclosure under section 4B of the Securities Act of 1933, as added by this Act, or any other document furnished under Regulation DA, shall

not be deemed to be a ''registration statement'' for purposes of section 11 of the Securities Act of 1933 (15 U.S.C. 77k) or to have been furnished under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

(B) CIVIL LIABILITY.—Liability under section 12(a)(2) of the Securities Act of 1933 (15 U.S.C. 77l(a)(2)) relating to an ancillary asset disclosure or any other document furnished under Regulation DA shall only apply to the person making statements in that disclosure or other document and only a person that purchased an ancillary asset in a transaction made in reliance on Regulation DA shall have a claim under such section 12(a)(2).

(3) PREEMPTION.—Rules adopted under this section shall preempt State registration requirements, to the extent inconsistent with State law.

(4) FORWARD-LOOKING STATEMENTS.—No liability shall arise under section 12(a)(2) of the Securities Act of 1933 (15 U.S.C. 77l(a)(2)), section 17(a) of that Act (15 U.S.C. 77q(a)), section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)), section 240.10b5–1 of title 17, Code of Federal Regulations (or any successor regulation), or

any similar State law with respect to any forward-looking statement (including a statement of plans, objectives, projections, expectations, or assumptions concerning future performance, financial position, development milestones, token utility, network adoption, or market conditions) made in an ancillary asset disclosure, statement, or other document furnished pursuant to section 4B of the Securities Act of 1933, as added by this Act, or this section, if—

(A) the statement is identified as forward-looking and is accompanied by meaningful cautionary language that identifies important factors that could cause actual results to differ materially; or

(B) the plaintiff fails to prove that the person that made the statement had actual knowledge that the statement was false or misleading when made.

SEC. 103. SPECIAL DISPOSITION RESTRICTIONS BY RELATED PERSONS.

(a) DEFINITION.—In this section, the term ''related person'' means—

(1) any person that is, or was during the most recent 180-day period, a promoter, employee, consultant, advisor, vendor, or person serving in a simi-

lar capacity with respect to an ancillary asset originator;

(2) any person that is, or was, a founder, executive officer, director, trustee, general partner, equity holder, security holder, or person serving in a similar capacity with respect to an ancillary asset originator; or

(3) any person or group of persons under common control that beneficially owns 5 percent or more of the outstanding units of an ancillary asset, if those units were acquired from—

(A) the applicable ancillary asset originator; or

(B) persons acting on behalf of the applicable ancillary asset originator.

(b) COMMON CONTROL.—

(1) IN GENERAL.—The Commission shall promulgate rules to define the circumstances under which a digital network is considered to be under common control by related persons for the purposes of section 102(c)(2).

(2) CONSIDERATIONS.—In promulgating rules under paragraph (1), the Commission shall consider, among other possible considerations brought to the attention of the Commission, the following with re-

spect to a digital network described in that paragraph:

(A) The ability of a person or group of persons to unilaterally alter, restrict, or direct the operation or governance of the digital network.

(B) The distribution of voting power of governance rights among participants in the digital network.

(C) The presence or absence of open-source code and permission-less access on the digital network.

(D) The degree of economic or technical influence that any person or group of persons may exercise over the digital network.

(E) Any other factor that the Commission determines relevant to assessing control and independence with respect to the digital network.

(3) SAFE HARBORS.—With respect to the rules promulgated under this subsection, the Commission may establish safe harbors or examples of when a digital network will not be considered to be under common control by related persons for the purposes of section 102(c)(2).

(4) EVIDENCE.—The Commission may, in promulgating rules under this subsection, require such certifications, third party verifications, or other evidence as the Commission determines necessary to determine whether a digital network is under common control by related persons for the purposes of section 102(c)(2).

(c) CERTAIN RESTRICTIONS ON SALE.—The Commission shall adopt rules that provide that, with respect to an ancillary asset that satisfies the conditions for an exemption under section 102(b), when a sale of that ancillary asset is made by a related person, the following restrictions on that sale shall apply:

(1) SALES PRIOR TO CERTIFICATION.—If the ancillary asset relies on a digital network, the ancillary asset may be sold by a related person before that digital network is certified as not subject to common control by related persons, pursuant to subsection (d), if—

(A) with respect to that digital network, disclosures have been furnished pursuant to section 4B(d) of the Securities Act of 1933, as added by this Act;

(B) the holder of the ancillary asset has held the units for not less than 12 months;

(C) the aggregate amount of ancillary assets sold in any 90-day period by the related person in any calendar year is not greater than 15 percent of the total amount of ancillary assets acquired from the applicable ancillary asset originator; and

(D) not later than 5 business days after that sale, the related person furnishes the Commission with a public report with such information as the Commission may require by rule consistent with reports required under section 16(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78p(a)), relating to the number of ancillary assets sold and the material terms of that sale.

(2) SALES AFTER CERTIFICATION.—The ancillary asset may be sold by a related person after the digital network on which the ancillary asset relies is certified as not subject to common control by related persons, pursuant to subsection (d), if—

(A) with respect to that digital network, disclosures have been furnished pursuant to section 4B(d) of the Securities Act of 1933, as added by this Act;

(B) the holder of the ancillary asset has held the units for not less than 12 months;

(C) the aggregate amount of ancillary assets sold in any 90-day period by the related person in any calendar year is not greater than 25 percent of the total amount of ancillary assets acquired from the applicable ancillary asset originator; and

(D) in the case of a related person that beneficially owns 5 percent or more of the outstanding ancillary assets, the related person, not later than 5 business days after that sale, furnishes the Commission with a public report with such information as the Commission may require by rule relating to the assets sold and the circumstances surrounding that sale.

