AMENDMENT NO.________ Calendar No.______

Purpose: In the nature of a substitute.

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

H. R. 3633

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

Referred to the Committee on ____________________ and ordered to be printed

Ordered to lie on the table and to be printed

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

Viz:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Digital Asset Market Clarity Act''.

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

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

TITLE I—RESPONSIBLE SECURITIES INNOVATION

TITLE II—PROTECTING AGAINST ILLICIT FINANCE

TITLE III—RESPONSIBLE INNOVATION IN DECENTRALIZED FINANCE

TITLE IV—RESPONSIBLE BANKING INNOVATION

TITLE V—RESPONSIBLE REGULATORY INNOVATION

TITLE VI—PROTECTING SOFTWARE DEVELOPERS AND SOFTWARE INNOVATION

TITLE VII—PROTECTING CUSTOMER PROPERTY

TITLE VIII—CUSTOMER PROTECTION

TITLE IX—LAW ENFORCEMENT TOOLS

TITLE X—OTHER MATTERS

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

SEC. 10001. DEFINITIONS.

In this division:

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

(2) BANK SECRECY ACT.—The term "Bank Secrecy Act" means—

(A) section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b);

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

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

(3) COMMISSION.—Except where otherwise expressly provided, the term "Commission" means the Securities and Exchange Commission.

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

asset, the term ''coordinated control'' has the meaning given the term by the Commission pursuant to rules adopted under section 10104(b).

(5) DECENTRALIZED FINANCE TRADING PROTOCOL.—Except where otherwise expressly provided, the term ''decentralized finance trading protocol'' has the meaning given the term in section 1a of the Commodity Exchange Act (7 U.S.C. 1a), as amended by division B.

(6) DECENTRALIZED GOVERNANCE SYSTEM.—

(A) IN GENERAL.—The term ''decentralized governance system'' means, with respect to a distributed ledger system, any transparent, rules-based system permitting persons to form consensus or reach agreement in the development, provision, publication, maintenance, or administration of the distributed ledger system, in which participation is not under the control of any person or group of persons under common control.

(B) RELATIONSHIP OF PERSONS TO DECENTRALIZED GOVERNANCE SYSTEMS.—With respect to a decentralized governance system, the decentralized governance system and any persons participating in the decentralized governance system shall be treated as separate persons unless those persons are under common control or acting pursuant to an agreement, arrangement, or understanding to jointly exercise control.

(C) LEGAL ENTITIES FOR DECENTRALIZED GOVERNANCE SYSTEMS.—The term ''decentralized governance system'' shall include a legal entity, including a decentralized unincorporated nonprofit association or other entity created pursuant to State law, used to implement the rules-based system described in subparagraph (A), provided that the legal entity does not operate pursuant to centralized management. For the purposes of this subparagraph, the delegation of ministerial or administrative authority at the direction of the participants in a decentralized governance system shall not be construed to be centralized management.

(D) RULE OF CONSTRUCTION.—

(i) IN GENERAL.—For purposes of this Act, and the amendments made by this Act, a decentralized governance system shall not be deemed to be a person or a group of persons acting under common control or acting pursuant to an agreement, arrangement, or understanding to act in concert.

(ii) RULEMAKINGS.—Any rulemaking establishing whether a group of persons acts in concert for the purposes of clause (i) shall assess only those activities relevant to whether that group jointly exercises control over a distributed ledger system and not any ancillary activities that do not implicate control.

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

(8) DIGITAL ASSET INTERMEDIARY.—The term "digital asset intermediary" means a person that is engaged in digital asset activities and required by law to register with the Commodity Futures Trading Commission or with the Commission under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

(9) DIGITAL COMMODITY.—The term "digital commodity" has the meaning given the term in sec-

tion 1a of the Commodity Exchange Act (7 U.S.C. 1a), as amended by division B.

(10) 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.

(11) DISTRIBUTED LEDGER APPLICATION.—The term ‘‘distributed ledger application'' means executable software that is deployed to and maintained on a distributed ledger and composed of source code that is publicly available, including a smart contract or any network of smart contracts, or other similar technology.

(12) DISTRIBUTED LEDGER PROTOCOL.—The term ‘‘distributed ledger protocol'' means publicly available source code of a distributed ledger that is executed by the network participants of a distributed

ledger to facilitate its functioning, or other similar technology.

(13) DISTRIBUTED LEDGER SYSTEM.—The term ''distributed ledger system'' means a distributed ledger (together with its distributed ledger protocol), a distributed ledger application, or a network of distributed ledger applications.

(14) RELATED PERSON.—The term ''related person'', with respect to an ancillary asset originator or an ancillary asset—

(A) means—

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

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

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

(ii) any person that is, or in the preceding 12-month period was, an executive officer, director, trustee, general partner, owner of more than 10 percent of any class of equity shares of the ancillary asset originator, or person serving in a similar capacity with respect to the ancillary asset originator;

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

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

(B) does not include a decentralized governance system.

(15) 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)).

(16) SMART CONTRACT.—The term ''smart contract'' means a self-executing contract or program that—

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

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

TITLE I—RESPONSIBLE SECURITIES INNOVATION

SEC. 10101. SHORT TITLE.

This title may be cited as the ''Lummis-Gillibrand Responsible Financial Innovation Act of 2026''.

SEC. 10102. DISCLOSURE REQUIREMENTS FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

(a) IN GENERAL.—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. DISCLOSURE REQUIREMENTS FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

“(a) DEFINITIONS.—In this section:

“(1) ANCILLARY ASSET.—

“(A) IN GENERAL.—The term ‘ancillary asset’ means a network token, the value of which is dependent upon the entrepreneurial or managerial efforts of an ancillary asset originator or a related person, as those concepts are further specified by the Commission by regulation.

“(B) RULE OF CONSTRUCTION.—Nothing in this Act, or any rule or regulation promulgated under this Act, may be construed to result in an ancillary asset not being treated as a network token.

“(2) ANCILLARY ASSET ORIGINATOR.—

“(A) IN GENERAL.—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 initial offer, sale, or distribution of that ancillary asset.

"(B) JOINT AND SEVERAL LIABILITY.—For the purposes of this paragraph, if the person that initially offered, sold, or distributed an ancillary asset (or otherwise sold, distributed, controlled, or caused 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 that person, solely for purposes of subsection (c), 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) along with the person (including a person under direct or indirect control of that person) that received the largest amount of those ancillary assets in that period, other than ancillary assets received—

"(i) in an intermediary capacity;

"(ii) solely through a gratuitous distribution;

"(iii) through an offer, sale, or distribution of a security to the public registered under section 5; or

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

"(C) RULEMAKING.—Not later than 360 days after the date of enactment of this section, the Commission shall, after providing notice and the opportunity for comment, issue rules regarding the circumstances under which persons that are jointly and severally considered an ancillary asset originator pursuant to subparagraph (B) are responsible for furnishing the disclosures required under subsection (d) on behalf of the ancillary asset originator.

"(3) CERTIFICATION COVERED PARTY.—The term 'certification covered party' means—

"(A) an ancillary asset originator;

"(B) a subsidiary of the ancillary asset originator;

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

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

"(4) DECENTRALIZED GOVERNANCE SYSTEM; DIGITAL ASSET; DIGITAL ASSET INTERMEDIARY; RELATED PERSON; SECURITIES LAWS.—The terms 'decentralized governance system', 'digital asset', 'digital asset intermediary', 'related person', and 'securities laws' have the meanings given those terms in section 10001 of the Digital Asset Market Clarity Act.

"(5) GRATUITOUS DISTRIBUTION.—

"(A) IN GENERAL.—The term 'gratuitous distribution'—

"(i) means a distribution of a network token, including a distribution effected by an agent or other service provider engaged solely in an administrative or ministerial capacity, in exchange for not more than a nominal value of cash, property, services, or other assets in a broad, equitable, and non-discretionary manner; and "(ii) includes, without limitation, the mechanisms and methods of distribution described in subparagraph (B).

"(B) MECHANISMS AND METHODS OF DISTRIBUTION.—The mechanisms and methods of distribution described in this subparagraph are the following:

"(i) SELF STAKING.—The distribution of a unit of a network token, as a programmatic result of validating or staking activity for a distributed ledger system's consensus mechanism, including the staking of a network token, and the operation of a node, validator, or substantially similar software for such activity where the owner of the staked network token and the operator of the node, validator, or substantially similar software are the same person or entity.

"(ii) SELF-CUSTODIAL STAKING WITH A THIRD PARTY.—The distribution of a unit of a network token, as a programmatic result of validating or staking activity for a distributed ledger system's consensus mechanism, including the staking of a network token, and the operation of a node, validator, or substantially similar software for such activity in which—

"(I) the owner of the staked network token, and operator of the node, validator, or substantially similar software for such activity are different persons or entities; and

"(II) the operator of the node, validator, or substantially similar software does not maintain custody or control of the staked network token.

"(iii) LIQUID STAKING.—The distribution of network tokens, as the issuance, transfer, or redemption of liquid staking tokens representing a pro rata interest in staked network tokens, and their associated rewards, provided that such tokens are issued as administrative or ministerial receipts and do not provide discretionary management authority.

"(iv) CUSTODIAL AND ANCILLARY STAKING SERVICES.—

"(I) IN GENERAL.—Subject to the rules issued pursuant to subclause

(II), the provision of custodial or ancillary staking services enabling the owner of a network token to participate in validating or staking activity for a distributed ledger system's consensus mechanism that results in the programmatic distribution of a unit of a network token, provided that such custodial or ancillary services are exclusively administrative or ministerial in nature.

"(II) RULEMAKING TO DEFINE THE CUSTODIAL AND ANCILLARY STAKING SERVICES.—The Commission shall issue rules defining the custodial and ancillary staking services described in subclause (I) that are exclusively administrative or ministerial in nature, consistent with what is necessary or appropriate for the public interest or for the protection of investors.

"(v) PROGRAMMATIC AND AUTOMATED DISTRIBUTIONS.—The automated, programmatic, protocol-defined, or rules-based distribution of network tokens achieved through the transparent functioning of a distributed ledger system, a distributed ledger, or distributed ledger applications, in which—

"(I) distributions occur pursuant to public, transparent, rules-based parameters that are publicly available and are accessible on a permissionless basis, without individualized or real-time negotiation with recipients;

"(II) recipients receive network tokens as a direct, programmatic result of objective, verifiable network participation, consumption, or contribution, including consensus participation, data availability, bandwidth, governance, or use and interaction with the protocol or application;

"(III) the number of network tokens received is proportionate to the verifiable service, usage, or contribution;

"(IV) any expected utility or value of the network tokens arises primarily from decentralized network participation and market forces, rather than the discretionary actions of any single person or affiliated group; and

"(V) no person or group has unilateral authority to alter, restrict, or direct the issuance parameters or distribution mechanisms of the distributed ledger system, and any modification occurs only through a decentralized governance system.

"(vi) TECHNOLOGY-NEUTRAL.—The distribution of a network token employing a mechanism, protocol, or technology not specifically described in clauses (i) through (v), without regard to whether such mechanism, protocol, or technology is in existence on the date of enactment of this section, and without regard to terminology or underlying technical framework, provided such distribution meets the requirements described in subparagraph (A)(i).

"(6) INVESTMENT COMPANY.—The term 'investment company' has the meaning given the term in section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)).

"(7) NETWORK TOKEN.—

"(A) IN GENERAL.—The term 'network token' means a digital commodity that is intrinsically linked to a distributed ledger system and that derives, or is reasonably expected to derive, its value from the use of such distributed ledger system, and, pursuant to the Digital Asset Market Clarity Act and the amendments made by the Digital Asset Market Clarity Act, is treated as a non-security solely for purposes of the securities laws.

"(B) DISQUALIFYING FINANCIAL RIGHTS.—The term 'network token' does not include any of the following:

"(i) Any security, other than an investment contract or certificate of interest of participation in any profit-sharing agreement that is described in clause (ii).

"(ii) An investment contract or a certificate of interest or participation in any profit-sharing agreement that represents, gives the holder, or is substantially economically or functionally equivalent to, any of the following, as the Commission shall establish by rule:

"(I) A debt or equity interest, or an option on a debt or equity interest, in a person.

"(II) Liquidation rights with respect to a person.

"(III) An entitlement to, or a reasonable expectation of, an interest, dividend, or other payment, or direct or indirect transfer of value, from a person (other than a decentralized governance system).

"(IV) An express or implied financial interest in (including a limited partnership interest or interest in intellectual property of), or provided by, a person (other than a decentralized governance system).

"(iii) Any interest that is, represents, or is functionally equivalent to an interest in an investment company or a company (as defined in section 2 of the Investment Company Act of 1940 (15 U.S.C. 80a–2)) that would be an investment company under section 3(a) of that Act (15 U.S.C. 80a–3(a)) but for the exclusions provided from that definition by section 3(c) of that Act (15 U.S.C. 80a–3(c)).

"(iv) Any interest that is, represents, or is functionally equivalent to an interest in any entity or person that is not an investment company but holds or will hold assets other than securities.

"(C) RULE OF CONSTRUCTION.—A digital commodity—

"(i) shall be deemed to be intrinsically linked to a distributed ledger system if the digital commodity is directly related to the functionality or operation of the distributed ledger system or to the activities or services for which the distributed ledger system is created or utilized; and

"(ii) shall not be disqualified from being deemed a network token due to the granting of economic interests or voting capabilities with respect to a distributed ledger system or its decentralized governance system, as further clarified by the Commission through the final rules adopted under section 10105 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026.

"(b) TREATMENT OF NETWORK TOKENS AND TRANSACTIONS.—

"(1) IN GENERAL.—The offer, sale, or distribution of an ancillary asset by, or caused by, an ancillary asset originator, including through an underwriter, shall be considered to be an offer, sale, or distribution of an investment contract involving an ancillary asset, except with respect to a gratuitous distribution.

"(2) TREATMENT AS NON-SECURITY.—Except as provided in this section, and subject to paragraph (3), a network token shall be treated as a non-security, to the extent materially consistent with the requirements and conditions of this section, for purposes of —

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

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

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

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

"(E) section 16(14) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78lll(14)); or

"(F) any applicable requirement of State law that is functionally equivalent to the provisions described in subparagraphs (A) through (E), 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 a network token in a manner that is—

"(i) 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

"(ii) inconsistent with this section.

"(3) SECONDARY MARKET TREATMENT.—

"(A) IN GENERAL.—Except as provided in this section (including the limitation under subparagraph (B)), and to the extent materially consistent with the requirements and conditions of this section, the offer, sale, or distribution of a network token by a person shall be treated as not involving the offer, sale, or distribution of a security under—

"(i) section 2(a)(1);

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

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

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

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

"(vi) any applicable requirement of State law that is functionally equivalent to the provisions described in clauses (i) through (v), 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 a network token in a manner that is—

"(I) 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

"(II) inconsistent with this section.

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

"(4) TREATMENT OF GRATUITOUS DISTRIBUTIONS.—

"(A) IN GENERAL.—A gratuitous distribution, by itself, shall be presumed to not constitute an offer, sale, or distribution of a security for the purposes of—

"(i) section 2(a)(1);

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

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

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

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

"(vi) any applicable requirement of State law, or any provision of State law that is functionally equivalent to the provisions described in clauses (i) through (v), 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 a network token in a manner that is—

"(I) 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

"(II) inconsistent with this section.

