UNITED STATES SENATE COMMITTEE ON BANKING, HOUSING & URBAN AFFAIRS

U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

SECTION-BY-SECTION

Digital Asset Market Clarity Act

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

TITLE I – RESPONSIBLE SECURITIES INNOVATION

> This Title generally allocates jurisdiction over digital assets between the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) and imposes regulatory obligations for digital asset activities within the SEC's jurisdiction.

Sec. 10001 – Definitions

Sec. 10101 – Short Title

Sec. 10102 – Disclosure Requirements for Certain Transactions Involving Ancillary Assets

- Defines ancillary assets as network tokens, the value of which are dependent upon entrepreneurial or managerial efforts.
- Requires initial and semiannual disclosures for certain transactions involving ancillary assets and treats the tokens themselves as commodities.
- Creates a rebuttable presumption that a network token is an ancillary asset, unless the originator of that network token, or a digital asset intermediary, submits to the Commission a completed written certification, supported by reasonable evidence, as defined by the Commission, sufficient to demonstrate that the network token is not an ancillary asset.
- When a digital asset intermediary submits a certification, it must conduct a reasonable inquiry into the originator's recent and anticipated entrepreneurial or managerial efforts. The originator generally must also certify that it does not possess relevant material nonpublic information, unless the intermediary reasonably determines that the originator cannot provide the certification.
- Allows ancillary asset originators or a digital asset intermediary to certify that entrepreneurial or managerial efforts have ended, and that SEC disclosures are no longer required.

Sec. 10103 – Exemption and Rulemaking for Certain Transactions Involving Ancillary Assets

- Provides an exemption from SEC registration, called Regulation Crypto, for ancillary assets that are offered, sold, or distributed in connection with an investment contract.
- The exemption allows companies to raise money from everyday investors, without having to comply with the full suite of burdensome securities law requirements that public companies must comply with.
- A company can rely on Regulation Crypto to raise the greater of (1) $50 million per calendar year for a period of four years or (2) 10% of the total dollar value of ancillary assets that are outstanding. An ancillary asset originator may not raise more than $200 million in gross proceeds in reliance on Regulation Crypto.
- To rely on Regulation Crypto, the company must comply with the initial and semi-annual disclosure requirements described in Section 10102.

Sec. 10104 – Special Disposition Restrictions by Related Persons

- Includes limitations on the amount of ancillary assets that company insiders are allowed to resell to the public over a 12-month period. These restrictions are designed to protect investors by, among other things, reducing the risk of market manipulation or insider trading.
- They also prevent insiders from flooding the market with (or dumping) their ancillary assets, which can artificially lower their price. It clarifies that decentralized governance systems (like DAOs) are not treated as a single person or group under common control, and that routine or administrative actions by those systems (even when carried out by individuals) do not, by themselves, mean a network is centrally controlled.
- Specifies that pre-defined, transparent, and limited cybersecurity emergency measures—if not dominated by any single actor—do not constitute coordinated control.

Sec. 10105 – Characteristics of Network Tokens

- Requires the SEC to adopt rules that provide that a network token shall not be considered as providing a disqualifying financial right where the market value of the asset is primarily derived or reasonably expected to be primarily derived from a distributed ledger system.
- Prevents the SEC from determining that a digital asset is a security if, prior to enactment, a US court determined (in a non-appealable judgment) that the digital asset was not a security.

Sec. 10106 – Exemptive Authority

- Preserves the SEC's exemptive authority, allowing the SEC to continue providing tailored relief from certain securities law requirements for certain persons, securities, or transactions.

Sec. 10107 – Modernization of Recordkeeping Requirements

- Requires the SEC to adopt rules that update its books and records requirements to allow for records from a distributed ledger system.

Sec. 10108 – Modernization of Securities Regulations for Digital Asset Activities

- Requires the SEC to update its rules to account for digital asset activities and ensure that the rules governing digital asset activities are not outdated, unnecessary, or unduly burdensome.
- Preempts certain state securities law requirements but preserves state anti-fraud authorities.

Sec. 10109 – Insider Trading with Respect to Ancillary Asset Transactions

- Preserves existing federal insider trading laws for securities transactions involving ancillary assets.

Sec. 10110 – Securities Investor Protection Corporation Applicability

- Clarifies that the term "security" does not include "digital commodity" for purposes of the Securities Investor Protection Act (SIPA).

Sec. 10111 – Investor and Consumer Protection Enforcement

- Preserves existing federal and state anti-fraud, consumer protection, and enforcement authorities, ensuring that regulators and private parties retain existing authorities to combat fraud and deceptive practices.

TITLE II – PROTECTING AGAINST ILLICIT FINANCE

> This Title addresses concerns relating to illicit finance in the digital asset ecosystem.

Sec. 10201 – Treatment Under the Bank Secrecy Act and Sanctions Laws

- Requires digital commodity brokers, digital commodity dealers, and digital commodity exchanges to be treated as financial institutions for purposes of the Bank Secrecy Act, which requires anti-money laundering programs, customer identification, and customer due diligence.