(d) CERTIFICATION OF NON-CONTROL BY RELATED PERSONS.—

(1) IN GENERAL.—With respect to an ancillary asset that satisfies the conditions for an exemption under section 102(b), and that relies on a digital network, the digital network shall be deemed to not be under the common control of related persons on the date that is 90 days, or such shorter period as the Commission may determine, after the date on

which the applicable ancillary asset originator furnishes the Commission with a written self-certification with the Commission stating that the digital network is not under such common control, as specified by rule of the Commission consistent with subsection (b).

(2) VERIFICATION.—The Commission may, by rule, require appropriate third party verification of a self-certification furnished under paragraph (1).

(e) DISGORGEMENT.—

(1) IN GENERAL.—Any profit realized by a related person from the sale of an ancillary asset in violation of the restrictions under subsection (b), shall inure to, and be recoverable by, the holders of the ancillary asset, irrespective of any intention of holding the asset.

(2) ENFORCEMENT.—An action to recover profit described in subparagraph (A)—

(A) may be instituted at law or in equity in any appropriate court of the United States by—

(i) the applicable ancillary asset originator; or

(ii) the owner of any units of the applicable ancillary asset, in the name and on

behalf of the ancillary asset originator, if the ancillary asset originator—

(I) fails or refuses to bring the action within 60 days after a written request by any owner of not less than 5 percent of the units of that ancillary asset; or

(II) fails to diligently prosecute the action; and

(B) shall be brought not later than 2 years after the date that profit was realized.

(3) EXPENSES.—If an action under this subsection is brought by a person described in paragraph (2)(A)(ii) and that action is unsuccessful, the person that brought the action shall be responsible for the fees and expenses incurred by the person against which the action is brought.

SEC. 104. FINANCIAL INTERESTS OF ANCILLARY ASSETS.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Commission shall promulgate regulations that provide that an ancillary asset, the market value of which is primarily derived, or is reasonably expected to be substantially derived, from its system-based utility on a digital network (including where the ancillary asset is used within, facilitates access to, enables

participation in, or is otherwise incorporated into the operation of a distributed ledger system) or from the broader adoption and use of such a system, shall not be considered to be an express or implied financial interest in a person under section 4B(a)(1)(B)(iv) of the Securities Act of 1933, as added by this Act.

(b) RULING BEFORE DATE OF ENACTMENT.—If, before the date of enactment of this Act, a court of the United States, in a non-appealable final judgment, finds that a digital asset transaction is not an offer or sale of a security, a digital asset transferred pursuant to that offer or sale shall not, consistent with section 4B of the Securities Act of 1933, as added by this Act, be considered to be a security under any provision of law described in subsection (b)(1) of such section 4B.

SEC. 105. INVESTMENT CONTRACT RULEMAKING.

(a) IN GENERAL.—Not later than 2 years after the date of enactment of this Act, the Commission shall adopt a final rule specifying clear criteria and definitions governing the term ''investment contract'', which shall apply to the term ''investment contract'', as used in—

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

(2) section 3(a)(10) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(10));

(3) section 2(a)(36) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(36)); and

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

(b) REQUIREMENTS.—The rule adopted under subsection (a) shall provide that a contract shall be considered an investment contract only if the contract meets the following elements:

(1) An investment of money by an investor, which shall include more than a de minimis amount of cash (or its equivalent) or services.

(2) An investment described in paragraph (1) is made in a business entity, whether incorporated, unincorporated, organized, or unorganized.

(3) An express or implied agreement is required whereby the issuer makes, directly or indirectly, certain promises to perform essential managerial efforts on behalf of the enterprise.

(4) The investor reasonably expects profits based on the terms of the agreement itself and statements by the counterparty and its agents, when it is clear from the context that such statements—

(A) are made by or authorized by the enterprise; and

(B) are accessible to the investor.

(5) Profits under paragraph (4) are derived from the entrepreneurial or managerial efforts of the counterparty or its agents on behalf of the enterprise, where such efforts—

(A) are post-sale and essential to the operation or success of the enterprise; and

(B) do not include ministerial, technical, or administrative activities.

(c) FURTHER REQUIREMENTS.—The rule adopted under subsection (a) shall provide that an investment contract shall require an investment in an enterprise, but does not require commonality.

(d) RETENTION OF COMMISSION AUTHORITY.—The Commission shall retain authority to further define the terms used within the investment contract definition adopted under subsection (a), consistent with this section.

(e) PROCEDURE.—Rules adopted by the Commission under subsection (a) shall be adopted pursuant to notice and comment rulemaking, with a public comment period of not less than 180 days.

SEC. 106. EXEMPTIVE AUTHORITY.

(a) CONTINUED APPLICABILITY.—Nothing in this Act, or any amendment made by this Act, may be construed to amend, limit, impair, or otherwise affect the authority of the Commission to grant an exemption pursuant

to any provision of law that is in effect on the day before the date of enactment of this Act, including pursuant to any of the following:

(1) Section 28 of the Securities Act of 1933 (15 U.S.C. 77z–3).

(2) Section 36 of the Securities Exchange Act of 1934 (15 U.S.C. 78mm).

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

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

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

(6) Section 4(g) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78ddd(g)).

(b) GENERAL EXEMPTIVE AUTHORITY.—Section 28 of the Securities Act of 1933 (15 U.S.C. 77z–3) is amended, in the matter preceding to the matter relating to Schedule A—

(1) by striking ''by rule or regulation'' and inserting ''by rule, regulation, or order''; and

(2) by adding at the end the following: ''The Commission shall, by rule or regulation, determine the procedures under which an exemptive order under this section shall be granted and may, in the

sole discretion of the Commission, decline to entertain any application for an order of exemption under this section.''.