"(B) SAVINGS CLAUSE.—Nothing in this paragraph may be construed to limit, impair, or otherwise affect the anti-fraud or anti-manipulation authorities of the Commission, the Commodity Futures Trading Commission, or a State regulator.

"(5) PRIOR CERTIFICATION.—

"(A) SUBMISSION AND DEFAULT TREATMENT.—

"(i) IN GENERAL.—

"(I) PRESUMPTION.—For purposes of this section, there shall be a rebuttable presumption that a network token, including a network token distributed in the manner described in paragraph (4), is an ancillary asset, unless the originator of that network token, or a digital asset intermediary (as provided under subsection (c)(4)), submits to the Commission a completed written certification, supported by reasonable evidence, as defined by the Commission, sufficient to demonstrate that the network token is not an ancillary asset.

"(II) CONTENTS.—A certification submitted under subclause (I) shall include a statement in accordance with subsection (d)(3)(B)(i).

"(ii) NOTIFICATION.—The Commission shall notify the Commodity Futures Trading Commission of each certification made pursuant to clause (i) and of any final agency action with respect to that certification.

"(iii) RECIPROCAL NOTICE.—The Commission shall receive a copy of any certification and supporting materials submitted to the Commodity Futures Trading Commission under subsection (d) of section 5c of the Commodity Exchange Act (7 U.S.C. 7a–2).

"(B) AUTOMATIC EFFECTIVENESS.—A certification submitted under subparagraph (A) by an originator or a digital asset intermediary shall become effective upon the earlier of—

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

"(ii) if the Commission has not issued a rebuttal to the originator or digital asset intermediary in accordance with subparagraph (C), 60 days after the date on which the originator or digital asset intermediary submits the certification.

"(C) COMMISSION DENIAL.—

"(i) AUTHORITY TO DENY.—Subject to clauses (ii) and (iii), the Commission may deny a certification submitted under subparagraph (A) by an originator or digital asset intermediary only during the 60-day period described in subparagraph (B)(ii) or upon determining, based on reasonable evidence, that a material change in circumstances has occurred after the submission of the certification, whether or not the certification has taken effect.

"(ii) NOTICE OF INTENT TO DENY.—If the Commission intends to deny a certification submitted under subparagraph (A), the Commission shall—

"(I) either not later than 20 business days after the date on which the certification is submitted, or promptly after determining that a material change in circumstances has occurred, provide to the applicable originator or digital asset intermediary notice of the intent of the Commission to deny that certification; and

"(II) provide to the applicable originator or digital asset intermediary a 10-day period following the provision of notice under subclause (I) during which—

"(aa) interested persons shall have an opportunity to submit written data, views, and arguments relating to that certification; and

"(bb) the Commodity Futures Trading Commission may, at the discretion of the Commodity Futures Trading Commission, submit input regarding whether the applicable asset—

"(AA) satisfies the requirements for being considered an ancillary asset; or

"(BB) includes any disqualifying financial right described in subsection (a)(7)(B).

"(iii) REQUIREMENTS AFTER NOTICE OF INTENT.—After the 10-day period described in clause (ii)(II), the Commission shall—

"(I) upon request of the applicable originator or digital asset intermediary, provide an opportunity for the oral presentation of data, views, and arguments by certification covered parties;

"(II) if the Commission, acting directly or under delegated authority pursuant to section 4A of the Securities Exchange Act of 1934 (15 U.S.C. 78d–1), determines to deny the certification, deny the certification by order after a finding that the applicable asset—

"(aa) is an ancillary asset; or

"(bb) includes any disqualifying financial right described in subsection (a)(7)(B); and

"(III) notify the Commodity Futures Trading Commission of each denial made under subclause (II).

"(iv) INTERESTED PERSON.—For purposes of this subparagraph, the term 'interested person' means, with respect to a network token—

"(I) the ancillary asset originator with respect to that network token (referred to in this clause as 'the originator');

"(II) a subsidiary of the originator;

"(III) a related person of the originator;

"(IV) any entity that directly or indirectly controls or is controlled by a common entity with the originator;

"(V) any broker or dealer (as those terms are defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))), or an exchange registered pursuant to section 6 of that Act (15 U.S.C. 78f), that operates in connection with digital assets; or

"(VI) any person registered with the Commodity Futures Trading Commission that operates or proposes to operate in connection with digital assets.

"(D) CERTIFICATION FILED BY DIGITAL ASSET INTERMEDIARY.—

"(i) IN GENERAL.—A certification submitted by a digital asset intermediary under this paragraph shall only become effective if—

"(I) the digital asset intermediary has—

"(aa) conducted a reasonable inquiry of publicly available information, appropriate under the circumstances, regarding whether the applicable originator has engaged in entrepreneurial and managerial efforts with respect to the applicable network token during the most recent 180-day period, or is likely to engage in those efforts in the future; and

"(bb) concluded that the efforts described in item (aa) have not occurred or are not reasonably likely to occur; and

"(II) subject to clause (ii), the applicable originator has certified that there is not (and, during the most recent 180-day period, there has not been) material, non-public information regarding entrepreneurial or managerial efforts with respect to the applicable network token in the possession of the originator or a related person.

"(ii) LIMITATION.—Clause (i)(II) shall not be required if the applicable digital asset intermediary, after a reasonable inquiry, appropriate under the circumstances, determines that the applicable originator, or any person jointly and severally liable pursuant to subsection (a)(2)(B), is not capable of submitting the applicable certification.

"(E) FINAL AGENCY ACTION.—Denial under this paragraph constitutes final agency action reviewable under applicable law.

"(F) TOLLING.—Any applicable period specified in this paragraph may be tolled, for periods of not longer than 60 days, during the 3-year period following the effective date of the Digital Asset Market Clarity Act, upon a showing in writing that the originator or digital asset intermediary has not substantially responded to a request for information from the Commission within a reasonable time.

"(G) WITHDRAWAL.—An originator or digital asset intermediary may withdraw a certification submitted under subparagraph (A) at any time before the certification becomes effective under subparagraph (B).

"(H) DESIGNATED COMMISSION OFFICE.—The Commission shall designate an office that shall—

"(i) acknowledge receipt of certifications submitted under subparagraph (A);

"(ii) support those seeking certification under subparagraph (A) by providing guidance regarding the mechanics of preparing and submitting those certifications; and

"(iii) route certifications submitted under subparagraph (A), together with any associated comments or recommendations, to the appropriate division or office of the Commission for review.

"(I) MISSTATEMENTS OR OMISSIONS.—Any material misstatement or omission to state a material fact, including with respect to continuing compliance, in a certification that has become effective under this paragraph shall constitute grounds for the Commission, consistent with the securities laws, to issue an order denying, suspending, or revoking the effectiveness of the certification and to pursue any appropriate enforcement action.

"(J) COMMISSION REVIEW.—

"(i) IN GENERAL.—At any time while a certification submitted under this paragraph is pending before the Commission, the vote of 1 member of the Commission shall be sufficient to bring the certification before the Commission for review.

"(ii) EFFECT OF REVIEW.—A review conducted under clause (i) shall not toll, extend, restart, or otherwise modify any deadline or period specified in this paragraph.

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

"(1) SPECIFIED INITIAL AND PERIODIC DISCLOSURE REQUIREMENTS.—

"(A) IN GENERAL.—An ancillary asset originator shall be subject to the initial and periodic disclosure requirements under subsection (d) upon the occurrence of the earlier of the following:

"(i) Any offer, sale, or distribution of an ancillary asset after the effective date of the Digital Asset Market Clarity Act by, or that is caused by, that ancillary asset originator pursuant to—

"(I) Regulation Crypto, as adopted pursuant to section 10103 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026;

"(II) the filing of an effective registration statement under this Act;

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

"(IV) an offering conducted pursuant to section 4(a)(6).

"(ii)(I) The first offer, sale, or distribution of an ancillary asset in the United States after the effective date of the Digital Asset Market Clarity Act that constitutes a public offering, whether by the ancillary asset originator or any other person.

"(II) For the purposes of subclause (I), the term 'public offering' shall be interpreted consistent with the meaning of that term under section 4(a)(2).

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

"(i) the aggregate gross proceeds from the offer, sale, or distribution of the applicable ancillary asset (together with any related assets sold in those offers, sales, or distributions) were $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; or

"(ii) the average daily aggregate value of trading in the applicable 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 following the commencement of compliance with the disclosure requirements under subsection (d) (as determined pursuant to paragraph (2) of this subsection), based on the knowledge of the ancillary asset originator after due inquiry (or, if the ancillary asset has not yet traded on spot markets open to the public in the United States, the trading volume is reasonably expected to be $5,000,000 or less (adjusted for inflation) during the 12-month period immediately following the reporting date specified by paragraph (2)).

"(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 INITIAL AND PERIODIC DISCLOSURE REQUIREMENTS.—

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

"(i) before—

"(I) any initial offer, sale, or distribution described in paragraph (1)(A)(i); or

"(II) an offer, sale, or distribution described in paragraph (1)(A)(ii); and

"(ii) semiannually thereafter.

"(B) EXCLUSION.—The requirements of this paragraph shall not apply to an offer, sale, or distribution of an ancillary asset that occurs after the effective date of the Digital Asset Market Clarity Act if an ancillary asset originator has submitted a certification under subsection (d)(3)(B) and the Commission has not denied that certification within a 60-day period after the completion of the process under that subsection.

"(3) TRANSITION RULE.—

"(A) IN GENERAL.—An ancillary asset originator that initially offered, sold, or distributed (or otherwise controlled or caused the offer, sale, or distribution of) a security involving an ancillary asset before the effective date of the Digital Asset Market Clarity Act shall comply with the periodic disclosure requirements under subsection (d), if applicable, beginning on the date that is 1 year after that effective date.

"(B) EFFECT ON CERTIFICATION.—An ancillary asset originator, or any other certification covered party, subject to this paragraph that meets the requirements of subsection (d)(3) may furnish a certification as provided in that subsection without complying with the periodic disclosure requirements under subsection (d), if the Commission has not denied that certification within a 60-day period after the completion of the process under that subsection.

"(C) PERIOD OF DISCLOSURES.—The disclosures required under subparagraph (A) shall apply with respect to the 3-year period preceding the effective date described in that subparagraph.

"(4) DIGITAL ASSET INTERMEDIARIES.—

"(A) IN GENERAL.—Other than as provided under subparagraph (B), with respect to an ancillary asset that is listed for trading on a digital asset intermediary, that digital asset intermediary may, in lieu of the applicable ancillary asset originator, satisfy the requirements of subsection (d) in accordance with such rules as the Commission shall jointly adopt with the Commodity Futures Trading Commission.

"(B) ALLOCATION OF DISCLOSURE RESPONSIBILITY.—

"(i) ORIGINATOR FILINGS.—A digital asset intermediary may not satisfy the requirements of subsection (d) in lieu of the applicable ancillary asset originator, if—

"(I) the ancillary asset originator is incorporated, organized, or otherwise registered under the laws of the United States or of any State; and

"(II) the applicable ancillary asset is—

"(aa) offered, sold, or distributed after the effective date of the Digital Asset Market Clarity Act pursuant to—

"(AA) an investment contract that is offered, sold, or distributed pursuant to Regulation Crypto, as adopted pursuant to section 10103 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026;

"(BB) the filing of an effective registration statement under this Act (other than a registration statement on the form described in section 239.31 or 239.33 of title 17, Code of Federal Regulations, or the successor to either such form);

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

"(DD) an offering conducted pursuant to section 4(a)(6); or

"(bb) first offered or sold after the effective date of the Digital Asset Market Clarity Act in a transaction described in paragraph (1)(A)(ii).

"(ii) COMMISSION DETERMINATION.—

"(I) IN GENERAL.—If, after notice, comment, and the opportunity for a hearing, the Commission determines that it is in the public interest or necessary for the protection of investors, including with respect to an ancillary asset originator incorporated or organized in a foreign jurisdiction, the Commission may require an ancillary asset originator, after a transition period, to file the disclosures required under subsection (d).

"(II) EXTRATERRITORIAL EFFECT.—Subclause (I) shall apply extraterritorially.

"(C) STANDARD OF LIABILITY.—Notwithstanding any other provision of this Act, it shall be unlawful for a digital asset intermediary to file disclosures under subsection (d) pursuant to this paragraph that contain any material misstatement or omission to state a material fact required to be stated therein, or necessary to make the statements therein not misleading, unless that digital asset intermediary did not know (and, in the exercise of reasonable care, could not have known) of that misstatement or omission.

"(5) FAILURE TO COMPLY.—Subject to the requirements of this section, an ancillary asset shall not be listed for trading on a digital asset intermediary if the Commission and the Commodity Futures Trading Commission jointly find that the ancillary asset originator that initially offered, sold, or distributed the ancillary asset after the effective date of the Digital Asset Market Clarity Act (or, if a digital asset intermediary is satisfying the requirements of this subsection in lieu of that ancillary asset originator in accordance with paragraph (4), such digital asset intermediary) has materially failed to furnish the required disclosures under this subsection after a reasonable opportunity to cure, as provided by joint rule of the Commission and the Commodity Futures Trading Commission in a manner that is consistent with section 5i(c)(3) of the Commodity Exchange Act and the considerations under subsection (d)(5).

''(d) SPECIFIED INITIAL AND 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), or a digital asset intermediary acting in accordance with subsection (c)(4), shall furnish to the Commission, in such form as the Commission may prescribe by rule after providing notice and the opportunity for 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 or digital asset intermediary.

"(B) REQUIREMENTS FOR RULES.—A rule prescribed under subparagraph (A) shall be reasonably tailored, including by adjusting the scope, form, and content of required disclosures, based on—

"(i) the size of the applicable ancillary asset originator in accordance with section 10108(a) of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026;

"(ii) the aggregate amount of ancillary assets offered, sold, or distributed by the applicable ancillary asset originator to the public in the United States; and

"(iii) whether the applicable ancillary asset and any related distributed ledger system is subject to coordinated control, as defined by the Commission pursuant to rules adopted under section 10104(b) of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026.

"(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) has 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 submission 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 distributed ledger system, application, or system that uses 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) The experience of the ancillary asset originator with the use of a distributed ledger system or distributed ledger technology.

"(vi) The identities and expertise of the board of directors (or equivalent body) and senior management 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) Financial statements of the ancillary asset originator that are—

"(I) if the aggregate amount of such ancillary assets offered, sold, or distributed to the public does not exceed $25,000,000 in gross proceeds, reviewed by a public accountant that is independent of the ancillary asset originator; or

"(II) if the aggregate amount of such ancillary assets offered, sold, or distributed to the public exceeds $25,000,000 in gross proceeds, audited by a public accountant that is independent of the ancillary asset originator.

"(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 or other ownership interest of the ancillary asset originator; and

"(II) the board of directors (or equivalent body) and senior management of the ancillary asset originator, if those individuals, in the aggregate, own not less than 5 percent of the ancillary asset.

"(xi) For any material transactions involving the ancillary asset between the ancillary asset originator and any related person, a description, in the aggregate, of the parties, the number of ancillary assets involved, and a summary of any material features of the transactions, including any material terms or ongoing obligations.

"(xii) A summary, in the aggregate by year, of transactions in ancillary assets during the 4-year period preceding the furnishing of the disclosure, by the ancillary asset originator and persons that directly or indirectly control the ancillary asset originator.