Sec. 10202 – Digital Asset Examination Standards

- Requires the Secretary of the Treasury, in consultation with the federal bank regulators, to establish risk-based examination standards for financial institutions to assess the adequacy of reporting obligations and anti-money laundering programs, as well as compliance with anti-money laundering and terrorism finance requirements, relating to digital assets.

Sec. 10203 – Preventing Illicit Finance Through Partnership Act

- Establishes a pilot program, allowing private sector entities to partner with federal law enforcement to share information about potential illicit finance violations and emerging illicit finance threats and risks.

Sec. 10204 – Financial Technology Protection Act

- Establishes an Independent Financial Technology Working Group to Combat Terrorism and Illicit Finance (the "Working Group"), which is comprised of the Secretary of the Treasury, senior-level representatives from agencies such as the Department of Justice and FBI, and individuals from the private sector. The Working Group is designed to conduct research on terrorist and illicit use of digital assets. It is required to develop proposals to improve anti-money laundering and other counter-illicit financing efforts in the US.

Sec. 10205 – Digital Asset Kiosks

- Creates a regulatory framework and federal floor for cryptocurrency ATMs, which includes ample fraud prevention measures, transaction limits for new customers, and the mandatory creation of a customer service helpline.

Sec. 10206 – Study on Illicit Use of Digital Assets

- Requires Treasury, in consultation with DOJ, to complete a one-year review and follow-on report to Congress on how foreign terrorist organizations and transnational criminal syndicates use digital assets for illicit activities, including recommendations to help the SEC and CFTC tighten compliance and enforcement for registered digital asset entities.

TITLE III – RESPONSIBLE INNOVATION IN DECENTRALIZED FINANCE

> This title addresses regulatory, illicit-finance, cybersecurity, and financial-stability issues involving decentralized finance.

Sec. 10301 – Rulemaking on Application of Existing Securities Intermediary Requirements and Existing Bank Secrecy Act Requirements to Non-Decentralized Finance Trading Protocols

- Defines when a DeFi trading protocol is considered “non-decentralized,” focusing on control, discretion, or the ability to alter or censor protocol operations.
- It also clarifies that decentralized governance systems alone do not constitute a person or group of persons controlling a protocol.
- Directs the SEC, in consultation with Treasury, to adopt tailored rules clarifying how persons controlling non-decentralized protocols must comply with existing securities intermediary requirements.
- Provides that, where Exchange Act registration is required, and such registrant is a financial institution, applicable Bank Secrecy Act AML and CFT obligations apply under existing Treasury authority on an activity-based basis.

Sec. 10302 – Illicit Finance Obligations for Distributed Ledger Messaging Systems

- Defines a “distributed ledger messaging system” as a web-hosted front-end that lets users send instructions to a blockchain app or DeFi protocol, while expressly excluding the protocol, nodes, wallets, and other core infrastructure components themselves.
- Directs the Treasury Department to publish sanctions and AML/CFT guidance for US-person-owned or operated “front ends.”

Sec. 10303 – Special Measure Relating to Certain Transmittals of Funds

- Creates a new “special measure” that lets Treasury prohibit or place conditions on certain fund transfers by US financial institutions when those transfers involve foreign jurisdictions, institutions, or transaction types that Treasury has designated as a primary money laundering concern involving digital assets.

Sec. 10304 – Offshore Stablecoin Report

- Creates a recurring Treasury report on whether offshore stablecoins that depend on U.S. Treasuries and are used at scale pose significant illicit finance threats or vulnerabilities, with the report shared with Congress and posted publicly.
- Requires each report to assess the illicit finance risk of each such offshore stablecoin, evaluate the issuers’ controls, provide data on illicit finance volumes and linkages to the U.S. financial system, and include any other relevant analysis Treasury considers important.

Sec. 10305 – Temporary Hold for Certain Digital Asset Transactions

- Creates a safe harbor so permitted payment stablecoin issuers and digital asset service providers can voluntarily place short "temporary holds" on suspicious digital asset transactions, including when requested in writing by law enforcement, without facing federal or state private lawsuits if they act in good faith and follow notice and recordkeeping conditions.
- Requires those firms to keep three years of documentation about each hold and to notify customers and law enforcement (or the FTC) as appropriate, while clarifying they are not required to impose holds, do not gain or lose any other legal obligations, and that existing SARs, seizure, and sanctions authorities remain fully in force.

Sec. 10306 – Voluntary Cybersecurity Program for Decentralized Finance Trading Protocols

- Creates a voluntary NIST-run cybersecurity program for DeFi trading protocols and related activities, under which developers can apply to have their protocols evaluated against NIST cybersecurity, audit, and code-transparency standards and best practices.
- Requires NIST to develop those DeFi-specific standards and criteria through public input, issue, and periodically update a Special Publication describing best practices, and then determine whether individual protocols or activities comply with those standards.
- Allows compliant projects to publicly display a NIST-issued seal or designation and directs federal agencies to treat participation and adoption of these standards as evidence of goodfaith legal compliance, while making clear that the program does not preempt state law.