SEC. 107. MODERNIZATION OF THE SECURITIES AND EXCHANGE COMMISSION MISSION.

(a) SECURITIES ACT OF 1933.—Section 2(b) of the Securities Act of 1933 (15 U.S.C. 77b(b)) is amended—

(1) in the subsection heading, by inserting ''INNOVATION,'' after ''EFFICIENCY,''; and

(2) by inserting ''innovation,'' after ''efficiency,''.

(b) SECURITIES EXCHANGE ACT OF 1934.—Section 3(f) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(f)) is amended—

(1) in the subsection heading, by inserting ''INNOVATION,'' after ''EFFICIENCY,''; and

(2) by inserting ''innovation,'' after ''efficiency,''.

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

(1) in the subsection heading, by inserting ''INNOVATION,'' after ''EFFICIENCY,''; and

(2) by inserting ''innovation,'' after ''efficiency,''.

(d) INVESTMENT COMPANY ACT OF 1940.—Section 2(c) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(c)) is amended—

(1) in the subsection heading, by inserting ''INNOVATION,'' after ''EFFICIENCY,''; and

(2) by inserting ''innovation,'' after ''efficiency,''.

SEC. 108. MODERNIZATION OF RECORDKEEPING REQUIREMENTS.

(a) IN GENERAL.—For purposes of books and records requirements for brokers, dealers, transfer agents, and national securities exchanges under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), investment advisers under the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.), and investment companies under the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.), a person may consider records from a distributed ledger system.

(b) REVISION OF RULES.—

(1) IN GENERAL.—Not later than 360 days after the date of enactment of this Act, the Commission shall promulgate regulations to modernize the requirements described in subsection (a), including to implement the requirements of that subsection.

(2) TAILORING.—To ensure transparency and accountability, the Commission shall tailor the regulations promulgated under paragraph (1) to what is reasonably necessary in the public interest or for the protection of investors.

SEC. 109. MODERNIZATION OF SECURITIES REGULATIONS FOR DIGITAL ASSET ACTIVITIES.

(a) TAILORING OF EXISTING REQUIREMENTS.—Not later than 360 days after the date of enactment of this Act, the Commission shall amend, rescind, replace, or supplement by rule, order, guidance, exemptive relief, or any other appropriate action (provided such action is consistent with chapter 5 of title 5, United States Code, and other applicable law) each regulation, form, interpretive statement, or other requirement within the jurisdiction of the Commission that is not otherwise amended by this Act (or required to be amended because of a provision of this Act or an amendment made by this Act), to the extent that such provision applies to any digital asset activity, so that the provision is no longer outdated, unnecessary, or unduly burdensome in light of the unique technological characteristics of digital assets, which may include regulatory provisions governing—

(1) the custody and possession or control of digital assets;

(2) transfer agent or recordkeeping obligations;

(3) clearing, settlement, and net-capital or customer protection requirements;

(4) broker-dealer, alternative trading system, and exchange registration or conduct standards (including market access, systems compliance, and trading venue obligations); and

(5) issuer disclosure and ongoing reporting requirements tailored to digital asset securities.

(b) REQUIREMENTS.—In tailoring the provisions to which subsection (a) applies, and in imposing future obligations as those obligations relate to digital assets, the Commission shall ensure that the regulatory obligations applicable to a digital asset activity are not more burdensome (in cost, complexity, or operational constraints) than those applicable to a functionally analogous activity conducted without the use of digital assets that presents a similar risk profile.

(c) RULE OF CONSTRUCTION.—Nothing in this section may be construed to limit the authority of the Commission to pursue fraud, manipulation, or deceptive practices involving digital assets.

TITLE II—PROTECTING AGAINST ILLICIT FINANCE

SEC. 201. DIGITAL ASSET EXAMINATION STANDARDS.

The Secretary of the Treasury, in consultation with Federal functional regulators, as defined in section 509 of the Gramm-Leach-Bliley Act (15 U.S.C. 6809), shall establish a risk-focused examination and review process for financial institutions, as defined in that section, to assess the following relating to digital assets:

(1) The adequacy of reporting obligations and anti-money laundering programs under subsections (g) and (h) of section 5318 of title 31, United States Code, respectively, as applied to the financial institutions.

(2) Compliance of the institutions with anti-money laundering and countering the financing of terrorism requirements under subchapter II of chapter 53 of title 31, United States Code.

SEC. 202. PREVENTING ILLICIT FINANCE THROUGH PARTNERSHIP.

(a) DEFINITIONS.—In this section:

(1) COVERED AGENCY.—The term ''covered agency'' means—

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

(B) the Financial Crimes Enforcement Network; and

(C) the Department of Homeland Security.

(2) DESIGNATED PRIVATE SECTOR ENTITY.—The term ''designated private sector entity'' means a private sector entity designated under subsection (c).

(3) DIRECTOR.—The term ''Director'' means the Director of the Financial Crimes Enforcement Network.

(4) ILLICIT FINANCE VIOLATION.—The term ''illicit finance violation'' means the illicit use of digital assets.

(5) ILLICIT USE.—The term ''illicit use'' includes fraud, darknet marketplace transactions, money laundering, the purchase and sale of illicit goods, sanctions evasion, theft of funds, funding of illegal activities, transactions related to child sexual abuse material, and any other financial transaction involving the proceeds of specified unlawful activity, as defined in section 1956(c) of title 18, United States Code.

(6) MONEY SERVICES BUSINESS.—The term ''money services business'' has the meaning given the term in section 1010.100 of title 31, Code of Federal Regulations (or any corresponding similar regulation).

(7) SECRETARY.—The term ''Secretary'' means the Secretary of Homeland Security.