"(xiii) Purchases or similar acquisitions 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.

"(xv) The current state and timeline for the development of the distributed ledger system to which the ancillary asset relates, detailing if, how, and when the distributed ledger system and the related ancillary asset are intended to no longer be subject to coordinated control, including by related persons, if the distributed ledger system has not yet received a certification under section 10104(d) of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026.

"(B) Economic and technical 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 the distributed ledger system to which that ancillary asset relates, including—

"(I) a plain-English description of how the applicable distributed ledger, distributed ledger system, or distributed ledger application functions;

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

"(III) the market for the ancillary asset;

"(IV) other assets or services that may compete with the ancillary asset;

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

"(VI) the governance and consensus mechanism for the ancillary asset and that distributed ledger system, if applicable, including for validating transactions and implementing changes to the distributed ledger system, the method of generating or mining ancillary assets, and any process for burning or destroying units of the ancillary asset on a distributed ledger system.

"(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 to such persons and a summary of any material resale restrictions or other material obligations arising from related contracts, agreements, or other arrangements.

"(iii) If ancillary assets were distributed by the ancillary asset originator without charge or upon meeting certain conditions, a description of the distributions, in the aggregate, along with 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 current state and anticipated timeline for the development of the distributed ledger system to which that ancillary asset relates, including—

"(I) 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 that distributed ledger system;

"(II) the various roles that exist or are intended to exist in connection with any applicable distributed ledger, distributed ledger system, or distributed ledger application, such as users, service providers, developers, transaction validators, and governance participants;

"(III) a discussion of any mechanisms by which control or authority are exerted with respect to that distributed ledger system, if applicable, or the related ancillary asset; and

"(IV) any critical operational dependencies of any applicable distributed ledger, distributed ledger system, or distributed ledger application or of the related 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 exchanges with the largest trading volume in that ancillary asset.

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

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

"(xi) 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, and technical requirements for holding, accessing, and transferring the ancillary asset.

"(xii) 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), the ancillary asset originator or digital asset intermediary, as applicable, shall provide 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) TERMINATION.—The obligation of an ancillary asset originator to provide disclosures under paragraph (1) shall terminate on the date that a certification becomes effective under subparagraph (B), including through an approval or deemed effectiveness.

"(B) CERTIFICATION.—

"(i) IN GENERAL.—A certification covered party may submit to the Commission a certification, based on the knowledge of the certification covered party after due inquiry and supported by reasonable evidence, that states—

"(I) that—

"(aa) during the 180-day period preceding the date on which the certification covered party submits the certification, and as of the date of submission, no certification covered party has engaged in more than a nominal level of entrepreneurial or managerial efforts (as defined by the Commission by rule), which shall not, for the purposes of this clause, include providing administrative services alone;

"(bb) any efforts described in item (aa) were not a primary factor in determining the value of the related ancillary asset (which may include that any essential promises made by the certification covered party have been fulfilled); and

"(cc) a certification is effective under section 10104(d) of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026;

"(II) in good faith that the certification covered party does not reasonably expect there to be any efforts that would render the certification covered party unable to provide a new certification following the date of the certification; and

"(III) that substantially all material information that is reasonably expected to contribute to the value of the ancillary assets offered, sold, or distributed to the public by the ancillary asset originator is, and is reasonably expected to remain, available to the public.

"(ii) CHANGE IN CIRCUMSTANCES.—

"(I) EFFECTIVENESS OF THE CERTIFICATION.—A certification under clause (i) shall remain effective until the date on which any certification covered party engages in entrepreneurial or managerial efforts that would render the certification covered party unable to meet the standards of the certification.

"(II) NEW DISCLOSURES REQUIRED.—On and after the date described in subclause (I), the certification covered party undertaking efforts described in that subclause shall be responsible for furnishing to the Commission the disclosures required under paragraph (1), including a description of the change in circumstances.

"(III) PERIODIC DISCLOSURES.—The furnishing of disclosures pursuant to subclause (II) shall restart the schedule for periodic disclosures under paragraph (1).

"(IV) PRIOR CERTIFICATIONS.—A certification submitted under clause (i) before a change in circumstances shall not be deemed false or misleading solely by reason of subsequent reengagement under this clause.

"(iii) COMMISSION DENIAL.—

"(I) IN GENERAL.—The Commission may deny a certification submitted under clause (i) by a certification covered party by—

"(aa) issuing a written notice of objection to the certification submitted under clause (i) or upon determining that more than a nominal level of entrepreneurial or managerial efforts has been undertaken by any certification covered party after the submission of the certification; and

"(bb) providing to the certification covered party 10 days notice of the intent of the Commission to deny that certification, during which period interested persons shall have an opportunity to submit written data, views, and arguments relating to that certification.

"(II) REQUIREMENTS AFTER NOTICE OF INTENT.—After the 10-day period described in subclause (I)(bb), the Commission shall—

"(aa) upon request of the certification covered party, provide an opportunity for the oral presentation of data, views, and arguments by any interested persons; and

"(bb) hold a vote on whether to grant or deny the certification, based on a finding as to whether the applicable ancillary asset meets the standard for certification under clause (i).

"(III) FINAL AGENCY ACTION.—Denial under this clause constitutes final agency action reviewable under applicable law.

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

"(v) WITHDRAWAL.—A certification covered party may withdraw a certification submitted under clause (i) at any time before that certification is approved or denied.

"(vi) DESIGNATED COMMISSION OFFICE.—The Commission shall designate an office that shall—

"(I) acknowledge the receipt of certifications submitted under clause (i);

"(II) support certification covered parties seeking certification under clause (i) by providing guidance regarding the mechanics of preparing and submitting those certifications; and

"(III) route certifications submitted under clause (i), together with any associated comments or recommendations, to the appropriate division or office of the Commission for review.

"(vii) ADVANCE REVIEW.—

"(I) IN GENERAL.—A certification covered party may submit a certification under clause (i) before the offer, sale, or distribution of a network token.

"(II) INTENDED ORIGINATOR.— In submitting for a certification for advance review under subclause (I), a certification covered party shall identify the person intending to offer, sell, or distribute the applicable network token, and that person shall be treated as the applicable ancillary asset originator for the purposes of this subparagraph.

"(viii) TOLLING.—Any applicable period specified in this subparagraph may be tolled, for periods of not longer than 60 days, during the 3-year period following the effective date of the Digital Asset Market Clarity Act, upon a showing in writing that the submitting certification covered party has not substantially responded to a request for information from the Commission within a reasonable time.

"(ix) MISSTATEMENTS OR OMISSIONS.—Any material misstatement or omission to state a material fact, including with respect to continuing compliance, in a certification that has become effective under this subparagraph shall constitute grounds for the Commission, consistent with the securities laws, to—

"(I) issue an order denying, suspending, or revoking the effectiveness of that certification; and

"(II) pursue any appropriate enforcement action.

"(4) VOLUNTARY DISCLOSURE.—An ancillary asset originator may voluntarily furnish to 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 adopting rules under this subsection, the Commission shall—

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

"(B) include in any final versions of those rules a cost-benefit analysis evaluating the effects of any such rule on innovation, efficiency, competition, maintaining fair and orderly markets, and capital formation, including the competitiveness of United States market participants; and

"(C) act jointly with the Commodity Futures Trading Commission to establish a process for implementing the requirements of this subsection, including with respect to listing and disclosures, that is consistent and coordinated with the listing process for digital asset intermediaries.

"(6) LIMITATIONS.—Rules adopted under this subsection shall not require the inclusion of financial statements of an ancillary asset originator, except with respect to the disclosure of financial information under paragraph (2).

"(e) EXEMPTIONS.—The Commission may, by order, exempt an ancillary asset originator or digital asset intermediary, or any class of ancillary asset originators or digital asset intermediaries, from specified requirements under subsection (d) if it is in the public interest or for the protection of investors, consistent with the purposes of this section and subject to such conditions as the Commission determines necessary to protect investors and in the public interest.

"(f) CONFIDENTIAL TREATMENT OF CERTAIN INFORMATION.—Subject to Commission rules and procedures, an ancillary asset originator required to furnish to the Commission disclosures under subsection (d), or a digital asset intermediary furnishing those disclosures in lieu of such an ancillary asset originator, may submit a request for confidential treatment of information included in such disclosures pursuant to procedures the Commission shall establish and that are modeled on or identical to section 230.406 of title 17, Code of Federal Regulations, or any successor regulation.

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

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

"(1) IN GENERAL.—It shall be unlawful for an ancillary asset originator, in any initial and periodic disclosure, certification, or other document furnished under this section, to make an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

"(2) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed as limiting the application of section 17(a) or section 240.10b–5 of title 17, Code of Federal Regulations (or any successor regulation) to false or misleading disclosure statements or preventing any private right of action otherwise available under the securities laws.

"(i) SPECIAL DISPOSITION RESTRICTIONS BY RELATED PERSONS.—

"(1) IN GENERAL.—The Commission shall adopt rules, consistent with section 10104 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026, establishing limitations on the disposition of certain ancillary assets with specified characteristics by related persons.

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

"(j) SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS.—In any action against an ancillary asset originator or digital asset intermediary arising under this Act that is based on an untrue statement of a material fact or omission of a material fact necessary to make the statement not misleading, no liability shall arise with respect to any forward-looking statement (including any statement of plans, objectives, projections, expectations, or assumptions concerning future performance, financial position, development milestones, asset utility, system adoption, or market conditions) made in an ancillary asset disclosure, statement, or other document furnished pursuant to this section, if the statement is—

"(1) identified as forward-looking; and

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

"(k) TRANSACTIONS BEFORE EFFECTIVE DATE.—

"(1) PRIMARY TRANSACTIONS.—Notwithstanding any other provision of law, neither the Commission nor any private plaintiff may initiate, pursue, or maintain any action, or an appeal of an action, for a violation of section 5 or 12(a)(1) of this Act arising from any offer, sale, or distribution of ancillary assets occurring before the effective date of the Digital Asset Market Clarity Act, provided that the ancillary asset originator or a certification covered party complies with any applicable requirements under subsection (c)(3).

"(2) PRIMARY TRANSACTIONS RELATED TO FRAUD.—Nothing in paragraph (1) shall limit the ability of the Commission to bring an action based on the anti-fraud or anti-manipulation authorities of the Commission.

"(3) SECONDARY TRANSACTIONS.—Notwithstanding any other provision of law, the offer, sale, or distribution of a network token by a person occurring before the effective date of the Digital Asset Market Clarity Act shall be treated as not involving the offer, sale, or distribution of a security 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 that is functionally equivalent to the provisions described in subparagraphs (A) through (E), 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 a network token in a manner that is—

"(i) 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

"(ii) inconsistent with this section.

"(4) NO INFERENCE OF LIABILITY.—Nothing in paragraph (1), (2), or (3) may be construed as an admission, acknowledgment, or inference of liability for any act, transaction, or conduct occurring before the effective date of the Digital Asset Market Clarity Act.

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

"(A) impair vested rights or contractual obligations lawfully established before the effective date of the Digital Asset Market Clarity Act; or

"(B) limit the authority of the Commission to bring an action against an ancillary asset originator or a related person for securities fraud or manipulation in connection with a statement, a disclosure, or conduct by that ancillary asset originator or related person, except that the Commission may not exercise that authority to treat a network token as a security or regulate secondary market trading.

"(l) 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;

"(3) prohibit the offer, sale, or distribution of a digital asset in reliance on an exemption from registration under this Act, other than Regulation Crypto (as adopted pursuant to section 10103 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026); or

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

"(m) ANTI-EVASION.—

"(1) ANTI-EVASION.—The Commission may issue such regulations as the Commission considers necessary or appropriate in the public interest or for the protection of investors to administer and prevent willful evasion of—

"(A) this section;

"(B) sections 10103 and 10104 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026; and

"(C) with respect to an ancillary asset originator and related persons, the securities laws amended by the Lummis-Gillibrand Responsible Financial Innovation Act of 2026.

"(2) CONSIDERATIONS.—In adopting rules under this section—

"(A) the form, label, and written documentation of an agreement, contract, or transaction, or an entity, shall not be dispositive in determining whether the agreement, contract, or transaction, or the entity, has been entered into or structured to willfully evade the requirements of this section;

"(B) the Commission may consider whether, based on the totality of facts and circumstances, the principal purpose of any arrangement, allocation of rights, interposition of entities, or sequencing of steps is to willfully circumvent the requirements of this section or the restrictions set forth in section 10104 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026, by satisfying the literal terms while defeating the purpose and policy of this section;

"(C) for purposes of subparagraph (B), factors that may be considered, without being dispositive, in determining whether a principal purpose to willfully circumvent this section exists may include—

"(i) removal of a disqualifying financial right described in subsection (a)(7)(B) from the instrument coupled with its re-introduction through a substantially equivalent right held by a related person or controlled vehicle, including, by way of example, any nominally independent foundation, decentralized autonomous organization, laboratory, or similar arrangement;

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

"(iii) timing of steps designed to trigger, accelerate, or delay certification or termination of disclosure obligations without a material change in circumstances relating to the asset; and

"(D) the Commission shall provide that evasion shall not have occurred if an agreement, contract, or transaction is entered into for a legitimate business purpose and is not structured with a principal purpose of willfully circumventing the requirements of this section.

"(n) FIDUCIARY OBLIGATIONS.—

"(1) FIDUCIARY DUTIES UNDER STATE LAW.—Nothing in this section, or in any rule issued under this section, may be construed to limit, preempt, or otherwise affect any fiduciary duty of an ancillary asset originator, or of any director, officer, or controlling person of an ancillary asset originator, arising under the laws of any State.

"(2) PRESERVATION OF FIDUCIARY AND OTHER DUTIES TO CUSTOMERS, CLIENTS, AND SHAREHOLDERS.—Nothing in this section, or in any rule issued under this section, may be construed to limit, preempt, or otherwise affect any fiduciary duty that any person owes to a customer, client, or shareholder under any other provision of Federal or State law, including in connection with the offer, sale, transfer, distribution, or custody of an ancillary asset.

"(o) SAVINGS CLAUSE.—Except as provided by the Digital Asset Market Clarity Act and the amendments made by that Act, nothing in this section may be construed to limit the authority of the Commission under the securities laws.".

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

SEC. 10103. EXEMPTION AND RULEMAKING FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

(a) ADOPTION OF REGULATION CRYPTO.—The Commission shall 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 Crypto", to implement subsections (b), (c), and (d) of this section.

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

(1) EXEMPTION.—

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

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

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

(B) CONTINUED APPLICATION OF CERTAIN PROVISIONS.—Sections 12(a)(2) and 17 of the Securities Act of 1933 (15 U.S.C. 77l(a)(2), 77q) shall apply with respect to an offer, sale, or distribution of an investment contract involving an ancillary asset that is described in subparagraph (A).

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

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

(3) REVIEW AND ADJUSTMENT FOR INFLATION.—

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

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

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

(iii) increase the amounts described in paragraphs (1)(A)(i) and (2) as the Commission determines appropriate, if that 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)(i) or (2) (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.—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 of an investment contract, offers, sells, or distributes an ancillary asset in reliance on the rules adopted under subsection (a), the ancillary asset originator shall furnish to the Commission the disclosures required under section 4B(d) of the Securities Act of 1933, as added by this division, subject to the periodic semiannual disclosure requirements of that section.