Sec. 10307 – Amendments to Monetary Instrument Definition

- Amends the Bank Secrecy Act definition of monetary instrument to include digital assets, as may be applicable.
- Authorizes Treasury to issue guidance for financial institutions dealing with self-hosted wallets, while specifying that such guidance cannot generally require collecting personally identifiable information (PII) on the controller of a self-hosted wallet who is not the institution's customer or transaction counterparty and cannot limit existing federal enforcement powers.

Sec. 10308 – Risk Management Standards for Digital Asset Intermediaries

- Requires digital asset intermediaries, before routing or conducting trading activity through a DeFi trading protocol, to put in place robust risk management programs that analyze and mitigate moneylaundering, sanctions evasion, fraud, market manipulation, and operational/cyber risks, including customer-facing plain language disclosures and tools (such as blockchain analytics) to detect and respond to those risks.
- Directs the SEC, CFTC, Treasury, FinCEN, and OFAC to implement and enforce these standards through tailored rulemakings and examinations, with Treasury handling the AML/sanctions components and the market regulators (SEC, CFTC) handling the rest, while preserving all existing enforcement authorities.

Sec. 10309 – Study on Digital Asset Mixers and Tumblers

- Requires the Secretary of the Treasury to submit to Congress a detailed report on digital asset mixers and tumblers, including how they work, how much and what share of their use is illicit versus legitimate, how exposed exchanges and banks are, how other countries regulate them, and what new laws or rules Treasury recommends.

Sec. 10310 – GAO Study on Intermediaries in Foreign Jurisdictions

- Requires the Comptroller General, in consultation with Treasury, to study and report within one year on the risks posed by foreign digital asset intermediaries in lightly regulated jurisdictions that serve U.S. persons, and to recommend any regulatory or legislative responses.

Sec. 10311 – Studies on Foreign Adversary Activities

- Requires both Treasury and the GAO to study and report to key congressional committees on digital asset intermediaries tied to foreign adversaries, including whether those governments are collecting U.S. trading data or stealing intermediaries' intellectual property, with the option to include classified annexes.

Sec. 10312 – Treasury Study on Cybersecurity Standards

- Requires Treasury, working with CISA, NSA, and NIST, to study cybersecurity standards for digital asset smart contracts, custody, key management, and deployment, and within one year submit a report to Congress with findings and any legislative recommendations, optionally including a classified annex.

Sec. 10313 – Studies on Financial Stability Risks of Decentralized Finance Trading and Credit in Digital Commodity Markets

- Requires Treasury, the Fed, the SEC, and the CFTC to study how DeFi protocols function in the financial system, with reports to Congress that sunset after four iterations.

TITLE IV – RESPONSIBLE BANKING INNOVATION

> This Title addresses the intersection of banking and digital assets, as well as yield paid on stablecoins.

Sec. 10401 – Permissibility of Digital Asset Activities

- Amends the Bank Holding Company Act, National Bank Act, and other banking laws to clarify that financial holding companies, national banks, state banks, and certain credit unions can use digital assets and blockchain technology for any activity they're already allowed to do, like payments, lending, custody, and trading.

Sec. 10402 – Joint Rules for Portfolio Margining Determinations

- Requires the SEC and CFTC to jointly issue rules enabling portfolio margining across securities, swaps, futures, and digital commodity accounts held by registered dealers, FCMs, or brokers. This allows for combined risk management for multiple asset types within the same account.

Sec. 10403 – Capital Requirements to Address Netting Agreements

- Directs the federal banking regulators to set capital requirements for banks and bank holding companies that cover the risks of cross-product netting agreements, which are contracts that allow firms to combine and offset certain exposures if a counterparty defaults.

Sec. 10404 – Prohibiting Interest and Yield on Payment Stablecoins

- Prohibits covered parties (digital asset service providers and affiliates) from paying interest or yield in any form—cash, tokens, or other consideration—to U.S. customers solely for holding payment stablecoins or in a manner economically equivalent to interest on a bank deposit.
- Carves out activity-based and transaction-based rewards tied to actual activities like transactions, providing liquidity, staking, governance participation, or loyalty programs, as long as these aren't economically equivalent to deposit interest; these rewards can be calculated by reference to balance or duration.
- Prohibits covered parties from representing that stablecoins are FDIC-insured deposits, government-backed, or investment products, and requires clear, conspicuous disclosures in plain English about any compensation programs.
- Imposes civil monetary penalties up to $5 million per violation for knowingly and willfully violating the prohibition, marketing restrictions, or disclosure requirements, with enforcement by Treasury and mandatory referral from SEC or CFTC.
- Requires joint rulemaking within one year by SEC, CFTC, and Treasury to clarify the prohibition and permissible rewards, and a Congressional report within two years analyzing stablecoin adoption's effects on bank deposits, credit access, Treasury yields, and dollar dominance.
- Creates new “circuit-breaker” rulemaking authority for the Treasury Secretary to take action if there is deposit flight detrimental to community banks.