(b) ESTABLISHMENT OF PROGRAM.—The Attorney General shall establish a pilot program under which covered agencies and designated private sector entities securely share information about potential illicit finance violations and threats and emerging risks relating to illicit finance violations.

(c) DESIGNATION OF PRIVATE SECTOR ENTITIES.—

(1) REQUIRED ACTION.—

(A) INITIAL COMPANIES.—Not later than 90 days after the date of enactment of this Act, the Attorney General, in consultation with the Director and the Secretary, shall designate 10 private sector entities that are money services businesses and 10 private sector entities from the digital asset industry to participate in the pilot program established under subsection (b), if such entities agree to participate in the program.

(B) BIANNUAL REVIEW.—Not less frequently than once every 6 months, the Attorney General, in consultation with the Director and the Secretary, shall review and, as appropriate, replace the private sector entities designated under this paragraph.

(C) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed as—

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

(ii) enabling the Attorney General to select an entity to participate in the pilot program without the consent of such entity.

(2) OPTIONAL DESIGNATION.—In addition to the 20 private sector entities designated under paragraph (1), the Attorney General, in consultation with the Director and the Secretary, may designate 1 or more information sharing and analysis centers to participate in the pilot program.

(d) INFORMATION SHARING WITH PRIVATE SECTOR ENTITIES.—A covered agency that initiates an investigation into a potential illicit finance violation, or identifies a threat or emerging risk relating to an illicit finance vio-

lation, may share with any designated private sector entity such information about the investigation, threat, or emerging risk as the covered agency determines is appropriate.

(e) USE OF INFORMATION BY PRIVATE SECTOR ENTITIES.—Information received by a designated private sector entity under this section may not be used for any purpose other than identifying and reporting on activities that may involve illicit finance violations or threats and emerging risks relating to illicit finance violations.

(f) MEANS OF SHARING INFORMATION.—The covered agencies and designated private sector entities may share information about potential illicit finance violations, or threats and emerging risks relating to illicit finance violations, with each other—

(1) through a portal established by the Attorney General or a similar mechanism determined appropriate by the Attorney General;

(2) through secure email; or

(3) at monthly meetings, which shall be facilitated by the Attorney General.

(g) LIMITATION ON LIABILITY.—A designated private sector entity that transmits, receives, or shares information for the purposes of identifying and reporting activities that may constitute illicit finance violations, or

threats and emerging risks relating to illicit finance violations, shall not be liable to any person for such disclosure or for any failure to provide notice of such disclosure to the person who is the subject of such disclosure or any other person identified in such disclosure.

(h) SUNSET.—The pilot program established under subsection (b) shall terminate on the date that is 5 years after the date of enactment of this Act.

SEC. 203. FINANCIAL TECHNOLOGY PROTECTION.

(a) INDEPENDENT FINANCIAL TECHNOLOGY WORKING GROUP TO COMBAT TERRORISM AND ILLICIT FINANCING.—

(1) ESTABLISHMENT.—There is established the Independent Financial Technology Working Group to Combat Terrorism and Illicit Financing (in this section referred to as the ''Working Group''), which shall consist of the following:

(A) The Secretary of the Treasury, acting through the Under Secretary for Terrorism and Financial Crimes, who shall serve as the chair of the Working Group.

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

(i) The Department of the Treasury.

(ii) The Office of Terrorism and Financial Intelligence.

(iii) The Internal Revenue Service.

(iv) The Department of Justice.

(v) The Federal Bureau of Investigation.

(vi) The Drug Enforcement Administration.

(vii) The Department of Homeland Security.

(viii) The United States Secret Service.

(ix) The Department of State.

(x) The Office of the Director of National Intelligence.

(C) At least 5 individuals appointed by the Under Secretary for Terrorism and Financial Crimes to represent the following:

(i) Digital asset companies.

(ii) Distributed ledger analytics companies.

(iii) Financial institutions.

(iv) Institutions or organizations engaged in research.

(v) Institutions or organizations focused on individual privacy and civil liberties.

(D) Such additional individuals as the Secretary of the Treasury may appoint as necessary to accomplish the duties described in paragraph (2).

(2) DUTIES.—The Working Group shall—

(A) conduct research on terrorist and illicit use of digital assets and other related emerging technologies; and

(B) develop legislative and regulatory proposals to improve anti-money laundering, counter-terrorist, and other counter-illicit financing efforts in the United States.

(3) REPORTS.—

(A) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, and annually for the 3 years thereafter, the Working Group shall submit to the Secretary of the Treasury, the heads of each agency represented in the Working Group pursuant to paragraph (1)(B), and the appropriate congressional committees a report containing the findings and determinations made by the Working Group in

the previous year and any legislative and regulatory proposals developed by the Working Group.

(B) FINAL REPORT.—Before the date on which the Working Group terminates under paragraph (4)(A), the Working Group shall submit to the appropriate congressional committees a final report detailing the findings, recommendations, and activities of the Working Group, including any final results from the research conducted by the Working Group.

(4) SUNSET.—

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

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

(ii) the date on which the Working Group completes any wind-up activities described in subparagraph (B).

(B) AUTHORITY TO WIND UP ACTIVITIES.—If there are ongoing research, proposals, or other related activities of the Working Group ongoing as of the date that is 4 years after the date of enactment of this Act, the Working

Group may temporarily continue working in order to wind-up such activities.

(C) RETURN OF APPROPRIATED FUNDS.—On the date on which the Working Group terminates under subparagraph (A), any unobligated funds appropriated to carry out this subsection shall be transferred to the Treasury.