(2) COORDINATED CONTROL.—If the applicable ancillary asset is reliant on a distributed ledger system that, together with that ancillary asset, is subject to coordinated control, including by related persons, the restrictions on disposition under section 10104 shall apply.

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

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

(B) 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;

(C) an investment company (as defined in section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a))) or a company (as defined in section 2 of that Act (15 U.S.C. 80a–2)) that would be an investment company under section 3(a) of that Act (15 U.S.C. 80a–3(a)) but for the exclusions provided from that definition by section 3(c) of that Act (15 U.S.C. 80a–3(c)), provided that, solely for the purposes of evaluating eligibility to rely on the exemption provided under subsection (b), an ancillary asset originator shall not be deemed to be an investment company solely by virtue of investing, reinvesting, owning, holding, or trading ancillary assets, including ancillary assets offered for sale by the ancillary asset originator;

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

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

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

(G) a person that is or has been disqualified pursuant to section 230.251 through 230.263 of title 17, Code of Federal Regulations (commonly referred to as "Regulation A"), or any successor regulations, unless waived by order of the Commission; or

(H) a person convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of terrorism, or financial fraud, within the last 10 years.

(4) FURNISHING NOTICE OF RELIANCE.—The applicable ancillary asset originator shall electronically furnish to the Commission a notice of reliance on the rules adopted under subsection (a) 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 those rules, which shall contain the following information:

(A) The name of the ancillary asset originator.

(B) A statement by a person duly authorized by the ancillary asset originator that the conditions of those rules are satisfied.

(C) The website where the summary documents of the ancillary asset originator, if any, may be found and made available for public consumption.

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

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

Act of 1933, as added by this division, be made publicly available in a manner that provides timely and continuing access.

(6) FORM AND MANNER.—The disclosures furnished to the Commission under section 4B(d) of the Securities Act of 1933, as added by this division, shall be prepared, furnished, and made public in the form and manner prescribed by the Commission, including through the use of electronic furnishing, web posting, machine-readable formats, and plain-English legends, as the Commission determines necessary or appropriate in the public interest or for the protection of investors.

(d) STATUS UNDER SECURITIES LAWS.—

(1) IN GENERAL.—A disclosure furnished under section 4B of the Securities Act of 1933, as added by this division, including an initial or periodic disclosure furnished under subsection (d) of such section 4B, and any other document furnished under the rules adopted under subsection (a) of this section, 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 the rules adopted under subsection (a); and

(B) a "statement" solely for purposes of—

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

(ii) section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)); and

(iii) section 240.10b–5 of title 17, Code of Federal Regulations, or any successor regulation.

(2) REGISTRATION STATEMENT.—

(A) IN GENERAL.—A disclosure furnished under section 4B of the Securities Act of 1933, as added by this division, including an initial or periodic disclosure furnished under subsection (d) of such section 4B, or any other document furnished pursuant to the rules adopted under subsection (a), 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 filed 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 a disclosure furnished under section 4B of the Securities Act of 1933, as added by this division, including an initial or periodic disclosure furnished under subsection (d) of such section 4B, or any other document furnished pursuant to the rules adopted under subsection (a), 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 involving disclosures provided pursuant to the rules adopted under subsection (a) shall have a claim under such section 12(a)(2).

(3) FORWARD-LOOKING STATEMENTS.—In any private action against an ancillary asset originator under this title or the amendments made by this title that is based on an untrue statement of a material fact or omission of a material fact necessary to make the statement not misleading, no liability shall arise with respect to any forward-looking statement (including a statement of plans, objectives, projections, expectations, or assumptions concerning future performance, financial position, development

milestones, digital asset utility, system adoption, or market conditions) made in a disclosure, statement, or other document furnished pursuant to section 4B of the Securities Act of 1933, as added by this division, including an initial or periodic disclosure furnished under subsection (d) of such section 4B, or furnished under this section, if 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.

SEC. 10104. SPECIAL DISPOSITION RESTRICTIONS BY RELATED PERSONS.

(a) DEFINITIONS.—In this section:

(1) CERTIFICATION COVERED PARTY.—The term ''certification covered party'' means, with respect to an ancillary asset—

(A) the ancillary asset originator;

(B) a subsidiary of the ancillary asset originator;

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

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

(2) COVERED TOKEN.—The term ''covered token'' means any unit of an ancillary asset that was acquired from the ancillary asset originator with respect to that ancillary asset or an agent or underwriter thereof.

(3) DISTRIBUTED LEDGER CONTROL PERSON.—The term ''distributed ledger control person'' means, with respect to a distributed ledger system, any person or group of persons under common control, other than a decentralized governance system, that has the unilateral authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the distributed ledger system or a related ancillary asset.

(b) COORDINATED CONTROL.—

(1) IN GENERAL.—The Commission shall adopt rules, based on the criteria described in paragraph (2), to define the circumstances under which a distributed ledger system, together with a related ancillary asset, is considered to be under coordinated control.

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

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

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

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

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

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

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

(iii) an analogue to a distributed ledger or distributed ledger application described in clause (i) or (ii), as determined by the Commission by rule or order.

(B) PERMISSIONLESS AND CREDIBLY NEUTRAL DIGITAL SYSTEM.—The extent to which a person or group of persons under common control has—

(i) the unilateral authority, via operation of the distributed ledger system, to restrict, censor, or prohibit use of the distributed ledger system, including any applicable system-based user activity; or

(ii) private permissions, hard-coded privileges, or similar capabilities granted by the source code of the distributed ledger system that provides preferential treatment compared to other similarly situated persons.

(C) DISTRIBUTED DIGITAL NETWORK.—The extent to which a person or group of persons under common control has beneficial ownership of, in the aggregate, more than 49 percent of the total amount of outstanding units of the ancillary asset or voting power with respect to any governance system that relates to the distributed ledger system.

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

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

(ii) a person or group of persons under common control has the unilateral authority, directly or indirectly, to alter or change the functionality, operation, or rules of consensus or agreement of the distributed ledger system.

(E) ECONOMIC INDEPENDENCE.—The extent to which the primary programmatic mechanisms of the distributed ledger system that are intended to facilitate substantial value accrual to the ancillary asset through the functioning of the distributed ledger system are not yet functional.

(3) SAFE HARBORS.—

(A) IN GENERAL.—The Commission shall establish safe harbors under which a distributed ledger system, together with a related ancillary asset, will not be considered to be under coordinated control for the purposes of section 10103(c)(2).

(B) DECENTRALIZED GOVERNANCE SYSTEMS.—

(i) IN GENERAL.—For the purposes of this section, a decentralized governance system shall not be considered to be a person or a group of persons under common control.

(ii) DISTRIBUTED LEDGER SYSTEMS.—For the purposes of this section, a distributed ledger system, together with any related ancillary asset, shall not be precluded from being considered to not be under coordinated control solely based on a functional, administrative, clerical, or ministerial action of a decentralized governance system, including any such action taken by a person acting on behalf of and at the direction of that decentralized governance system, as determined by the Commission and consistent with the protection of investors, maintenance of fair, orderly, and efficient markets, and the facilitation of capital formation.

(C) EMERGENCY MEASURES.—For the purposes of this section, a pre-defined, temporary, rules-based cybersecurity emergency measure that is exercised by an incident response or security council exclusively in response to a specific and documented cybersecurity incident or imminent threat pursuant to publicly disclosed, on-chain authorization mechanisms, that is strictly limited in scope and duration solely to address that cybersecurity incident or imminent threat, and that is exercised without unilateral control by any single person, shall not alone constitute common control or an agreement to work in concert, if those rules and mechanisms, including the procedures and operational limits governing the emergency measure, are disclosed in publicly available written documentation reasonably available to the applicable Federal agency by a decentralized autonomous organization or similar legal entity sufficiently in advance of any exercise of the emergency measure.

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

(4) EVIDENCE.—The Commission may, in adopting rules under this subsection, require such certifications, third party verifications, or other evidence as the Commission determines necessary or appropriate to determine whether a distributed ledger system is under coordinated control for the purposes of section 10103(c)(2).

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

(A) the existence or termination of coordinated control shall be determined independently of whether entrepreneurial or managerial efforts described in section 4B of the Securities Act of 1933, as added by this division, have been completed; and

(B) the elimination of coordinated control shall be a prerequisite to the completion of efforts described in subparagraph (A).

(c) SPECIAL RESTRICTIONS ON DISPOSITION.—The Commission shall adopt rules that provide that, with respect to transactions involving an ancillary asset for which disclosures are required pursuant to section 4B(d) of the Securities Act of 1933, as added by this division, 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 covered token was acquired after the effective date of this Act and principally relies on a distributed ledger system, the covered token may be sold by a related person before that distributed ledger system is certified as not subject to coordinated control, pursuant to subsection (d), if—

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

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

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

(i) not greater than an amount to be determined by the Commission pursuant to notice and comment rulemaking not later than 360 days after the date of enactment of this Act, which rulemaking shall consider what is necessary or appropriate in the public interest, including, among other things, the protection of investors, whether the action will promote efficiency, competition, and capital formation, and how to foster the development of distributed ledger systems that are not subject to coordinated control; and

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

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

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

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

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

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

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

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

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

(B) in the case that the distributed ledger system has been certified as not subject to coordinated control pursuant to subsection (d), the holder of the covered token has held the units for not less than 6 months.

(4) LIMITATIONS ON TRANSACTIONS BY DISTRIBUTED LEDGER CONTROL PERSONS.—If the holder of an ancillary asset that principally relies on a distributed ledger system that has been certified as not subject to coordinated control is a distributed ledger control person with respect to that distributed ledger system, that control person may resell that ancillary asset if—

(A) that control person furnishes notice to the Commission, in a form and manner determined by the Commission, that the person has or intends to obtain an authority, permission, privilege, or capability described in subsection (b)(2)(B) with respect to the distributed ledger system;

(B) that distributed ledger control person furnishes disclosures to the Commission, in a form and manner determined by the Commission, describing the material activities, as determined by the Commission, of the control person;

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

(D) that control person has satisfied such other requirements applicable to that control person that may be established by the Commission to prevent manipulation or distortion of the value of the ancillary asset, including resale restrictions consistent with those applied to related persons that are not control persons.

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

(1) SUBMISSION.—With respect to an ancillary asset, a certification covered party may furnish to the Commission a written certification, in such form and manner as the Commission may specify by rule consistent with subsection (b), stating that the distributed ledger system is not under coordinated control.

(2) AUTOMATIC EFFECTIVENESS.—A certification furnished under paragraph (1) shall become effective, and the distributed ledger system shall be deemed not to be under coordinated control, on the date that is the earlier of—

(A) the date on which the Commission notifies the certification covered party in writing that the Commission does not object to the certification; or

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

(3) DENIAL.—

(A) IN GENERAL.—The Commission may deny a certification furnished under paragraph (1)—

(i) only during the 90-day period beginning on the date on which the certification is furnished, or such shorter period as the Commission may determine by rule, or upon determining, based on reasonable evidence, that a material change in circumstances has occurred after the furnishing of the certification; and

(ii) by providing to the certification covered party 10 days notice of the intent of the Commission to deny that certification.

(B) REQUIREMENTS AFTER NOTICE OF INTENT.—After the 10-day period described in subparagraph (A)(ii), the Commission shall—

(i) conduct a hearing; and

(ii) vote to deny the certification if there is a finding that the applicable ancillary asset does not meet the standard for certification that the operations of the distributed ledger system are not under such coordinated control.

(C) FINAL AGENCY ACTION.—Denial under this paragraph constitutes final agency action reviewable under applicable law.

(4) VERIFICATION.—The Commission may, by rule, require appropriate third-party verification of a 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 (c) 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 paragraph (1)—

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

(i) the applicable ancillary asset originator;

(ii) the owner of any units of the applicable ancillary asset; or

(iii) 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 total amount of outstanding 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.

(f) EXEMPTION FROM DISPOSITION RESTRICTIONS.—The Commission shall adopt rules that provide for the following exemptions from, or waivers to, disposition restrictions described in subsection (c):

(1) MATERIAL HARDSHIP EXEMPTION.—

(A) IN GENERAL.—Subject to subparagraph (B), the Commission shall adopt rules and procedures to exempt parties from related person restrictions with respect to an ancillary asset where those restrictions conflict with an obligation or requirement arising from one of the following material hardships on a related person with respect to the ancillary asset or the ancillary asset originator:

(i) The death of the related person.

(ii) The bankruptcy or insolvency of the related person.

(iii) The dissolution, merger, or acquisition of a corporate person.

(iv) Tax liability relating to the receipt of the applicable ancillary asset.

(v) Such other material hardships as may be designated by the Commission.

(B) REQUIREMENTS.—The rules and procedures adopted under subparagraph (A) shall be designed to mitigate the risk that parties may seek to structure holdings to evade resale restrictions and exempt or waive the application of resale restrictions only to the extent necessary to address the identified material hardship.

(2) LIQUIDITY PROVISION EXEMPTION.—The Commission shall adopt rules to exempt from disposition restrictions parties buying or selling an ancillary asset through regular two-sided bidding and offering for the purposes of providing market liquidity, provided that such activities are not undertaken

for the purpose of evading the requirements of this section.

(3) AGENCY EXEMPTION.—The Commission shall adopt rules that exempt a party acting as a custodian, trading platform, broker, dealer or other agent from being treated as the owner of customer or client assets or from being restricted in facilitating sales on behalf of a customer or client if the agent is otherwise determined to be a related person.

(4) EXCHANGE-TRADED PRODUCT AND PASSIVE FUND EXEMPTION.—The Commission shall adopt rules to exempt from disposition restrictions, as appropriate—

(A) exchange-traded products, the shares of which are created and redeemed by authorized participants and registered with the Commission; and

(B) passive pooled investment vehicles, whether or not the shares of which are registered with the Commission.

(g) RELATED PERSON DISCLOSURE REQUIREMENTS.—The Commission shall adopt rules that provide for reporting to the Commission certain information with respect to ancillary asset holdings or transactions relating to ancillary assets by related persons, subject to the disposition restrictions provided in subsection (c):

(1) DISCLOSURE REPORTS.—

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

(B) SALES OF COVERED TOKENS BY RELATED PERSON PRIOR TO CERTIFICATION OF NON-CONTROL.—Quarterly reports relating to the number of ancillary assets sold by a related person in a form as required by the Commission.

(C) SALES OF COVERED TOKENS BY RELATED PERSON AFTER CERTIFICATION OF NON-CONTROL.—Quarterly reports relating to the number of ancillary assets sold by a related person that holds, at any point during the applicable calendar quarter, in excess of 5 percent of the total amount of outstanding units of such ancillary asset in a form as required by the Commission.

(D) SALES OF PRE-EXISTING COVERED TOKENS BY RELATED PERSON.—Quarterly reports relating to the number of ancillary assets sold by a related person that holds in excess of 5 percent of the total amount of outstanding units of such ancillary asset in a form as required by the Commission.

(2) CONFIDENTIAL TREATMENT.—The Commission may provide for confidential treatment of information provided under this subsection, or may exempt certain related persons from the requirement to furnish a report required under this subsection, pursuant to procedures the Commission shall establish and that are modeled on or identical to section 230.406 of title 17, Code of Federal Regulations, or any successor regulation.