Sec. 10405 – Expanded Securities Portfolio Margin Accounts Under the Securities Investor Protection Act of 1970

- Establishes an "expanded securities portfolio margin account" that allows broker-dealers to hold securities, digital commodities, and certain derivatives in a single risk-based, portfolio-margin account.
- Directs the SEC and CFTC, in consultation with SIPC and Treasury, to jointly issue customer protection and account treatment rules before these accounts can be offered, while clarifying that SIPC insurance does not cover digital commodity or swap positions.

TITLE V – RESPONSIBLE REGULATORY INNOVATION

> This Title creates programs, studies, and offices, so market participants can work together with regulators to test, coordinate, and modernize rules for digital assets and new financial technologies.

Sec. 10501 – CFTC-SEC Micro-Innovation Sandbox

- Establishes a CFTC-SEC micro-innovation sandbox where eligible firms can test innovative financial products with oversight and safeguards for investors, for up to two years, with the possibility of extension.

Sec. 10502 – International Cooperation

- Directs the SEC and CFTC to cooperate with foreign regulators and international bodies, including sharing information with international regulators and advocating for technology-neutral standards, as well as establishing cross-border regulatory sandboxes for digital assets.

Sec. 10503 – Automated Regulatory Compliance Study

- Requires a report to Congress on how blockchain technology and smart contracts can automate regulatory compliance.

Sec. 10504 – Report on Legislative Recommendations

- Requires financial regulators to submit recurring reports to congressional committees, including the Senate Banking Committee, describing their implementation of the Act and offering legislative recommendations for improvements.

Sec. 10505 – Tokenization of Securities

- Explicitly states that tokenized securities are still securities for regulatory purposes.
- Requires the SEC to study the regulatory treatment of tokenized securities, including custody standards, interagency coordination, cross-border coordination, and consumer protection.
- Provides that tokenized securities generally receive the same regulatory treatment as the securities they represent, subject to applicable SEC authority.

Sec. 10506 – Voluntary Adoption of National Institute of Standards and Technology Post-Quantum Cryptography Standards

- Promotes the voluntary adoption of NIST cryptographic standards.

Sec. 10507 – International Coordination to Combat Digital Asset Illicit Finance

- Establishes a Treasury-led interagency initiative to coordinate with foreign governments and institutions to combat the misuse of digital assets for illicit finance, sanctions evasion, and terrorist financing, and requires the development of a National Strategy and annual reports to Congress on international efforts, risks, and standards for digital asset AML/CFT compliance.

Sec. 10508 – Annual Report on Foreign Digital Asset Trading Volume, Compliance with United States Standards and Remediation Actions

- Requires the Treasury Department to submit an annual report to Congress identifying the top foreign jurisdictions by digital asset trading volume, assessing each jurisdiction's compliance with U.S.–aligned anti–money laundering, sanctions evasion, and counter terrorist financing standards, and detailing U.S. diplomatic or enforcement actions to address deficiencies and high-risk jurisdictions that pose illicit finance threats.

Sec. 10509 – AI Innovation Labs

- Establishes regulatory innovation labs for AI test projects at the Federal Reserve, the Office of Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Consumer Financial Protection Bureau (CFPB), the National Credit Union Administration (NCUA), and the Federal Housing Finance Agency (FHFA).
- Regulated entities would apply through their primary regulator and must be able to demonstrate the project will serve the public interest, enhance efficiency, or increase competitiveness and not present a systemic risk to the financial system.

TITLE VI – PROTECTING SOFTWARE DEVELOPERS AND SOFTWARE INNOVATION

This Title protects software developers and digital asset innovation by creating safe harbors from securities laws and protecting against regulatory overreach for new and emerging technologies.

Sec. 10601 – Protecting Software Developers

- Protects software developers and network participants in decentralized finance from federal and state securities laws for compiling network transactions, providing computational work for distributed ledgers, or other activities related solely to software development.
- Directs the SEC to conduct a rulemaking to clarify when the securities laws apply to decentralized finance trading protocols if they are engaging in activities directly involving securities.

Sec. 10602 – Safe Harbor for Nonfungible Tokens

- Creates a safe harbor for non-fungible tokens (NFTs) by explicitly stating that these projects are exempt from securities laws unless they involve an investment contract.

Sec. 10603 – Study on Nonfungible Tokens

- Directs the Government Accountability Office to conduct a comprehensive study on NFTs, analyzing their size, uses, technical features, risks, and benefits, among other things.

Sec. 10604 – Blockchain Regulatory Certainty Act

- Exempts non-controlling blockchain developers and providers of distributed-ledger services from being classified as money transmitters or financial institutions under the Bank Secrecy Act, or subject to money transmission registration requirements, solely for publishing software, enabling customer self-custody, or providing infrastructure support.