(b) PREVENTING ROGUE AND FOREIGN ACTORS FROM EVADING SANCTIONS.—

(1) REPORT AND STRATEGY WITH RESPECT TO DIGITAL ASSETS AND OTHER RELATED EMERGING TECHNOLOGIES.—

(A) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the President, acting through the Secretary of the Treasury and in consultation with the head of each agency represented on the Working Group, shall submit to the appropriate congressional committees a report that describes—

(i) the potential uses of digital assets and other related emerging technologies by states, non-state actors, foreign terrorist organizations, and other terrorist groups to evade sanctions, finance terrorism, or launder monetary instruments, and threaten

the national security of the United States; and

(ii) a strategy for the United States to mitigate and prevent the illicit use of digital assets and other related emerging technologies.

(B) FORM OF REPORT; PUBLIC AVAILABILITY.—

(i) IN GENERAL.—The report required by paragraph shall be submitted in unclassified form, but may include a classified annex.

(ii) PUBLIC AVAILABILITY.—The unclassified portion of each report required by subparagraph (A) shall be made available to the public and posted on a publicly accessible website of the Department of the Treasury—

(I) in precompressed, easily downloadable versions, in all appropriate formats; and

(II) in machine-readable format, if applicable.

(C) SOURCES OF INFORMATION.—In preparing the reports required by subparagraph

(A), the President may utilize any credible publication, database, or web-based resource, and any credible information compiled by any government agency, nongovernmental organization, or other entity that is made available to the President.

(2) BRIEFING.—Not later than 2 years after the date of enactment of this Act, the Secretary of the Treasury shall brief the appropriate congressional committees on the implementation of the strategy required by paragraph (1).

(c) DEFINITIONS.—In this section:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ''appropriate congressional committees'' means—

(A) the Committee on Banking, Housing, and Urban Affairs, the Committee on Finance, the Committee on Foreign Relations, the Committee on Homeland Security and Governmental Affairs, the Committee on the Judiciary, and the Select Committee on Intelligence of the Senate; and

(B) the Committee on Financial Services, the Committee on Foreign Affairs, the Committee on Homeland Security, the Committee

on the Judiciary, the Committee on Ways and Means, and the Permanent Select Committee on Intelligence of the House of Representatives.

(2) DIGITAL ASSET.—The term ''digital asset'' means any digital representation of value that is recorded on a cryptographically secured digital ledger or any similar technology.

(3) DISTRIBUTED LEDGER ANALYTICS COMPANY.—The term ''distributed ledger analytics company'' means any business providing software, research, or other services (such as tracing tools, geofencing, transaction screening, the collection of business data, and sanctions screening) that—

(A) support private and public sector investigations and risk management activities; and

(B) involve cryptographically secured distributed ledgers or any similar technology or implementation.

(4) EMERGING TECHNOLOGIES.—The term ''emerging technologies'' means the critical and emerging technology areas listed in the Critical and Emerging Technologies List developed by the Fast Track Action Subcommittee on Critical and Emerg-

ing Technologies of the National Science and Technology Council, including any updates to such list.

(5) FOREIGN TERRORIST ORGANIZATION.—The term ''foreign terrorist organization'' means an organization that is designated as a foreign terrorist organization under section 219 of the Immigration and Nationality Act (8 U.S.C. 1189).

(6) ILLICIT USE.—The term ''illicit use'' includes fraud, darknet marketplace transactions, money laundering, the purchase and sale of illicit goods, sanctions evasion, theft of funds, funding of illegal activities, transactions related to child sexual abuse material, and any other financial transaction involving the proceeds of specified unlawful activity (as defined in section 1956(c) of title 18, United States Code).

(7) TERRORIST.—The term ''terrorist'' includes a person carrying out domestic terrorism or international terrorism (as such terms are defined, respectively, under section 2331 of title 18, United States Code).

SEC. 204. SANCTIONS COMPLIANCE RESPONSIBILITIES OF PAYMENT STABLECOIN ISSUERS.

Not later than 120 days after the date of enactment of this Act, the Secretary of the Treasury shall issue guid-

ance clarifying the sanctions compliance responsibilities and liability of an issuer of a payment stablecoin with respect to downstream transactions relating to the stablecoin that take place after the stablecoin is first provided to a customer of the issuer.

TITLE III—RESPONSIBLE BANKING INNOVATION

SEC. 301. PERMISSIBILITY OF DIGITAL ASSET ACTIVITIES.

(a) DEFINITIONS.—In this section:

(1) FINANCIAL HOLDING COMPANY.—The term ''financial holding company'' has the meaning given the term in section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841).

(2) STATE MEMBER BANK.—The term ''State member bank'' has the meaning given the term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(b) FINANCIAL ACTIVITY.—

(1) IN GENERAL.—A financial holding company may use a digital asset or blockchain system to perform, provide, or deliver any activity, function, product, or service that the financial holding company is otherwise authorized by law to perform, provide, or deliver.

(2) FINANCIAL IN NATURE.—The activities described in subsection (f) are financial in nature for purposes of section 4(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)).

(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to exempt the performance, provision, or delivery by a financial holding company of an activity, function, product, or service from a requirement that would apply if the activity were not performed, provided, or delivered using a digital asset or blockchain system.

(c) NATIONAL BANK ACTIVITY.—

(1) IN GENERAL.—A national bank may use a digital asset or distributed ledger system to perform, provide, or deliver any activity, function, product, or service that the national bank is otherwise authorized by law to perform, provide, or deliver.

(2) BUSINESS OF BANKING.—The activities described in subsection (e) are authorized as part of, or incidental to, the business of banking under the paragraph designated as the ''Seventh'' of section 5136 of the Revised Statutes (12 U.S.C. 24).

(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to exempt the performance, provision, or delivery by a national bank of an

activity, function, product, or service from a requirement that would apply if the activity were not performed, provided, or delivered using a digital asset or distributed ledger system.