(3) GOOD-FAITH FURNISHING STANDARD.—

(A) IN GENERAL.—Any obligation to furnish information under this section applies only to the furnisher acting on its own behalf and is limited to information that is material and known, or reasonably knowable after due inquiry, to that furnisher.

(B) RELIANCE.—A furnisher described in subparagraph (A) may reasonably rely on public sources and third-party attestations where appropriate.

(C) LIABILITY.—Furnishing in good faith pursuant to this section shall not create liability for information outside the furnisher's possession, custody, or control, or for omissions of information the furnisher could not reasonably obtain without breaching legal privilege, contractual confidentiality, or other applicable law.

(D) OTHER PERSONS.—Any person other than the furnisher may, in good faith and absent knowledge to the contrary, presume that a report required under paragraph (1) has been timely furnished.

(4) LIFE CYCLE EVENT CONSIDERATIONS.—The Commission shall adopt rules establishing streamlined processes for the following life cycle events:

(A) SUCCESSOR DISCLOSURES IN CORPORATE TRANSACTIONS.—The transfer of disclosure obligations under this section to a successor entity in the event of a merger, acquisition, or sale of substantially all assets relating to the ancillary asset activities, including a notice of succession.

(B) CESSATION OF WORK.—The cessation or suspension of ongoing disclosure obligations under this section where the ancillary asset originator or related person no longer engages, and does not reasonably expect to engage, in entrepreneurial or managerial efforts with respect to the ancillary asset or its associated distributed ledger system, including a notice of cessation of work.

(C) CONTRACTUAL TERMINATION.—The termination of disclosure obligations under this section that attach solely by virtue of a person's status as a related person when a contractual arrangement with the ancillary asset originator or distributed ledger system has concluded, including a notice of cessation of contractual relationship.

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

(1) limit or impair the anti-fraud or anti-manipulation authorities of the Commission; or

(2) preclude reliance on Regulation Crypto, as adopted under section 10103, or any other effective

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

SEC. 10105. CHARACTERISTICS OF NETWORK TOKENS.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Commission shall adopt rules that provide that—

(1) a network token shall not be considered as providing a disqualifying financial right under section 4B(a)(7)(B) of the Securities Act of 1933, as added by this division, if the market value of the network token is primarily derived, or is reasonably expected to be primarily derived, from a distributed ledger system or from the broader adoption and use of such a system, including where—

(A) the mechanisms of the distributed ledger system collect, receive, accrue, or distribute consideration from the functioning of the distributed ledger system;

(B) the network token provides governance capabilities with respect to a distributed ledger system or a decentralized governance system;

(C) the value of the network token appreciates or depreciates due to the use of, or in response to the efforts, operations, or financial performance of, the distributed ledger system to which the network token relates or its decentralized governance system; or

(D) for a network token that meets the definition of an ancillary asset, the value of the network token appreciates or depreciates due to the efforts of the ancillary asset originator or related person; and

(2) participants in offers or sales of network tokens providing financial interests described in paragraph (1) shall not be precluded from relying on the exemption from registration under section 4B(b) of the Securities Act of 1933, as added by this division.

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

(1) IN GENERAL.—If, before the date of enactment of this Act, a court of the United States, in a non-appealable final judgment, found that a digital asset transaction was not an offer, sale, or distribution of a security, a digital asset transferred pursuant to that offer, sale, or distribution shall not be considered to be a security under any provision of law described in subsection (b)(2) of section 4B of the Securities Act of 1933, as added by this division.

(2) NETWORK TOKENS.—A network token shall not be considered to be an ancillary asset, and shall not be considered to be a security under any provision of law described in subsection (b)(2) of section 4B of the Securities Act of 1933, as added by this division, if, on January 1, 2026, any units of that network token were the principal asset of an exchange-traded product—

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

(B) the shares of which are listed and traded on a national securities exchange registered under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f).

SEC. 10106. EXEMPTIVE AUTHORITY.

(a) CONTINUED APPLICABILITY.—Nothing in this division, or any amendment made by this division, 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 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. 10107. MODERNIZATION OF RECORDKEEPING REQUIREMENTS.

The Commission shall adopt rules to modernize the recordkeeping requirements under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.), and the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.), including to facilitate the utilization of distributed ledger records.

SEC. 10108. MODERNIZATION OF SECURITIES REGULATIONS FOR DIGITAL ASSET ACTIVITIES.

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

(1) 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 division (or required to be amended because of a provision of this division or an amendment made by this division), to the extent that such provision applies to any digital asset activity, including any activity involving a security that is issued, recorded, or transferred using distributed ledger

technology, to the extent that the provision is outdated, unnecessary, or unduly burdensome in light of the unique technological characteristics of digital assets or substantially similar technology, which may include regulatory provisions governing—

(A) customer protection, including custody of digital assets or substantially similar technology;

(B) transfer agent rules;

(C) books and records, or recordkeeping requirements;

(D) clearance and settlement rules;

(E) broker-dealer, alternative trading system, and exchange rules;

(F) issuer disclosure and ongoing reporting requirements tailored to digital asset securities or substantially similar technology involving securities; and

(G) the use of vaults, digital asset receipts, or receipts involving substantially similar technology, vault tokens, or liquidity provider tokens; and

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

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

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

(c) USE OF EXISTING AUTHORITY.—When considering, proposing, adopting, or engaging in any rule or program or developing new rules or programs, including those mandated or authorized under this division, or any amendment made by this division, the activities of the Commission (which may include the solicitation of data and other input from investors, regulated entities, and market participants or the representatives of any of those persons) shall be considered actions taken under subsection (e) of section 19 of the Securities Act of 1933 (15 U.S.C. 77s) and shall be subject to subsection (f) of that section.

(d) CONTINUED APPLICABILITY OF STATE CONSUMER PROTECTION LAWS.—Except as expressly provided by this division, or an amendment made by this division, nothing in this division (or in any such amendment) shall preempt any State consumer protection law, including common law, or a remedy available under any such law.

(e) PREEMPTION FOR EXEMPTIONS AND DIGITAL ASSET ACTIVITIES UNDER THE SECURITIES ACT.—Section 18 of the Securities Act of 1933 (15 U.S.C. 77r) is amended—

(1) in subsection (b)—

(A) in paragraph (3)—

(i) in the paragraph heading, by inserting ‘‘IN QUALIFIED TRANSACTIONS OR’’ after ‘‘SALES’’;

(ii) in the first sentence, by inserting ‘‘in a qualified transaction or’’ after ‘‘the security’’; and

(iii) in the second sentence—

(I) by striking ‘‘term ‘qualified purchaser’ ’’ and inserting ‘‘terms ‘qualified transaction’ and ‘qualified purchaser’ ’’;

(II) by inserting ‘‘and categories of transactions, including secondary transactions,’’ after ‘‘securities’’; and

(III) by inserting ‘‘and with due regard to the facilitation of capital formation and the promotion of innovation’’ before the period at the end; and

(B) in paragraph (4)—

(i) in subparagraph (A), by inserting "or, if the issuer is not required to file such reports, where the Commission otherwise determines, consistent with the public interest and the protection of investors and with due regard to the facilitation of capital formation and the promotion of innovation" before the semicolon at the end;

(ii) in subparagraph (D)(ii), by inserting "in a qualified transaction or" after "offered or sold";

(iii) in subparagraph (F), by striking "or" at the end;

(iv) in subparagraph (G), by striking the period at the end and inserting "; or"; and

(v) by adding at the end the following:

"(H) Commission rules or regulations issued under section 28, except that this subparagraph does not apply to rules or regulations adopted before the date of enactment of this subparagraph.".

(f) EXEMPTING NETWORK TOKENS FROM STATE SECURITIES LAWS.—

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

"(5) EXEMPTION IN CONNECTION WITH NETWORK TOKENS.—A network token, as defined in section 4B(a), shall be treated as a covered security.".

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

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

"(6) LIMITATIONS ON STATE LAW REGARDING ANCILLARY ASSETS.—

"(A) DEFINITIONS.—In this paragraph, the term 'ancillary asset' has the meaning given the term in section 4B(a).

"(B) EXEMPTION IN CONNECTION WITH ANCILLARY ASSETS.—An ancillary asset offered, sold, or distributed in reliance on Regulation Crypto, as adopted under section 10103 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026, shall be treated as a covered security.".

(h) PRESERVATION OF REGULATION BEST INTEREST.—

(1) IN GENERAL.—Subject to paragraph (2), nothing in this division, any amendment made by this division, or any rule issued under this division or pursuant to any such amendment may be construed to limit, preempt, or otherwise affect the obligations of a broker or dealer registered with the Commission under section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 78o) or section 240.15l–1 of title 17, Code of Federal Regulations (commonly known as "Regulation Best Interest"), or any successor regulation.

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

(i) PRESERVATION OF INVESTMENT ADVISER FIDUCIARY DUTIES.—Nothing in this division, any amendment made by this division, or any rule issued under this division or pursuant to any such amendment may be construed to limit, preempt, or otherwise affect the fiduciary obligations of an investment adviser (as defined in section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a))) under section 206 of that Act (15 U.S.C. 80b–6), any rule or regulation issued under such section 206, or any other provision of Federal or State law, including in connection with investment advice regarding a digital commodity.

SEC. 10109. INSIDER TRADING WITH RESPECT TO ANCILLARY ASSET TRANSACTIONS.

(a) DEFINITION.—In this section, the term ''distributed ledger control person'' has the meaning given the term in section 10104(a).

(b) APPLICATION OF SECURITIES LAWS.—Any provision of the securities laws, or any regulation issued under the securities laws, including any duty that arises under the securities laws or under such a regulation, that applies with respect to a person that purchases, sells, or offers to sell a security, security-based swap, or security-based swap agreement while in possession of material nonpublic information, or communicates such information in connection with or in the transaction, shall apply to any offer, sale, or purchase of a security, security-based swap, or security-based swap agreement in which an ancillary asset is offered, sold, or purchased, including any offer, sale, or purchase conducted pursuant to Regulation Crypto, as adopted pursuant to section 10103, whether conducted by an ancillary asset originator, a related person, or any other person.

(c) RULEMAKING.—

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

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

(B) be interpreted and applied in a manner that is consistent with, and may not be construed to expand or contract, the principles of, and judicial precedent interpreting (by the Supreme Court of the United States), the securities laws and the regulations issued under the securities laws, as those principles and that judicial precedent are in effect, as of the day before the date of enactment of this Act.

(2) CONSIDERATIONS.—In adopting rules under paragraph (1), the Commission shall consider, subject to subsection (e), whether, and under what circumstances, an offer, sale, purchase, or communication should be addressed by those rules, including by—

(A) a distributed ledger control person, any person acting on behalf of, or in concert with, an ancillary asset originator, related person, or distributed ledger control person, or a person that obtained material nonpublic information in the course of a relationship of trust and confidence with an ancillary asset originator or related person, where material nonpublic information regarding an ancillary asset originator or an ancillary asset was—

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

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

(iii) obtained from an ancillary asset originator or related person, the conduct of which is described in subparagraph (B); or

(B) an ancillary asset originator or related person that purchases, sells, or otherwise distributes an ancillary asset, or communicates material nonpublic information regarding an ancillary asset originator or ancillary asset, while aware of material nonpublic information that is required to be disclosed in any disclosure furnished, or required to be furnished, under section 4B of the Securities Act of 1933, as added by this division, or Regulation Crypto, as adopted pursuant to section 10103.

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

(e) RULE OF CONSTRUCTION.—Consistent with section 4B(b)(3) of the Securities Act of 1933, as added by this division, nothing in this section may be construed to apply the securities laws, or any regulation issued under the securities laws (including any rule adopted under subsection (c)), to any secondary market transaction in an ancillary asset that is not otherwise a transaction in a security, security-based swap, or security-based swap agreement.

SEC. 10110. SECURITIES INVESTOR PROTECTION CORPORATION APPLICABILITY.

Section 16(14) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78lll(14)) is amended by inserting after the second sentence the following: ''The term 'security' does not include a digital commodity.''.

SEC. 10111. INVESTOR AND CONSUMER PROTECTION ENFORCEMENT.

(a) PRESERVATION OF CERTAIN RIGHTS, AUTHORITIES, LAWS, AND OBLIGATIONS.—Subject to subsection (b), nothing in this division, any amendment made by this division, or any rule, requirement, or regulation promulgated pursuant to this division may be construed to prohibit, limit, impair, or otherwise affect—

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

manipulation, or deceptive practices, to the extent that such private right of action is expressly provided for in this division or an amendment made by this division, or is otherwise available under Federal law, including with respect to conduct involving an ancillary asset, network token, digital commodity, or any transaction, disclosure, certification, notice, report, statement, communication, or other document involving any such asset;

(2) except as expressly provided in this division or an amendment made by this division, any Federal or State regulator, acting within the scope of authority otherwise provided by law, from bringing an administrative or civil enforcement action under—

(A) the Commodity Exchange Act (7 U.S.C. 1 et seq.), including the provisions of that Act that are added or amended by this Act and relate to digital commodities and the jurisdiction of the Commodity Futures Trading Commission;

(B) the Securities Act of 1933 (15 U.S.C. 77a et seq.), as amended by this Act, the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), as amended by this Act, or the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.);

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

(D) section 18(c)(1) of the Securities Act of 1933 (15 U.S.C. 77r(c)(1)), or any functionally equivalent anti-fraud or anti-manipulation provision of State securities law (including any State securities law with respect to a security or a transaction in a security to the extent enforcement of that anti-fraud or anti-manipulation provision of State securities law is not preempted by section 18 of the Securities Act of 1933 (15 U.S.C. 77r)), with respect to an investment contract involving an ancillary asset, or other transaction involving any such asset, for which this division or an amendment made by this division expressly preserves or provides for the application of anti-fraud or anti-manipulation authority;

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

erally applicable State law, including a law relating to fraud, deceit, unfair or deceptive acts or practices, consumer protection, banking, payments, property, contracts, criminal law, or unlawful conduct or practices, or the remedies available under any such law, with respect to conduct involving a digital asset, ancillary asset, network token, or digital commodity, or any transaction, activity, person, or service involving any such asset, provided that such law does not impose any licensing, registration, qualification, or other requirement that is expressly preempted, or otherwise expressly limited, by this division or an amendment made by this division;

(4) the fiduciary obligations of an investment adviser, as defined in section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)), under section 206 of that Act (15 U.S.C. 80b–6), any rule or regulation issued under such section 206, or any other provision of Federal or State law, including in connection with investment advice regarding a digital asset, ancillary asset, network token, digital commodity, or substantially similar technology; or

(5) any right or remedy under Federal consumer financial law, including under section 1011 of

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

(b) LIMITATIONS AND RULES OF CONSTRUCTION.—Nothing in subsection (a) may be construed to—

(1) preserve, create, or authorize any Federal or State registration, licensing, qualification, or merit-review requirement under State law with respect to an ancillary asset, network token, digital commodity, transaction, person, or activity, to the extent that such requirement is preempted or otherwise limited by this division or an amendment made by this division;

(2) create, preserve, or authorize any private right of action under Federal or State law with respect to an ancillary asset, network token, digital commodity, or transaction involving any such asset;

(3) permit any claim, action, proceeding, requirement, liability, obligation, or remedy to be brought, maintained, imposed, or enforced under

Federal or State securities or commodities law to the extent that such claim, action, proceeding, requirement, liability, obligation, or remedy depends upon, is predicated on, or would require a determination that an ancillary asset, network token, digital commodity, or any transaction, activity, person, or service involving any such asset has a status or characterization under Federal or State securities or commodities law that is contrary to an express classification or treatment provided by this division or an amendment made by this division;

(4) expand, contract, or otherwise alter the jurisdiction, exclusive or otherwise, of the Commission, the Commodity Futures Trading Commission, or any State regulator;

(5) limit, impair, or otherwise affect the treatment of any asset, transaction, or interest as a covered security for purposes of section 18 of the Securities Act of 1933 (15 U.S.C. 77r); or

(6) create any new private right of action under Federal or State law, except that nothing in this paragraph may be construed to limit, impair, or otherwise affect any private right of action preserved under subsection (a)(1), expressly provided in this

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

TITLE II—PROTECTING AGAINST ILLICIT FINANCE

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

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

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

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

(b) BANK SECRECY ACT REQUIREMENTS.—

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

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

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

(i) an appropriate risk assessment;

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

(iii) the designation of a compliance officer;

(iv) an ongoing employee training program; and

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

(B) retain appropriate records of transactions;

(C) monitor and report suspicious activity, which may include use of appropriate distributed ledger analytics; and

(D) maintain an effective customer identification program to identify and verify account holders and carry out appropriate customer due diligence.