Sec. 10605 – Keep Your Coins Act

- States that federal agencies cannot prohibit, restrict, or impair the ability of someone to use a self-hosted wallet to custody their own digital assets.
- Preserves the authority of Treasury, the SEC, the CFTC, banking regulators, and other federal agencies to enforce existing laws related to illicit finance, money laundering, terrorism financing, and sanctions.

TITLE VII – PROTECTING CUSTOMER PROPERTY

This Title lays out a bankruptcy regime for ancillary assets and digital commodities.

Sec. 10701 – Customer Property Protections for Ancillary Assets and Digital Commodities in Bankruptcy

- Defines ancillary assets and digital commodities as customer property under Chapter 7 (liquidation) of the bankruptcy code, which means they are treated like other commodities and securities in a bankruptcy proceeding.

Sec. 10702 – Insolvency Safe Harbor

- Creates a bankruptcy safe harbor for digital commodity transactions by deeming them commodity contracts under federal law, allowing counterparties to close out positions and access collateral outside of standard bankruptcy proceedings, mirroring protections that already exist for conventional derivatives and securities.

TITLE VIII – CUSTOMER PROTECTION

> This Title focuses on customer protection in digital asset markets.

Sec. 10801 – Educational Materials

- Requires the SEC and CFTC to make digital asset intermediaries give the public clear educational materials explaining how distributed ledgers work, key digital asset risks, differences from traditional markets, relevant reporting and disclosure rules related to digital asset transactions and securities, and how to spot and report fraud.

Sec. 10802 – Savings Clauses

- Defines Digital Consumer Token and Non-Fungible Token (NFT) and clarifies that nothing in this title cuts back the FTC's authority over unfair or deceptive practices, best-practice guidance, consumer education, or antitrust enforcement in NFT and digital consumer token markets.

Sec. 10803 – Study on Expanding Financial Literacy

- Directs the SEC and CFTC to study retail customers' digital asset financial literacy, evaluate and coordinate financial education efforts (including for rural and majority minority communities), identify effective content and delivery methods, and develop a strategy with measurable goals to improve literacy.
- Requires the agencies, within one year, to submit a joint report on that study to the relevant Senate Banking and Agriculture Committees and House Financial Services and Agriculture Committees.

Sec. 10804 – Consultation with SIPC Regarding Mandatory Broker-Dealer Disclosures to Investors Concerning the Status of Payment Stablecoins and Digital Commodities

- Directs the SEC, within 270 days, to issue rules requiring broker-dealers to provide written disclosures to investors about how digital commodities, payment stablecoins, and a security would be treated if the broker-dealer enters insolvency, resolution, or liquidation.
- Requires the SEC to consult with the CFTC and the Securities Investor Protection Corporation when developing these disclosure rules.
- Mandates disclosures be provided before a broker-dealer receives, acquires, or holds covered digital assets for an investor, and updated on an ongoing basis as prescribed by the SEC.
- Requires disclosures to explain how these assets are treated under Dodd-Frank Title II, SIPA, and the Bankruptcy Code.

TITLE IX – LAW ENFORCEMENT TOOLS

This title provides tools for law enforcement at all levels to help combat illicit finance and stop fraud in the digital assets space.

Sec. 10901 – Guarding Unprotected Aging Retirees from Deception

- Authorizes existing federal law enforcement grant funds to be used to investigate elder financial fraud, pig butchering, and other financial scams, including scams involving digital assets, giving state and local law enforcement greater flexibility to dedicate resources to these investigations.

Sec. 10902 – Grant Program for State and Local Digital Asset Enforcement Capabilities

- Expands Byrne Justice Assistance Grants (JAG) funding to support state and local investigations of digital asset-related crime, including the purchase of blockchain analytics tools and other technologies.

Sec. 10903 – Digital Asset Law Enforcement and National Security Training Program

- Creates a training program that educates federal, state, local, and tribal law enforcement, prosecutors, and regulators on conducting digital asset investigations, disrupting illicit finance, and identifying national security threats.

Sec. 10904 – Establishment of a Digital Asset Cyber Innovation Center

- Establishes a Digital Asset Cyber Innovation Center that counters state-actor threats (like North Korea and Iran) to digital assets, coordinates cyber threat response and stolen fund recovery across federal agencies and the private sector, promotes real-time public-private information sharing and a white-hat rewards program, and drives digital asset security standards.

Sec. 10905 – Strengthening Agency Frameworks for Enforcement of Cryptocurrency

- Establishes a public-private task force between federal agencies and the private sector to coordinate identifying and combating cryptocurrency fraud.

Sec. 10906 – Compliance with Lawful Orders Requiring Reissuance

- Requires permitted payment stablecoin issuers to reissue stablecoins, as appropriate, when a lawful order requires existing stablecoins to be seized, frozen, or burned.