(d) INSURED STATE BANKS AND SUBSIDIARIES OF INSURED STATE BANKS.—For purposes of subsections (a) and (d) of section 24 of the Federal Deposit Insurance Act (12 U.S.C. 1831a), the activities authorized for a national bank under subsection (c)(1) shall be permissible for an insured State bank and any subsidiary of an insured State bank to engage in as principal.

(e) STATE MEMBER BANKS.—For purposes of the 13th undesignated paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 330), the activities authorized for a national bank under subsection (c)(1) shall be permissible for a State member bank and any subsidiary of a State member bank to engage in as principal.

(f) AUTHORIZED ACTIVITIES.—The activities described in this subsection are—

(1) providing custodial, fiduciary, or safekeeping services for digital assets;

(2) providing related custodial services for digital assets and distributed ledgers, including staking, facilitating digital asset lending, distributed ledger governance services, and advancing funds for the

purchase of digital assets or in respect of distributions on digital assets, whether as principal or agent;

(3) facilitating customer purchases and sales of digital assets;

(4) making loans collateralized by digital assets;

(5) engaging in payment activities involving digital assets;

(6) holding digital assets as principal or agent for any investment or trading purpose, including to make a market in digital assets;

(7) operating a node on a distributed ledger;

(8) providing self-custodial wallet software;

(9) engaging in derivatives transactions, including related hedging activities, in a manner consistent with section 7.1030 of title 12, Code of Federal Regulations, as in effect as of the date of enactment of this Act;

(10) providing brokerage services, including clearing and execution services, whether alone or in combination with other incidental activities;

(11) facilitating transactions in the secondary market for all types of digital assets on the order of customers as a riskless principal to the extent of engaging in a transaction in which a company, after receiving an order to buy or sell a digital asset from

a customer, purchases or sells the digital asset for its own account to offset a contemporaneous sale to or purchase from the customer;

(12) holding as principal digital assets to the extent incidental to an otherwise permissible activity, which shall include, without limitation, holding digital assets as principal in order to pay fees arising from interactions with a distributed ledger system; and

(13) underwriting, dealing in, or making a market in digital assets.

(g) OTHER REQUIREMENTS.—There shall be no other prior notice or approval requirements to engage in the activities described in subsections (b) through (f) of this section other than those required under the National Bank Act (12 U.S.C. 38 et seq.) or the Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.).

(h) RULE OF CONSTRUCTION.—Nothing in this section may be construed to—

(1) exclude other possible authorized activities that are not listed under subsection (e) or (f); or

(2) imply that inclusion of an activity on the list under subsection (e) or (f) means that the activity is otherwise impermissible.

(i) APPLICATION.—The authorities described in this section shall not apply to non-fungible assets.

SEC. 302. JOINT RULES FOR PORTFOLIO MARGINING DETERMINATIONS.

(a) IN GENERAL.—Not later than 360 days after the date of enactment of this Act, the Commodity Futures Trading Commission and the Commission shall jointly issue rules describing the process for persons registered with either such Commission to seek a joint order or determination with respect to margin, customer protection, segregation, or other requirements as necessary to facilitate portfolio margining of securities (including related extensions of credit), security-based swaps, futures contracts for future delivery, options on futures contracts for future delivery, swaps, and digital commodities, or any subset thereof, in—

(1) a securities account carried by a registered broker or dealer or a security-based swap account carried by a registered security-based swap dealer;

(2) a futures or cleared swap account carried by a registered futures commission merchant;

(3) a swap account carried by a swap dealer; or

(4) a digital commodity account carried by a registered digital commodity broker or digital commodity dealer that is also registered in such other

capacity as is necessary to also carry the other customer or counterparty positions being held in the account.

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

(1) the joint order or determination to be issued only if it is in the public interest and provides for the appropriate protection of customers;

(2) applicants to file a standard application, in a form and manner determined by the Commission and the Commodity Futures Trading Commission, which shall include the information necessary to make the joint order or determination;

(3) the Commission and the Commodity Futures Trading Commission to make a final determination not later than 270 days after the filing of a completed application;

(4) the Commission and the Commodity Futures Trading Commission to consider the public interest of the joint order or determination through the solicitation of public comments; and

(5) the Commission and the Commodity Futures Trading Commission to consult with other relevant foreign or domestic regulators, including the

Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency and State bank supervisors, as appropriate.

SEC. 303. CAPITAL REQUIREMENTS TO ADDRESS NETTING AGREEMENTS.

Not later than 360 days after the date of enactment of this Act, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Chair of the Federal Deposit Insurance Corporation shall develop risk-based and leverage capital requirements for insured depository institutions, depository institution holding companies, and nonbank financial companies supervised by the Board of Governors that address netting agreements that provide for termination and close-out netting across multiple types of financial transactions, consistent with section 302, in the event of the default of a counterparty.

TITLE IV—RESPONSIBLE REGULATORY INNOVATION

SEC. 401. MICRO-INNOVATION SANDBOX.

(a) DEFINITIONS.—In this section:

(1) ELIGIBLE FIRM.—The term ''eligible firm'' means a person that is eligible to participate in the

Sandbox, in accordance with the requirements under this section.

(2) INNOVATIVE.—The term ''innovative'' means new or emerging technology, or new uses of existing technology, that—

(A) provides a financial product, service, business model, or delivery mechanism to the public; and

(B) has no substantially comparable, widely available analogue in common use in the United States.

(3) SANDBOX.—The term ''Sandbox'' means the Micro-Innovation Sandbox established under subsection (b).