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

ital commodity exchange shall comply with all laws and regulations related to United States sanctions administered by the Office of Foreign Assets Control.

(c) SENSE OF CONGRESS.—It is the sense of Congress that nothing in this section shall limit the applicability of any law imposing or authorizing the imposition of economic sanctions by the United States.

SEC. 10202. DIGITAL ASSET EXAMINATION STANDARDS.

(a) DEFINITIONS.—In this section:

(1) FEDERAL FUNCTIONAL REGULATOR.—The term ''Federal functional regulator'' has the meaning given the term in section 509 of the Gramm-Leach-Bliley Act (15 U.S.C. 6809).

(2) FINANCIAL INSTITUTION.—The term ''financial institution'' has the meaning given the term in section 5312(a)(2) of title 31, United States Code.

(b) EXAMINATION AND REVIEW.—The Secretary of the Treasury, in consultation with Federal functional regulators, shall establish, coordinated to the extent feasible, risk-based examination standards to assess financial institutions involved in the digital asset sector for compliance with anti-money laundering and countering the financing of terrorism requirements under the Bank Secrecy Act.

SEC. 10203. PREVENTING ILLICIT FINANCE THROUGH PARTNERSHIP ACT.

(a) SHORT TITLE.—This section may be cited as the "Preventing Illicit Finance Through Partnership Act".

(b) DEFINITIONS.—In this section:

(1) BANK.—The term "bank" has the meaning given the term in section 1010.100 of title 31, Code of Federal Regulations (or any corresponding similar regulation).

(2) CERTIFIED OR RECOGNIZED INFORMATION-SHARING OR INTERDICTION NETWORK.—The term "certified or recognized information-sharing or interdiction network" means a real-time, secure, public-private mechanism that—

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

(B) is—

(i) certified by the Secretary of the Treasury for the purpose of supporting interdiction and investigative actions consistent with law enforcement or regulatory authorities; or

(ii) recognized by the Secretary of the Treasury as an existing (as of the day before the date of enactment of this Act), effective public-private partnership network that meets standards for security, accountability, and participation that are equivalent to the standards that would be required by the Secretary of the Treasury for certification under clause (i).

(3) 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 Department of the Treasury, including the Financial Crimes Enforcement Network, the Internal Revenue Service, and the Office of Foreign Assets Control;

(C) the Department of Homeland Security; and

(D) any Federal, State, or local law enforcement agency, or office of an attorney general of a State, that the Secretary of the Treasury, in consultation with the Director, designates for participation in the pilot program established under subsection (c).

(4) DESIGNATED PRIVATE SECTOR ENTITY.—The term ‘‘designated private sector entity’’ means a private sector entity designated under subsection (d).

(5) DIRECTOR.—The term ‘‘Director’’ means the Director of the Financial Crimes Enforcement Network.

(6) ILLICIT FINANCE VIOLATION.—The term ‘‘illicit finance violation’’ means the illicit use of digital assets.

(7) ILLICIT USE.—The term ‘‘illicit use’’ includes fraud, money laundering, terrorist financing, the purchase and sale of illicit goods, trafficking of fentanyl (including fentanyl precursors and trade in other illicit drugs), sanctions evasion, theft of funds, funding of illegal activities, transactions relating to child sexual abuse material or elder fraud abuse, and any other financial transaction involving the proceeds of specified unlawful activity, as defined in section 1956(c) of title 18, United States Code.

(8) 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).

(c) ESTABLISHMENT OF PILOT PROGRAM.—The Secretary of the Treasury shall establish a pilot program under which covered agencies and designated private sector entities securely share information focused on potential illicit finance violations and threats and emerging risks relating to illicit finance violations.

(d) 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 Director and the Secretary shall designate 10 private sector entities that are money services businesses, 10 private sector entities that are digital commodity brokers, digital commodity dealers, or digital commodity exchanges, and 10 private sector entities that are banks to participate in the pilot program established under subsection (c), if such entities agree and volunteer to participate in the program.

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

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

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

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

(2) OPTIONAL DESIGNATION.—In addition to the 30 private sector entities designated under paragraph (1), the Director may designate—

(A) 1 or more information sharing and analysis centers to participate in the pilot program;

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

(C) 1 or more private sector entities, as appropriate, relating to a particular type of illicit activity.

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

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

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

(f) 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, unless otherwise prescribed by regulation or permitted by the covered agency sharing the information.

(g) 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 Secretary of the Treasury or a similar mechanism determined appropriate by the Secretary of the Treasury;

(2) through secure email;

(3) at monthly meetings, which shall be facilitated by the Secretary of the Treasury; or

(4) through a certified or recognized information-sharing or interdiction network.

(h) 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.

(i) SUNSET.—The pilot program established under subsection (c) shall terminate on the date that is 5 years after the date of enactment of this Act, unless made permanent through notice and comment rulemaking by the Department of the Treasury.

SEC. 10204. FINANCIAL TECHNOLOGY PROTECTION ACT.

(a) SHORT TITLE.—This section may be cited as the ‘‘Financial Technology Protection Act’’.

(b) DEFINITIONS.—In this section:

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

(3) 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 Emerging Technologies of the National Science and Technology Council, including any updates to such list.

(4) 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).

(5) ILLICIT USE.—The term ''illicit use'' includes fraud, money laundering, terrorist financing, the purchase and sale of illicit goods, trafficking of fentanyl (including fentanyl precursors and trade in other illicit drugs), sanctions evasion, theft of funds, funding of illegal activities, transactions related to child sexual abuse material or elder fraud abuse, 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) STATE SPONSOR OF TERRORISM.—The term ''state sponsor of terrorism'' means a country determined by the Secretary of State to have repeatedly

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

(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).

(8) TRANSNATIONAL ORGANIZED CRIME.—The term ''transnational organized crime'' has the meaning given the term in section 284 of title 10, United States Code.

(c) INDEPENDENT FINANCIAL TECHNOLOGY WORKING GROUP TO COMBAT TERRORISM, NARCOTICS TRAFFICKING, AND ILLICIT FINANCING.—

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

(A) The Secretary of the Treasury or their designee, 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 7 individuals appointed by the Secretary of the Treasury 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.

(vi) State financial regulators.

(vii) State or local law enforcement agencies.

(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 the illicit use of digital assets and other related emerging technologies, including by terrorists, foreign terrorist organizations, state sponsors of terrorism, and transnational organized crime groups; 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 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.

SEC. 10205. DIGITAL ASSET KIOSKS.

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

(1) in subsection (d)—

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

(B) by adding at the end the following:

"(3) DIGITAL ASSET; DIGITAL ASSET ADDRESS; DIGITAL ASSET KIOSK; DIGITAL ASSET KIOSK OPERATOR.—The terms 'digital asset', 'digital asset address', 'digital asset kiosk', and 'digital asset kiosk operator' have the meanings given those terms, respectively, in section 5337."; and

(2) by adding at the end the following:

"(f) REGISTRATION OF DIGITAL ASSET KIOSK LOCATIONS.—

"(1) IN GENERAL.—Not later than 90 days after the effective date of this subsection, and not less than once every 90 days thereafter, the Secretary of the Treasury shall require digital asset kiosk operators to submit an updated list containing the physical address of each digital asset kiosk owned or operated by the digital asset kiosk operator.

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

"(A) the legal name of the digital asset kiosk operator;

"(B) any fictitious or trade name of the digital asset kiosk operator;

"(C) the physical address of each digital asset kiosk owned, operated, or managed by the digital asset kiosk operator that is located in the United States or the territories of the United States;

"(D) the start date of operation of each digital asset kiosk;

"(E) the end date of operation of each digital asset kiosk, if applicable; and

"(F) each digital asset address used by the digital asset kiosk operator.

"(3) FALSE AND INCOMPLETE INFORMATION.—The filing of false or materially incomplete information in a submission required under paragraph (1) shall be deemed a failure to comply with the requirements of this subsection.".

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

(1) IN GENERAL.—Subchapter II of chapter 53 of title 31, United States Code, is amended by adding at the end the following:

"§ 5337. Digital asset kiosk fraud prevention

"(a) DEFINITIONS.—In this section:

"(1) CUSTOMER.—The term 'customer' means any person that purchases or sells digital assets through a digital asset kiosk.

"(2) DISTRIBUTED LEDGER ANALYTICS.—The term 'distributed ledger analytics' means the analysis of data from public distributed ledgers, and associated transaction information, to provide risk-specific information about digital asset transactions and digital asset addresses.

"(3) DIGITAL ASSET.—The term 'digital asset' has the meaning given the term in section 2 of the GENIUS Act (12 U.S.C. 5901).

"(4) DIGITAL ASSET ADDRESS.—The term 'digital asset address' means an alphanumeric identifier associated with a digital asset wallet identifying the location to which a digital asset purchased through a digital asset kiosk can be sent or from which a digital asset sold through a digital asset kiosk can be accessed.

"(5) DIGITAL ASSET KIOSK.—The term 'digital asset kiosk' means a stand-alone machine that is capable of accepting or dispensing legal tender in exchange for digital assets.

"(6) DIGITAL ASSET KIOSK OPERATOR.—The term 'digital asset kiosk operator' means a person who owns, operates, or manages a digital asset kiosk located in the United States or its territories.

"(7) DIGITAL ASSET KIOSK TRANSACTION.—The term 'digital asset kiosk transaction' means the purchase or sale of digital assets via a digital asset kiosk.

"(8) DIGITAL ASSET WALLET.—The term 'digital asset wallet' means a software application or other mechanism providing a means for holding, storing, and transferring digital assets.

"(9) FINCEN.—The term 'FinCEN' means the Financial Crimes Enforcement Network of the Department of the Treasury.

"(10) NEW CUSTOMER.—The term 'new customer,' with respect to a digital asset kiosk operator, means a customer during the 14-day period beginning on the date of the first digital asset kiosk transaction of the customer with the digital asset kiosk operator.

"(11) TRANSACTION HASH.—The term 'transaction hash' means a unique identifier made up of a string of characters that act as a record of and provide proof that a transaction was verified and added to the distributed ledger.

"(b) DISCLOSURES.—

"(1) IN GENERAL.—Before entering into a digital asset transaction with a customer, a digital asset kiosk operator shall disclose in a clear, conspicuous, and easily readable manner—

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

"(i) the amount of the digital asset kiosk transaction;

"(ii) the type and nature of the digital asset kiosk transaction;

"(iii) a warning that the digital asset kiosk transaction is final, is not refundable, and may not be reversed; and

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

"(B) a warning relating to consumer fraud including—

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

"(ii) the most common types of fraudulent schemes involving digital asset kiosks, such as—

"(I) impersonation of a government official or a bank representative;

"(II) threats of jail time or financial penalties;

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

"(IV) claims of a frozen bank account or credit card;

"(V) requests for donations to charity or disaster relief; or

"(VI) payment to an individual the customer has never met; and

"(iii) a statement that the customer should contact law enforcement if they suspect fraudulent activity, such as scams, including contact information for a relevant law enforcement or government agency.

"(2) ADDITIONAL DISCLOSURES.—FinCEN may adopt rules relating to additional disclosures required to be made to customers prior to engaging in a transaction.

"(c) ACKNOWLEDGMENT OF DISCLOSURES.—Each time a customer uses a digital asset kiosk, the digital asset kiosk operator shall ensure acknowledgment of all disclosures required under subsection (b) via confirmation of consent of the customer at the digital asset kiosk.

"(d) RECEIPTS.—Upon completion of each digital asset kiosk transaction, the digital asset kiosk operator shall provide the customer with a receipt, which shall include the following information:

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

"(2) The name of the customer.

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

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

"(5) All fees charged.

"(6) A statement that the customer should contact law enforcement if they suspect fraudulent activity, such as scams, including contact information for a relevant law enforcement or government agency.

"(7) The exchange rate applied.

"(8) Any additional information the digital asset kiosk operator determines appropriate.

"(e) Physical Receipts Available.—A physical version of the receipt required under subsection (d) shall be issued to the customer at the time of the digital asset kiosk transaction, if the customer opts for such a physical version of the receipt.

"(f) Anti-Fraud Policy.—

"(1) In general.—Each digital asset kiosk operator shall establish, maintain, and implement a written anti-fraud policy if required by, and consistent with, applicable State law in those States where the digital asset kiosk operator is licensed.

"(2) Federal standard.—A digital asset kiosk operator operating in any State that does not require an anti-fraud policy under paragraph (1) shall establish, maintain, and implement an anti-fraud policy that, at a minimum, includes—

"(A) the identification and assessment of fraud-related areas;

"(B) procedures and controls to protect against risks identified under subparagraph (A);

"(C) allocation of responsibility for monitoring the risks identified under subparagraph (A); and

"(D) procedures for the periodic evaluation and revision of the anti fraud procedures, controls, and monitoring mechanisms under subparagraphs (B) and (C).

"(g) APPOINTMENT OF COMPLIANCE OFFICER.—Each digital asset kiosk operator shall designate and employ a compliance officer who—

"(1) is qualified to coordinate and monitor compliance with this section and all other applicable Federal and State laws, rules, and regulations;

"(2) is employed full-time by the digital asset kiosk operator;

"(3) is not the chief executive officer of the digital asset kiosk operator; and

"(4) does not own or control more than 10 percent of any interest in the digital asset kiosk operator.

"(h) USE OF DISTRIBUTED LEDGER ANALYTICS AND WALLET PINNING.—

"(1) IN GENERAL.—Each digital asset kiosk operator shall use distributed ledger analytics to prevent sending a digital asset to a digital asset wallet known to be affiliated with fraudulent activity at the time of a digital asset kiosk transaction and to detect transaction patterns indicative of fraud or other illicit activities.

"(2) WALLET PINNING.—Each digital asset kiosk operator shall maintain restrictions that prevent more than 1 customer of the digital asset kiosk operator from using the same digital wallet address.

"(3) COMPLIANCE.—The Director of FinCEN may request evidence from any digital asset kiosk operator to confirm compliance with this subsection.