TITLE X – OTHER MATTERS

This Title increases collaboration between the SEC and CFTC, establishes timelines for rulemakings, and establishes an effective date for this Act.

Sec. 11001 – Joint Advisory Committee on Digital Assets

- Creates a joint advisory committee on digital assets, made up of SEC and CFTC appointees, along with industry, academic, and user representatives, to study digital asset issues and provide nonbinding recommendations to harmonize regulations.
- Requires SEC and CFTC to formally review and respond to the Committee's findings.

Sec. 11002 – Memorandum of Understanding

- Requires the SEC and CFTC to enter into a memorandum of understanding to coordinate supervision, enforcement, and information sharing for shared or overlapping registrants.
- Clarifies that the SEC retains anti-fraud and anti-manipulation authority, including insider trading, while the CFTC retains market integrity authority over commodities markets.

Sec. 11003 – FinCEN Appropriations

- Authorizes an appropriation of $30,000,000 per year for the first five years following the enactment of this Act.
- Authorizes the Director of FinCEN to pay a 20% premium to attract highly qualified candidates to work at FinCEN.

Sec. 11004 – Technical Corrections to the GENIUS Act

- Amends the GENIUS Act to make technical and conforming corrections.

Sec. 11005 – Rulemakings

- Establishes that each regulator shall adopt rules to carry out this Act within 1 year of enactment through appropriate notice and comment rulemaking.

DIVISION B — DIGITAL COMMODITY INTERMEDIARIES ACT

TITLE XI – DEFINITIONS; RULEMAKING

> This Title establishes clear definitions and pathways for digital commodity spot market intermediary registration with the CFTC.

Sec. 20101 – Definitions Under the Commodity Exchange Act

- Provides for definitions under the Commodity Exchange Act.

Sec. 20102 – Definitions under this Division

- Provides for definitions under Division B.

Sec. 20103 – Rulemakings

- Provides for several rulemakings by the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC), including a joint rulemaking related to the oversight of dually registered intermediaries.
- Requires the CFTC to promulgate rules regarding conflicts of interest, the extension of credit on digital assets, and ancillary asset manipulation.

Sec. 20104 – Notice of Intent to Register for Digital Commodity Exchanges, Brokers, and Dealers

- Permits a digital commodity exchange (DCE), digital commodity broker (DCB), or a digital commodity dealer (DCD) to file a notice of intent to register with the CFTC. The filer must submit information regarding its operations to the Commission, submit to inspection by the Commission, provide risk disclosures to customers, and segregate customer assets. Filing a notice does not limit the authority of the CFTC or SEC to bring anti-fraud or anti-manipulation enforcement actions or to require a filer to delist a digital asset.

Sec. 20105 – Commodity Exchange Act Savings Provisions

- States that nothing in this Act shall apply to any agreement, contract, or transaction that is subject to regulation under the Commodity Exchange Act (including a futures contract, an option on a futures contract, a swap, a securities futures product, and certain leveraged transactions).
- Clarifies that registration as a DCE, DCB, or DCD does not authorize a person to engage in the aforementioned activities.

Sec. 20106 – Administrative Requirements

- Expands the provisions in the Commodity Exchange Act regarding the improper use of nonpublic information by government employees to include the trading of digital commodities.

Sec. 20107 – Implementation

- Requires the CFTC and the SEC to promulgate all rules required by the Act no later than 360 days after enactment of the Act, unless another timeframe is specified.
- Provides a sense of Congress that, prior to implementation, the Commission will be fully constituted and appropriately staffed to carry out the enacted regulatory regime.

Sec. 20108 – Sense of Congress

- Articulates the sense of Congress that nothing in this Act or any amendment made by this Act should be interpreted to authorize any entity to regulate any commodity, other than a digital commodity, on any spot market.

Sec. 20109 – Federal Preemption

- Provides that the CFTC shall have exclusive jurisdiction over the activities and transactions of registered entities subject to regulation under Division B.
- Preserves the authority of State and local agencies to protect their residents against fraud, deceit, and manipulation involving digital commodities.

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

> This Title establishes the CFTC's authority to regulate the spot digital commodity market and clarifies the regulatory requirements for spot digital commodity exchanges, brokers, dealers, and custodians.

Sec. 20201 – Commission Jurisdiction Over Digital Commodity Transactions

- Sets out the new authority of the CFTC over certain transactions in digital commodities. Specifically, the section provides the CFTC with exclusive regulatory jurisdiction over digital commodity cash or spot markets that occur on or with entities required to be registered with the CFTC: digital commodity exchanges (DCE), digital commodity brokers (DCB), and digital commodity dealers (DCD).
- Complements the CFTC's existing anti-fraud and anti-manipulation authority over all cash or spot market commodity transactions, including cash or spot market transactions in digital commodities.
- Provides the CFTC with authority over transactions with or involving a permitted payment stablecoin that occurs on or through an entity registered with the CFTC.
- Prohibits the CFTC from regulating the operations of any permitted payment stablecoin issuer or any permitted payment stablecoin.