(b) ESTABLISHMENT.—Not later than 360 days after the date of enactment of this Act, the Commission shall establish a Micro-Innovation Sandbox to enable eligible firms described in subsection (c) to test innovative activities within the United States, subject to existing Federal statutory anti-fraud prohibitions and the limitations of this section.

(c) ELIGIBLE FIRM.—Any person may participate in the Sandbox upon filing a notice of participation under subsection (e) if the person—

(1) seeks to conduct an eligible innovative activity in the United States; and

(2) is not subject to a bad actor disqualification under the securities laws or State law; and

(3) does not have a criminal conviction for fraud.

(d) ELIGIBLE ACTIVITIES AND ACTIVITY CEILINGS.—

(1) LIST OF ELIGIBLE ACTIVITIES.—The Commission shall maintain and publish a list of eligible innovative activities, which shall be—

(A) updated from time to time based on public comment;

(B) reasonably tailored to include activities that further the purposes of this section; and

(C) sufficiently flexible to accommodate evolving technological developments, including distributed ledger-based products and services.

(2) ACTIVITY CEILINGS.—For each eligible innovative activity, the Commission shall, after public input and consultation, establish customer and monetary ceilings, which—

(A) the Commission may extend on an individual basis, as the Commission determines

may be necessary for the protection of investors or in the public interest; and

(B) shall be designed to permit meaningful market testing while protecting investors and maintaining market integrity.

(e) NOTICE OF PARTICIPATION.—

(1) IN GENERAL.—An eligible firm seeking to participate in the Sandbox shall submit to the Commission a notice that—

(A) describes the proposed innovative activity and the desired outcomes;

(B) identifies the provisions of law from which the firm proposes to be exempt, subject to approval of the Commission, which shall exclude all Federal and State anti-fraud laws;

(C) sets forth how current law presents a significant barrier to the innovative activity;

(D) identifies material risks to investors, customers, or market integrity and how the firm will mitigate those risks; and

(E) certifies that the firm will comply with applicable Federal and State anti-fraud laws.

(2) EFFECTIVE DATE.—A notice that is substantially complete (as provided by rule of the Commission) shall be deemed effective 10 business days

after submission, after which the firm may commence eligible activities in the Sandbox.

(f) DURATION OF PARTICIPATION.—

(1) DURATION.—Except as provided in paragraph (2), an eligible firm may participate in the Sandbox for a period of not more than 2 years, provided that the eligible firm does not exceed the ceilings established under subsection (d)(2).

(2) EXTENSION.—The Commission may extend participation by an eligible firm in the Sandbox by up to 1 additional year (or such other time as the Commission determines may be necessary for the protection of investors or in the public interest) if the eligible firm is actively pursuing permanent rulemaking or exemptive or no-action relief.

(g) CONDITIONS AND ENFORCEMENT.—

(1) CONDITIONS.—An eligible firm shall comply with regulatory conditions approved by the Commission under subsection (e)(1)(B), which shall be consistent with applicable Federal and State anti-fraud laws.

(2) MONITORING.—The Commission shall monitor Sandbox activities and enforce compliance with applicable regulatory conditions, and Federal and State anti-fraud laws.

(h) PUBLIC DISCLOSURE.—Each eligible firm shall post in a prominent location on a public website of the eligible firm the notice of participation submitted under subsection (e)(1), which shall include applicable regulatory conditions under subsection (e)(1)(B).

(i) COMMISSION USE OF DATA.—The Commission shall collect data from Sandbox activities to inform permanent, principles-based regulatory frameworks that promote efficiency, competition, capital formation, and investor protection.

SEC. 402. TREATMENT OF CERTAIN NON-CONTROLLING DEVELOPERS WITH RESPECT TO MONEY TRANSMISSION LAWS.

(a) SHORT TITLE.—This section may be cited as the ''Blockchain Regulatory Certainty Act''.

(b) DEFINITIONS.—In this section:

(1) DEVELOPER OR PROVIDER.—The term ''developer or provider'' means any person or business that creates or publishes software to facilitate the creation of, or provide maintenance to, a distributed ledger, or a service associated with a distributed ledger.

(2) DISTRIBUTED LEDGER SERVICE.—The term ''distributed ledger service'' means any information, transaction, or computing service or system that

provides or enables access to a distributed ledger network by multiple users, including a service or system that enables users to send, receive, exchange, or store digital assets described by distributed ledger networks.

(3) NON-CONTROLLING DEVELOPER OR PROVIDER.—The term ''non-controlling developer or provider'' means a developer or provider of a distributed ledger service that, in the regular course of operations, does not have the legal right or the unilateral and independent ability to control, initiate upon demand, or effectuate transactions involving digital assets to which users are entitled, without the approval, consent, or direction of any other third party.

(c) TREATMENT.—Notwithstanding any other provision of law, a non-controlling developer or provider—

(1) shall not be treated as—

(A) a money transmitter; or

(B) engaged in money transmitting; and

(2) on or after the date of enactment of this Act, shall not be otherwise subject to any registration requirement that is substantially similar to the requirement that applies to money transmitters, as

in effect on the day before the date of enactment of this Act, solely on the basis of—

(A) creating or publishing software to facilitate the creation of, or providing maintenance services to, a distributed ledger or a service associated with a distributed ledger;

(B) providing hardware or software to facilitate a customer's own custody or safekeeping of the customer's digital assets; or

(C) providing infrastructure support to maintain a distributed ledger service.