"(i) CONFIRMATION REQUIRED BEFORE NEW CUSTOMER TRANSACTIONS.—Before entering into a digital asset kiosk transaction valued at $500 or more with a new customer, the digital asset kiosk operator shall obtain confirmation from the new customer that—

"(1) the new customer wishes to proceed with the digital asset kiosk transaction; and

"(2) the new customer is not being fraudulently induced into engaging in the transaction.

"(j) HOLDING PERIOD.—

"(1) IN GENERAL.—No digital asset kiosk operator shall execute a transaction on behalf of a new customer that sends digital assets to a specific wallet address unless at least 72 hours have elapsed since the initiation of the transaction by the new customer.

"(2) RIGHT TO CANCEL.—With respect to a transaction that is subject to the restriction under paragraph (1), the new customer described in that paragraph—

"(A) shall have the right, at any time before the expiration of the 72-hour period described in that paragraph, to cancel that transaction and receive a full refund of the amount paid by the customer in connection with that transaction, including any fees; and

"(B) if the new customer seeks to exercise the right under subparagraph (A) during the 72-hour period described in that subparagraph and is unable to contact the applicable digital asset kiosk operator during that period, that digital asset kiosk operator shall—

"(i) treat that transaction as canceled; and

"(ii) provide a full refund of the amount paid by the customer in connection with the transaction, including any fees.

"(k) TRANSACTION LIMITS WITH RESPECT TO NEW CUSTOMERS.—The Secretary of the Treasury shall prescribe by regulation the threshold amounts for reporting or limiting digital asset kiosk transactions, including aggregate or single-day deposit and withdrawal limits, as the Secretary determines are reasonably necessary to deter fraud and illicit finance. Such regulations shall consider the unique risks and functionalities of digital asset kiosks and may provide for exceptions, adjustments, or exclusions as deemed appropriate by the Secretary.

"(l) INTERIM TRANSACTION LIMITS.—Until the effective date of regulations prescribed under subsection (k), a digital asset kiosk operator shall not permit a new customer to conduct transactions exceeding $3,500 in the aggregate within any 24-hour period.

"(m) REFUNDS.—A digital asset kiosk operator shall issue a refund for a customer's transaction fees within 30 days if—

"(1) the customer was fraudulently induced into engaging in the digital asset kiosk transaction; and

"(2) the customer files a complaint to the digital asset kiosk operator, which includes—

"(A) the name, address, and phone number of the customer;

"(B) the transaction hash of the digital asset kiosk transaction or information sufficient to establish the type, value, date, and time of the digital asset kiosk transaction; and

"(C) a copy of a report to a State or local law enforcement or government agency made not later than 30 days after the digital asset kiosk transaction.

"(n) CUSTOMER SERVICE HELPLINE.—Each digital asset kiosk operator shall provide live customer service during business hours, the phone number for which is regularly monitored and displayed in a clear, conspicuous, and easily readable manner upon each digital asset kiosk. During non-business hours, the digital asset kiosk operator shall maintain an alternative customer service system that may include an automated chatbot, an online complaint reporting portal, or other customer service mechanism.

"(o) COMMUNICATIONS WITH LAW ENFORCEMENT.—Each digital asset kiosk operator performing business in the United States shall have a dedicated method of contact, such as a phone number, email address, or other contact method, for law enforcement and regulatory agencies to contact the digital asset kiosk operator. This contact method shall be displayed and available on the digital asset kiosk operator's website.

"(p) CIVIL PENALTIES AND STATE ENFORCEMENT.—Any State regulator may bring a civil action or other appropriate proceeding to enforce the provisions of this section and may assess or collect civil penalties or other remedies for violations of this section, as provided under applicable State law.

"(q) RULE OF CONSTRUCTION.—Nothing in this section may be construed to prohibit a State from enacting a law, rule, or regulation that provides greater protection to customers.".

(2) TECHNICAL AND CONFORMING AMENDMENT.—The table of sections for subchapter II of chapter 53 of title 31, United States Code, is amended by adding at the end the following:

"5337. Digital asset kiosk fraud prevention.".

SEC. 10206. STUDY ON ILLICIT USE OF DIGITAL ASSETS.

(a) DEFINITIONS.—In this section:

(1) 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).

(2) TRANSNATIONAL ORGANIZED CRIMINAL.—The term "transnational organized criminal" means an individual who participates in transnational organized crime, as defined in section 284(i) of title 10, United States Code.

(b) REVIEW.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury, in consultation with the Attorney General, shall conduct a comprehensive review of how foreign terrorist organizations and transnational organized criminals utilize digital assets in connection with illicit activities.

(c) REPORT.—Not later than 180 days after completing the review under subsection (b), the Secretary of the Treasury shall submit to the Committee on Agriculture, Nutrition, and Forestry and the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Agriculture and the Committee on Financial Services of the House of Representatives a report on the findings of the Secretary, including—

(1) an assessment of how foreign terrorist organizations and transnational organized criminals utilize digital assets in connection with illicit activities; and

(2) recommendations to assist the Commission and the Commodity Futures Trading Commission in strengthening compliance and enforcement of digital assets-related entities registered with their respective agencies.

(d) ADDITIONAL AGENCIES.—The Secretary of the Treasury may, in the sole discretion of the Secretary of the Treasury, solicit input for the report required under subsection (c) from any or all of the Federal functional regulators, as defined in section 509 of the Gramm-Leach-Bliley Act (15 U.S.C. 6809), and the Commodity Futures Trading Commission.

(e) CLASSIFIED ANNEX.—The report required under subsection (c) may include a classified annex, as appropriate.

TITLE III—RESPONSIBLE INNOVATION IN DECENTRALIZED FINANCE

SEC. 10301. RULEMAKING ON APPLICATION OF EXISTING SECURITIES INTERMEDIARY REQUIREMENTS AND EXISTING BANK SECRECY ACT REQUIREMENTS TO NON-DECENTRALIZED FINANCE TRADING PROTOCOLS.

(a) DEFINITIONS.—In this section:

(1) DECENTRALIZED FINANCE TRADING PROTOCOL.—The term "decentralized finance trading protocol" means a distributed ledger system through which multiple participants can execute a financial transaction—

(A) in accordance with an automated rule or algorithm that is predetermined and non-discretionary; and

(B) without reliance on a person other than the user to maintain custody or control of any digital assets subject to the financial transaction.

(2) NON-DECENTRALIZED FINANCE TRADING PROTOCOL.—

(A) IN GENERAL.—The term ''non-decentralized finance trading protocol'' means a decentralized finance trading protocol that meets 1 or more of the following:

(i) A person or group of persons under common control, or acting pursuant to an agreement, arrangement, or understanding to act in concert, has the authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the decentralized finance trading protocol.

(ii) The decentralized finance trading protocol does not operate, execute, and enforce its operations and transactions based solely on pre-established, transparent rules encoded directly within the source code of the distributed ledger system.

(iii) A person or group of persons under common control, or acting pursuant to an agreement, arrangement, or understanding to act in concert, has the authority, via operation of the decentralized finance trading protocol, to restrict, censor, or prohibit the use of the decentralized finance trading protocol, including any applicable system-based user activity.

(B) SPECIAL RULE.—For purposes of subparagraph (A), a decentralized governance system, solely by virtue of the operation of the decentralized governance system, shall not be considered to be a person or a group of persons under common control or acting pursuant to an agreement, arrangement, or understanding to act in concert.

(C) EXCLUSIONS.—For purposes of this section, participation in an incident-response or security council, as described in subsection (f), shall not, by itself, be deemed to constitute control of a non-decentralized finance trading protocol.

(D) SCOPING.—In implementing this section, the Commission and the Department of the Treasury shall construe the term ''non-decentralized finance trading protocol'' in a manner consistent with section 15H of the Securities Exchange Act of 1934, as added by section 10601.

(b) RULES.—

(1) IN GENERAL.—The Commission, in consultation with the Department of the Treasury, shall adopt tailored, clear, and specific rules, after notice and comment, that clarify how a person, or group of persons under common control, or acting pursuant to an agreement, arrangement, or understanding to act in concert, that controls a non-decentralized finance trading protocol and is subject to the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), as amended by this division, shall comply with applicable requirements under that Act, including with respect to registration, conduct, disclosure, recordkeeping, supervision, and other requirements under the securities laws.

(2) REQUIREMENTS.—The rulemaking required under paragraph (1) shall—

(A) ensure that the rules adopted pursuant to that rulemaking are consistent with the purposes of the securities laws, including the public interest, the protection of investors, and the maintenance of fair and orderly markets;

(B) protect the rights of software developers, publishers, and users to create, publish, and use code and software in a manner consistent with the First Amendment to the Constitution of the United States;

(C) provide legal clarity for the development, publication, and operation of distributed ledger systems and the components therein in a manner consistent with the purposes of this section; and

(D) result in, by operation of law, the application and enforcement by the Department of the Treasury, where applicable and pursuant to existing law, as in effect on the day before the date of enactment of this Act, of anti-money laundering and countering the financing of terrorism requirements under the Bank Secrecy Act and other Federal law with respect to any person or group of persons that the Commission determines, through that rulemaking, is required to register, or comply as a registrant, under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

(3) APPLICATION.—

(A) IN GENERAL.—Any person or group of persons determined under this subsection to be required to register, or comply as a registrant, under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (referred to in this paragraph as the ''Exchange Act'') shall be subject to that Act and the Bank Secrecy Act to the extent applicable under existing law, as in effect on the day before the date of enactment of this Act, consistent with the treatment of similarly situated participants under the Exchange Act.

(B) RULEMAKING.—The Secretary of the Treasury, in consultation with the Commission, shall adopt tailored, clear, and specific rules, after providing notice and the opportunity to comment, that define compliance with obligations under the Bank Secrecy Act and other Federal laws relating to anti-money laundering and countering the financing of terrorism with respect to any person, or group of persons under common control (or acting pursuant to an agreement, arrangement, or understanding to act in concert), that—

(i) controls the operation of a non-decentralized finance trading protocol identified in the rulemaking conducted under paragraph (1);

(ii) is required to register, or comply as a registrant, under the Exchange Act, as determined in the rulemaking conducted under paragraph (1); and

(iii) is caused to be treated as a financial institution under the Bank Secrecy Act pursuant to existing law, as in effect on the day before the date of enactment of this Act, as a result of registration or compliance described in clause (ii).

(c) ACTIVITY-BASED APPLICATION.—Rules adopted under subsection (b)(1) shall require the Commission to determine the applicable requirements only with respect to securities-related activities, based on the functions performed by the controlling person or group of persons, including brokerage, dealing, trading, execution, clearing, or custody of securities, without regard to technological form, distributed architecture, or purportedly decentralized characterization.

(d) RULES OF CONSTRUCTION.—

(1) REGISTRATION NOT REQUIRED.—Nothing in this section, nor any rule adopted under this section, may be construed to—

(A) require a distributed ledger system or any software code to register with the Commission in its own capacity; or

(B) prohibit the launch, deployment, or operation of a distributed ledger system.

(2) NO EXPANSION OF STATUTORY AUTHORITY.—Notwithstanding any rulemaking required under subsection (b), and notwithstanding any action the Commission or the Secretary of the Treasury may take under that subsection, nothing in this section, including any such rulemaking, may be construed to—

(A) expand or contract the statutory authority of the Commission or the Department of the Treasury, as in effect on the day before the date of enactment of this Act, under the Bank Secrecy Act; or

(B) limit the use of the authority described in subparagraph (A) to determine, pursuant to that rulemaking, the applicability of existing statutory requirements, as in effect on the day before the date of enactment of this Act, to persons or activities described in this section.

(3) NO PRESUMPTION OF APPLICABILITY.—Nothing in this section may be construed to create a presumption that any person or activity described in this section is or is not subject to the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) or the Bank Secrecy Act absent a determination made pursuant to a rulemaking required under this section.

(e) PRESERVATION OF EXISTING AUTHORITIES.—Nothing in this section may be construed to—

(1) limit the authority of the Commission under the securities laws to investigate violations, bring actions, or issue subpoenas with respect to persons determined, pursuant to rulemaking, to be subject to the securities laws under this section; or

(2) limit the authority of the Secretary of the Treasury under the Bank Secrecy Act, including to investigate violations or bring actions with respect to persons determined, pursuant to rulemaking, to be subject to the Bank Secrecy Act.

(f) NON-DECENTRALIZED FINANCE TRADING PROTOCOLS.—

(1) IN GENERAL.—In adopting rules under subsection (b), the Commission shall treat a decentralized governance system and any person participating in the decentralized governance system as separate persons unless such persons are under common control or acting pursuant to an agreement, arrangement, or understanding to act in concert.

(2) EMERGENCY MEASURES.—

(A) IN GENERAL.—Pre-defined, temporary rules-based cybersecurity emergency measures exercised by an incident-response or security council exclusively in response to a specific and documented cybersecurity incident or imminent threat and pursuant to publicly disclosed, on-chain authorization mechanisms, strictly limited in scope and duration solely to address such specific and documented cybersecurity incident or imminent threat, and without unilateral control by any single person, shall not, by themselves, constitute common control or an agreement, arrangement, or understanding to act in concert, provided that such rules and authorities, including the procedures and operational limits governing such emergency measures, are disclosed in publicly available written documentation reasonably available to the applicable Federal regulator, by a decentralized governance system or similar legal entity sufficiently in advance of any exercise of such emergency powers.

(B) PROHIBITION.—The emergency measures described in subparagraph (A) may not be used to implement protocol upgrades, governance decisions, or economic changes that are unrelated to the mitigation of the applicable cybersecurity incident or imminent threat, as described in that subparagraph.

(3) STANDARDS.—The standards criteria for temporary rules-based cybersecurity emergency measures under paragraph (2) shall be established by rulemaking pursuant to subsection (b).

SEC. 10302. ILLICIT FINANCE OBLIGATIONS FOR DISTRIBUTED LEDGER MESSAGING SYSTEMS.

(a) DEFINITIONS.—In this section:

(1) DISTRIBUTED LEDGER MESSAGING SYSTEM.—The term "distributed ledger messaging system"—

(A) means a web-hosted software application that provides a user with the ability to create or submit an instruction, communication, or message to a distributed ledger application or decentralized finance trading protocol for the purpose of executing a transaction by the user; and

(B) does not include—

(i) a distributed ledger application;

(ii) a distributed ledger protocol;

(iii) a distributed ledger system;

(iv) a decentralized finance trading protocol;

(v) any client, node, validator, or other form of computational infrastructure with respect to a distributed ledger system; or

(vi) any software or hardware wallet that facilitates the custody of an individual of their digital assets.

(2) UNITED STATES SANCTION LAW.—The term "United States sanction law" means any Federal law imposing, or authorizing the imposition of, economic sanctions.