Sec. 20202 – Requiring Futures Commission Merchants to use Qualified Digital Commodity Custodian

- Requires futures commission merchants to hold customers' digital assets in a qualified digital commodity custodian.

Sec. 20203 – Trading Certification and Approval for Digital Commodities

- Establishes the process by which a registered entity may determine that a digital commodity is eligible to be traded on or through the registered entity.
- Requires a registered entity to submit a certification to the CFTC that the digital commodity meets the requirements of the Commodity Exchange Act, including the listing requirements under section 20204 of this Act. The CFTC then has up to 80 days to review the certification for its accuracy, completeness, and veracity.
- Provides that a DCE, DCB, or DCD applying for CFTC registration may seek prior approval to list or offer certain digital commodities when registered with the CFTC.

Sec. 20204 – Registration and Regulation of Digital Commodity Exchanges

- Provides for the registration and regulation of DCEs. Registered DCEs must comply with core principles that include listing standards, trade surveillance, financial resources, conflicts of interest, reporting, and system safeguards. Subject to the core principles, DCEs are allowed to list only those digital commodities for which public disclosures regarding source code, transaction history, and digital asset economics are made.
- Requires DCEs to be subject to comprehensive requirements to segregate customer funds, provide risk-appropriate disclosures to retail customers, and designate a chief compliance officer.
- Requires DCEs that accept customer funds to hold those funds in a qualified digital asset custodian (QDAC).
- Prevents DCE or affiliate of the exchange to act as a counterparty to any transaction on the exchange, except in limited circumstances. A DCE customer may elect, in writing, to participate in any distributed ledger services facilitated by the exchange, such as staking, subject to the requirements and limitations imposed by the CFTC. A customer's access to the exchange is not permitted to be conditioned on the customer's election to participate in distributed ledger services.

Sec. 20205 – Registration and Regulation of Qualified Digital Asset Custodians

- Establishes the requirements for QDACs. A QDAC is required to be regulated by a federal, state, or foreign authority and subject to adequate supervision and appropriate regulation for digital asset custodial activities.
- Provides the CFTC authority to further define minimum standards for adequate supervision and appropriate regulation for state and foreign custodians, and to provide rules for CFTC registered entities to custody digital assets.

Sec. 20206 – Registration and Regulation of Digital Commodity Brokers and Dealers

- Creates a comprehensive federal regulatory framework under the Commodity Exchange Act for the registration, oversight, and supervision of DCBs and DCDs.
- Requires these firms to register with the CFTC, meet capital and risk management requirements, and comply with recordkeeping, reporting, business conduct, and customer protection standards.
- Requires DCBs and DCDs to be members of a registered futures association and comply with any additional rules they may impose.
- Requires customer funds held by a DCB or DCD to be subject to comprehensive segregation and commingling restrictions. Customer digital assets are also required to be held in a QDAC.
- Allows a customer of a DCB or DCD to elect, in writing, to participate in any distributed ledger services facilitated by the DCB or DCD, such as staking, subject to the requirements and limitations imposed by the CFTC. A DCB or DCD may not condition a customer's access to their services on the customer's election to participate in distributed ledger services.

Sec. 20207 – Registration and Regulation of Associated Persons

- Requires associated persons of DCBs, DCDs, digital commodity pool operators (DCPOs), and digital commodity trading advisors (DCTAs) to register with the CFTC under this Act and makes it unlawful for a DCB, DCD, DCPO, or DCTA to permit a person to become or remain an associated person if the DCB, DCD, DCPO, or DCTA knew or should have known that the person was not registered with the CFTC or their registration was expired, suspended, or revoked.

Sec. 20208 – Registration and Regulation of Digital Commodity Pool Operators and Digital Commodity Trading Advisors

- Provides for the registration and regulation of DCPOs and DCTAs.
- Requires the CFTC to issue rules providing exemptions for DCPOs and DCTAs to provide relief from duplicative, conflicting, or unduly burdensome requirements or to promote innovation if those exemptions foster the development of fair and orderly markets, are in the public interest, and are consistent with the protection of customers.

Sec. 20209 – Software Developer Protections

- Protects software developers providing administrative or ministerial services associated with the development and maintenance of distributed ledgers and decentralized finance trading protocols from being inappropriately captured by the Clarity Act’s registration and compliance provisions imposed on cash or spot digital commodity intermediaries.
- Expressly limits decentralized finance trading protocol software developer protections to digital commodity cash or spot market regulations, thereby excluding derivatives intermediaries (e.g., designated contract markets and futures commission merchants) from any such protection under the Act.
- Preserves the CFTC’s anti-fraud, anti-manipulation, and anti-false reporting authority with respect to these actors and activities.
- Defines when a DeFi trading protocol is considered “non-decentralized,” focusing on control, discretion, or the ability to alter or censor protocol operations.
- Clarifies that decentralized governance systems alone do not constitute a person or group of persons controlling a protocol.
- Directs the CFTC, in consultation with the SEC and Treasury, to adopt tailored rules clarifying how persons controlling non-decentralized protocols must comply with CFTC requirements.
- Provides that, where CFTC registration is required, and such entity is a financial institution, applicable Bank Secrecy Act AML and CFT obligations apply under existing Treasury authority on an activity-based basis.