(d) RULES OF CONSTRUCTION.—Nothing in this section may be construed—

(1) to affect whether a developer or provider of a blockchain service is otherwise subject to classification or treatment as a money transmitter, or as engaged in money transmitting, under applicable Federal or State law, including laws relating to anti-money laundering or countering the financing of terrorism, based on conduct outside the scope of subsection (c);

(2) to affect whether a developer or provider is otherwise subject to classification or treatment as a financial institution under subchapter II of chapter

53 of title 31, United States Code, this Act, or any Act enacted after the date of enactment of this Act;

(3) to limit or expand any law pertaining to intellectual property;

(4) to prevent any State from enforcing any State law that is consistent with this section; or

(5) create a cause of action or impose liability under any State or local law that is inconsistent with this section.

SEC. 403. SELF-CUSTODY.

(a) DEFINITIONS.—In this section:

(1) COVERED USER.—The term ''covered user'' means a person that obtains digital assets to purchase goods or services on that person's own behalf, without regard to the method in which such covered user obtained such digital assets.

(2) SELF-HOSTED WALLET.—The term ''self-hosted wallet'' means a digital interface—

(A) used to secure and transfer digital assets; and

(B) under which the owner of digital assets retains independent control over such assets that is secured by such digital interface.

(b) SELF-CUSTODY.—The head of a Federal agency may not prohibit, restrict, or otherwise impair the ability of a covered user to—

(1) use digital assets for such user's own lawful purposes, such as to purchase real or virtual goods and services for the user's own use; or

(2) self-custody digital assets using a self-hosted wallet or other means to conduct transactions for any lawful purpose.

SEC. 404. INTERNATIONAL COOPERATION.

(a) IN GENERAL.—In order to promote United States leadership in effective, reciprocal, and innovative global regulation of digital assets, and to advance the strategic economic and policy interests of the United States, the Commission, as appropriate—

(1) shall consult and coordinate with foreign regulatory authorities on the application of consistent international standards with respect to the regulation of digital assets;

(2) may enter into such information-sharing arrangements as may be deemed to be necessary or appropriate in the public interest or for the protection of investors, customers, and users of digital assets;

(3) shall pursue reciprocal arrangements with foreign regulatory authorities that ensure United States-based digital asset firms, exchanges, and infrastructure providers receive treatment equivalent to that granted to foreign counterparts operating within the United States;

(4) shall advocate in international fora for the development and adoption of technology-neutral, open standards that preserve lawful access to public blockchain infrastructure, support dollar-denominated digital asset usage, and safeguard individual rights including self-custody and privacy; and

(5) may, as appropriate, engage in, at the least, cooperative enforcement, supervisory coordination, and joint technical assistance, in a manner that promotes responsible innovation in digital financial markets.

(b) CROSS-BORDER SANDBOX.—The Commission may leverage the activities described in paragraphs (1) through (5) of subsection (a) to establish or participate in cross-border regulatory sandboxes that build upon the Micro-Innovation Sandbox described in section 401.

SEC. 405. AUTOMATED REGULATORY COMPLIANCE STUDY.

(a) SENSE OF CONGRESS.—Congress finds that—

(1) distributed ledger technology may make compliance data natively transparent and machine-readable, enabling new forms of ''embedded'' or code-based regulation, such as proof-of-reserves, on-chain audit-trail logging, and anti-money laundering screenings; and

(2) smart-contract functionality can, as of the date of enactment of this Act, automate contractual terms, meaning that embedding selected disclosure and compliance obligations in similar smart-contract code could lower costs, cut lag times, and improve investor protection.

(b) STUDY REQUIRED.—Not later than 2 years after the date of enactment of this Act, the Comptroller General of the United States shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report that—

(1) maps the landscape of existing (as of the date on which the report is submitted) distributed ledger-based compliance tools, including open-source libraries, standard schemas, and smart-contract templates for—

(A) statutory disclosures;

(B) real-time reporting and audit-trail logging; and

(C) anti-money-laundering practices, sanctions screening, and customer-identification checks;

(2) evaluates the feasibility, benefits, and risks of allowing or requiring registrants to satisfy applicable regulatory obligations through on-chain, code-based mechanisms;

(3) assesses interoperability with current (as of the date on which the report is submitted) Commission data collection systems and identifies standards or taxonomies, if any, the Commission could publish to ensure consistency;

(4) analyzes the costs and benefits to issuers of different sizes, secondary-market intermediaries, investors, and other applicable parties;

(5) recommends pilot programs, guidance, or rule changes, and specifies any statutory amendments, needed to implement automated compliance; and

(6) benchmarks international efforts and consults with any appropriate State, Federal, or foreign regulators.

SEC. 406. REPORT ON LEGISLATIVE RECOMMENDATIONS.

(a) DEFINITIONS.—In this section:

(1) APPROPRIATE COMMITTEES OF CONGRESS.—The term ''appropriate committees of Congress'' means—

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

(B) the Committee on Agriculture, Nutrition, and Forestry of the Senate;

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

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

(2) FEDERAL FINANCIAL REGULATOR.—The term ''Federal financial regulator'' means—

(A) the Board of Governors of the Federal Reserve System;

(B) the Commodity Futures Trading Commission;

(C) the Department of the Treasury;

(D) the Federal Deposit Insurance Corporation;

(E) the Federal Housing Finance Agency;

(F) the National Credit Union Administration;

(G) the Office of the Comptroller of the Currency;

(H) the Bureau of Consumer Financial Protection; and

(I) the Commission.

(b) REQUIREMENT.—Not later than 1 year after the date of enactment of this Act, and every 3 years thereafter for a total of not fewer than 12 years after the date of enactment of this Act, each Federal financial regulator shall submit to the appropriate committees of Congress a report that includes—

(1) a description of the implementation of this Act and the amendments made by this Act (including the adoption of rules and guidance, and the approval or rejection of applications submitted, under this Act and the amendments made by this Act), where applicable to the Federal financial regulator; and

(2) any legislative recommendations for the further effective implementation of this Act and the amendments made by this Act.