Sec. 20210 – Resources for Implementation

- Authorizes the CFTC to charge and collect initial and annual fees from any entity registered with the CFTC as a DCE, DCB, DCD, or QDAC under the Act.
- Requires the CFTC to publish its fees, including an analysis of estimated costs to carry out the Act, annually in the Federal Register.
- Allows the CFTC expedited hiring authority to fill positions related to carrying out this Act.

Sec. 20211 – Portfolio Margining

- Extends application of the Securities Investor Protection Act to cleared swaps and digital commodities if those products are margined together with securities in a SEC regulated account.

Sec. 20212 – Clarification on Customer Property

- Clarifies that property of the bankrupt estate of a commodity broker shall be considered customer property.

Sec. 20213 – Digital Commodity Retail Advocate

- Establishes an Office of the Digital Commodity Retail Advocate.

Sec. 20214 – Study on Digital Commodity Participants

- Requires the CFTC to submit a report to Congress on the demographics of customers participating in digital commodity markets.

Sec. 20215 – Digital Commodity Trading Reports

- Requires DCEs, DCDs, and DCBs to keep records and file periodic reports with the CFTC concerning a customer's reportable position in a digital commodity over a threshold set by the CFTC.

Sec. 20216 – Protection of Self-Custodied Digital Assets

- Defines "self-custodied digital asset" as a digital asset over which the owner maintains exclusive control of the private cryptographic key or keys necessary to authorize transactions, without reliance on any third-party custodian, exchange, or other intermediary, and preserves self-custodied ownership rights.

Sec. 20217 – Disclosure Requirements Consultation

- Requires the CFTC and the SEC to consult with one another and, to the extent practicable, avoid inconsistent or duplicative disclosure or public information obligations.

Sec. 20218 – Additional Registrations

- Permits a SEC-registered broker or dealer to maintain a registration with the CFTC as a digital commodity broker or dealer.
- Permits a national securities exchange and an alternative trading system (ATS) to maintain a registration with the CFTC as a DCE.

Sec. 20219 – Eligibility of Alternative Trading Systems

- Prevents the SEC from blocking a trading platform from operating under an exemption to exchange registration solely because it trades digital commodities or permitted payment stablecoins and securities.
- Provides that neither a DCE, nor an ATS predominantly facilitating the trading of digital commodities, permitted payment stablecoins, or both is to be considered a facility of a national securities exchange.

DIVISION C — ETHICS

Sec. 30101 – Ban on Certain Digital Asset Transactions

- This section provides definitions for the ethics provisions, including specifying covered ethics agencies and covered individuals.
- Prohibits any "covered individual," defined as any public official or employee and their spouse, from issuing or sponsoring a digital asset in exchange for consideration, including the President of the United States, Vice President, Members of Congress and Federal judges (Sec. 30101, new 5 U.S.C. § 13152).
- Requires a covered individual to place direct financial interests in a digital asset, or an entity that issues or sponsors a digital asset, in a qualified blind trust (consistent with the Ethics in Government Act of 1978) to divest the direct financial interest, or both.
- Increased disgorgement of 20% of profits from a prohibited transaction.
- Permits State attorneys general to enforce the prohibitions of this section by bringing a civil action against the U.S. Attorney General for injunctive relief, or against a digital asset exchange which lists a digital asset issued or sponsored in violation of the prohibitions of this section.
- Directs the Attorney General to bring civil enforcement actions against any covered individual who knowingly and willfully violates the ban, and against any digital asset exchange that knowingly lists a digital asset issued or sponsored in violation of the section (Sec. 30101, new 5 U.S.C. § 13153).
- Directs ethics agencies to promulgate guidance on the applicability of these provisions.

Sec. 30102 – Ethics Requirements Relating to Digital Assets

- Updates federal ethics reporting law so digital assets sold for remuneration and worth more than $1,000 must be disclosed, closing a gap in current requirements.

Sec. 30103 – GAO Study

- Directs the Government Accountability Office (GAO) to conduct a study on gaps in governmental ethics laws with respect to digital assets.

Sec. 30104 – Effective Date

- Establishes that the ethics provisions will take effect 360 days after enactment or 60 days after publication of the final rule implementing section 10102 in the Federal Register, whichever is earlier.

DIVISION D — EFFECTIVE DATE

Sec. 40101 – Effective Date

- Establishes that the provisions under the Act will take effect 360 days after enactment or, in the case of rulemakings under the Act, the later of 360 days after enactment or 60 days after publication of the final rule in the Federal Register.