(b) GUIDANCE.—Not later than 360 days after the date of enactment of this Act, the Secretary of the Treasury shall issue guidance with respect to the economic sanctions and anti-money laundering and countering the financing of terrorism obligations, risk management practices, or compliance considerations, applicable to a distributed ledger messaging system that is owned or operated by a United States person, as defined in any law imposing or authorizing the imposition of economic sanctions, which may include—

(1) the use of commercially reasonable distributed ledger-analytics screening measures, through industry-standard distributed ledger-analytics tools, to identify wallet addresses that are owned by sanctioned persons, involve jurisdictions or financial institutions subject to United States sanctions, or activity prohibited by United States sanctions;

(2) blocking, rejecting, preventing the routing of, or otherwise restricting attempted transactions prohibited by United States sanction laws;

(3) blocking or restricting transactions that exhibit indicators of ransomware activity, illicit finance typologies, or any other pattern that presents a significant and identifiable illicit finance risk based on a commercially reasonable distributed ledger-analytics assessment to identify transactions that involve ransomware activity and other illicit finance activity; and

(4) implementing and maintaining risk-based measures, consistent with applicable law, to identify, mitigate, and address anti-money laundering and countering the financing of terrorism risks, including—

(A) monitoring for risk indicators and limiting exposure to illicit-finance risks, which may include restricting, limiting, or otherwise mitigating exposure to high-risk transactions; and

(B) complying, as applicable, with special measures implemented by the Secretary of the Treasury under section 5318A of title 31, United States Code.

(c) ENFORCEMENT AND PENALTIES.—The Secretary of the Treasury and any other Federal agency with relevant jurisdiction have the authority, as applicable, to enforce this section using their existing authorities, as of the day before the date of enactment of this Act, under applicable law.

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

(1) alter or amend any laws imposing or authorizing imposition of economic sanctions by the United States, including those that apply to United

States persons that own or operate a distributed ledger messaging system;

(2) expand or contract the applicability of—

(A) economic sanctions, anti-money laundering, or any other illicit finance laws in effect as of the day before the date of enactment of this Act to any person, including any person that owns or operates a distributed ledger messaging system; or

(B) the definition of a ''financial institution'' under applicable laws, which shall not apply to non-controlling developers or providers as defined in section 10604(b)(3); or

(3) restrict the authority of the Secretary of the Treasury to implement, administer, and enforce, including by imposing civil money penalties, any law imposing or authorizing the imposition of economic sanctions or any law to prevent money laundering or illicit finance otherwise provided by Federal law to the Secretary of the Treasury.

SEC. 10303. SPECIAL MEASURE RELATING TO CERTAIN TRANSMITTALS OF FUNDS.

Section 5318A of title 31, United States Code, is amended—

(1) in subsection (a)(2)(C), by striking "subsection (b)(5)" and inserting "paragraph (5) or (6) of subsection (b)"; and

(2) in subsection (b), by adding at the end the following:

"(6) SPECIAL MEASURE FOR CERTAIN TRANSMITTALS OF FUNDS.—If the Secretary of the Treasury finds that a jurisdiction outside of the United States, 1 or more financial institutions operating outside of the United States, or 1 or more classes of transactions within, or involving, a jurisdiction outside of the United States is of primary money laundering concern in connection with illicit finance through the use of digital assets, as defined in section 2 of the GENIUS Act (12 U.S.C. 5901), the Secretary may, by order, regulation, or otherwise as permitted by law, prohibit, or impose conditions upon, certain transmittals of funds (to be defined by the Secretary by regulation) by any domestic financial institution or domestic financial agency, if such transmittal of funds involves any such institution, class of transaction, or type of account.".

SEC. 10304. OFFSHORE STABLECOIN REPORT.

(a) DEFINITIONS.—In this section:

(1) MATERIAL VOLUME OF TRANSACTIONS.—The term "material volume of transactions" means a sustained level of transaction activity that is—

(A) publicly observable;

(B) exceeds de minimis usage over a 12-month period; and

(C) is reasonably likely to affect the illicit finance or national security risk exposure of the United States.

(2) PAYMENT STABLECOIN.—The term "payment stablecoin" has the meaning given the term in section 2 of the GENIUS Act (12 U.S.C. 5901).

(3) UNITED STATES-DEPENDENT OFFSHORE STABLECOIN.—The term "United States-dependent offshore stablecoin" means a payment stablecoin—

(A) that is not issued by a permitted payment stablecoin issuer or any foreign payment stablecoin issuer registered with the Comptroller (as those terms are defined in section 2 of the GENIUS Act (12 U.S.C. 5901));

(B) that is issued by a person operating outside of the United States; and

(C) the value of which is supported or backed by a reserve of assets that has a substantial nexus to the United States, which may include—

(i) obligations of the United States, including United States Treasury securities and repurchase agreements backed by United States Treasury securities and funds held as deposits at any bank subject to the jurisdiction of the United States;

(ii) deposits maintained at a banking entity or insured depository institution located in the United States, including correspondent or payable-through accounts;

(iii) securities issued or guaranteed by the United States or any agency or instrumentality thereof; or

(iv) assets custodied, cleared, or settled through payment, clearing, or settlement systems located in the United States.

(b) REPORT.—Not later than June 30 of the second calendar year that begins after the date of enactment of this Act, and every 4 years thereafter for not more than 3 reports, the Secretary of the Treasury 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, and make available on the website of the Department of the Treasury, a report assessing whether there is credible, articulable, and publicly supportable evidence of significant illicit finance threats or vulnerabilities associated with any United States-dependent offshore stablecoin employed in a material volume of transactions.

(c) CONTENTS.—Each report required under subsection (b) shall include—

(1) an assessment of the illicit finance risk of each United States-dependent offshore stablecoin employed in a material volume of transactions;

(2) an assessment of the controls employed by the issuers of United States-dependent offshore stablecoins to address the use of such stablecoins in illicit finance, as available;

(3) data and information regarding the volume of United States-dependent offshore stablecoins assessed to be employed in connection with illicit finance, as available;

(4) a general description of the relationships between United States-dependent offshore stablecoins and the financial system of the United States, including principal channels of interaction; and

(5) such other information or analysis as the Secretary of the Treasury deems relevant to assess-

ing the illicit finance risks of United States-dependent offshore stablecoins.

(d) CLASSIFIED ANNEX.—Each report required under subsection (b) shall be submitted in unclassified form, but may contain a classified annex.

(e) NATIONAL STRATEGY.—The reporting requirement under subsection (b) may be met as part of the national strategy for combating terrorist and other illicit financing required under sections 261 and 262 of the Countering America's Adversaries Through Sanctions Act (Public Law 115–44; 131 Stat. 934) for the reporting years.

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

(1) the disclosure of any information that is protected from disclosure under Federal law; and

(2) the collection or use of any information other than publicly available data or information lawfully obtained by the Department of the Treasury under existing authorities, as of the day before the date of enactment of this Act.

SEC. 10305. TEMPORARY HOLD FOR CERTAIN DIGITAL ASSET TRANSACTIONS.

(a) DEFINITIONS.—In this section:

(1) COVERED AGENCY.—The term ''covered agency'' means any State or Federal law enforcement agency, including the Department of the Treasury.

(2) COVERED PERSON.—The term ''covered person'' means a person that is—

(A) a permitted payment stablecoin issuer;

(B) a foreign payment stablecoin issuer (as defined in section 2 of the GENIUS Act (12 U.S.C. 5901)) registered with the Office of the Comptroller of the Currency pursuant to section 18(c) of that Act (12 U.S.C. 5916(c)); or

(C) a digital asset service provider, as that term is defined in section 2 of the GENIUS Act (12 U.S.C. 5901).

(3) PAYMENT STABLECOIN; PERMITTED PAYMENT STABLECOIN ISSUER.—The terms ''payment stablecoin'' and ''permitted payment stablecoin issuer'' have the meanings given those terms in section 2 of the GENIUS Act (12 U.S.C. 5901).

(4) QUALIFIED WRITTEN REQUEST.—The term ''qualified written request'' means a written communication issued by an authorized official of a covered agency that—

(A) identifies a specific wallet, address, account, or transaction reasonably suspected of being linked to illicit activity;

(B) requests a covered person initiate an action with respect to the specified wallet, address, account, or transaction reasonably suspected of being linked to illicit activity, including delaying the execution of a transaction, conversion, or withdrawal involving digital assets; and

(C) includes a designated agency contact.

(5) TEMPORARY HOLD.—The term ‘‘temporary hold’’ means a restriction applied by a covered person that delays execution of a transaction, conversion, or withdrawal involving digital assets for a reasonable period of time, not to exceed 30 calendar days, which may be extended for an additional 150 calendar days pursuant to a qualified written request.

(b) PROTECTION FROM PRIVATE CAUSES OF ACTION.—

(1) IN GENERAL.—Any covered person that, in good faith and in compliance with this section, or any person complying with a temporary lawful order under subsection (c) that, voluntarily implements a

temporary hold shall not be held liable pursuant to any Federal or State private right of action for implementing the temporary hold, provided that—

(A) the covered person or other person, as applicable—

(i) implements the temporary hold based on a reasonable belief the transaction, conversion, or withdrawal relates to a violation or attempted violation of State or Federal law; or

(ii) implements the temporary hold after receiving a qualified written request from a covered agency;

(B) the covered person—

(i) makes reasonable efforts to notify the affected customer of the temporary hold;

(ii) reasonably determines that notification would impede actual or potential law enforcement efforts; or

(iii) receives a qualified written request from a covered agency that requests notification not be attempted; and

(C) the covered person notifies as soon as reasonably practicable an appropriate State or

Federal law enforcement agency or the Federal Trade Commission, provided that such notification is not required when the covered person has received a qualified written request from a covered agency.

(2) DOCUMENTATION.—A covered person shall—

(A) maintain for the 3-year period following the implementation of a temporary hold documentation of the basis for applying a temporary hold; and

(B) make available the documentation described in subparagraph (A) upon the request of a covered agency or the Federal Trade Commission.

(c) COMPLIANCE WITH TEMPORARY LAWFUL ORDERS.—A permitted payment stablecoin issuer shall comply with any valid writ, process, order, rule, decree, command, or other requirement issued or promulgated under Federal law by a court of competent jurisdiction that—

(1) requires a person to freeze or prevent the transfer of payment stablecoins;

(2) specifies the payment stablecoins or accounts subject to blocking with reasonable particularity; and

(3) is subject to judicial or administrative review or appeal, as provided by law.

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

(1) compel or require any covered person to take action to freeze, seize, or block digital assets that is not otherwise required under existing Federal or State law, as in effect on the day before the date of enactment of this Act;

(2) limit or alter the authority of any government agency, including with respect to authority to pursue enforcement actions;

(3) limit or affect the application of—

(A) section 5318(g)(3) of title 31, United States Code, and any regulation requiring any financial institution to report suspicious activity; or

(B) any lawful authority to seize or freeze assets pursuant to a lawful order or sanctions designation; or

(4) limit the ability of a covered person to apply a temporary hold to any wallet, address, account, or transaction located outside the United States.

(e) REPORTING.—The Attorney General and the Federal Trade Commission may issue regulations or guidance relating to any notification by covered persons pursuant to this section to the Department of Justice and the Federal Trade Commission, respectively.

SEC. 10306. VOLUNTARY CYBERSECURITY PROGRAM FOR DECENTRALIZED FINANCE TRADING PROTOCOLS.

(a) DEFINITIONS.—In this section:

(1) COVERED ACTIVITIES.—The term ''covered activities'' means the activities described in subsections (b) and (d) of section 15H of the Securities Exchange Act of 1934, as added by section 10601.

(2) DIRECTOR.—The term ''Director'' means the Director of NIST.

(3) NIST.—The term ''NIST'' means the National Institute of Standards and Technology.

(b) ESTABLISHMENT OF PROGRAM.—The Director shall, in consultation with the Commission and the Commodity Futures Trading Commission, establish a voluntary program for the adoption by persons developing decentralized finance trading protocols or engaging in covered activities of applicable cybersecurity standards published by NIST.

(c) DEVELOPMENT OF PROGRAM CRITERIA.—

(1) REQUEST FOR INFORMATION.—The Director shall issue a request for information in the Fed-

eral Register to gather input from experts and industry stakeholders on—

(A) cybersecurity threats, vulnerabilities, and risks to decentralized finance trading protocols;

(B) auditing and code security standards, including best practices for code audits;

(C) consumer protection and code transparency best practices on decentralized finance trading protocols; and

(D) existing NIST standards, as of the day before the date of enactment of this Act, and their applicability to decentralized finance trading protocols.

(2) REPORT.—The Director shall develop a report on the software development of decentralized finance protocols to assess technical input from paragraph (1).

(3) PUBLICATION OF PROGRAM CRITERIA.—After evaluating input provided under paragraph (1), the Director shall release a special publication containing a detailed evaluation of cybersecurity best practices and existing applicable standards, as of the day before the date of enactment of this Act, for decentralized finance trading protocols, to provide pro-

gram criteria to software developers and industry stakeholders under the voluntary program, which shall include a summary of public comments and responses as to how input was incorporated.

(4) REQUESTS FOR REVISION.—

(A) IN GENERAL.—After the Director publishes the program criteria under paragraph (3), the Director shall issue a request for comment in the Federal Register to gather input on the workability of the program.

(B) PETITION.—The public may petition the Director to reevaluate certain aspects of the program criteria published under paragraph (3).

(5) PROGRAM UPDATES.—As the technology underpinning decentralized finance trading protocols evolves, the Director shall update the special publication under paragraph (3) in compliance with subsection (d).

(d) PROGRAM.—

(1) APPLICATION.—A person seeking evaluation of a decentralized finance trading protocol or a covered activity under the program established under subsection (b) shall submit to the Director an application at such time and in such manner as the Di-

rector considers appropriate for purposes of the program.

(2) REVIEW.—In carrying out the program established under subsection (b), the Director shall review each application submitted by a person under paragraph (1) of this subsection.

(3) DETERMINATION.—In carrying out a review under paragraph (2) of an application regarding a decentralized finance trading protocol or covered activity, the Director shall determine whether the protocol or activity is in compliance with existing applicable standards, frameworks, and guidelines published by the Director under subsection (c).

(4) NOTICE.—For each determination made under paragraph (3) pursuant to an application by a person of a decentralized finance trading protocol or covered activity, the Director shall transmit to the person a notice of the determination.

(e) BENEFITS OF PROGRAM.—

(1) DISPLAY.—A person that receives notice under subsection (d)(4) that the Director has determined that a decentralized finance trading protocol or a covered activity has adopted the applicable cybersecurity standards published by NIST, the person

may publicly display a designation, seal, or other identifier issued by the Director.

(2) TREATMENT OF ADOPTION.—In adopting a regulation or guidance relating to this section, a Federal agency shall consider adoption of cybersecurity standards under the program required by subsection (b) as evidence of good faith compliance with the law.

(f) RULE OF CONSTRUCTION RELATING TO PREEMPTION.—Nothing in this section may be construed to preempt any otherwise applicable provision of law of a State.

SEC. 10307. AMENDMENTS TO MONETARY INSTRUMENT DEFINITION.

(a) DEFINITIONS.—In this section:

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

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

(B) under which the owner of digital assets secured and transferred under subparagraph (A) retains independent control over those digital assets.

(2) UNITED STATES SANCTION LAW.—The term "United States sanction law" has the meaning given the term in section 10302(a).

(b) MONETARY INSTRUMENTS.—Section 5312(a)(3)(D) of title 31, United States Code, is amended by inserting ", including digital assets (as defined in section 2 of the GENIUS Act (12 U.S.C. 5901)), as may be applicable," after "value".

(c) TREASURY RISK ASSESSMENT.—As part of the national strategy for combating terrorist and other illicit financing required under sections 261 and 262 of the Countering America's Adversaries Through Sanctions Act (Public Law 115–44; 131 Stat. 934), the Secretary of the Treasury shall consider—

(1) illicit activity, such as money laundering and sanctions evasion, involving self-hosted wallets;

(2) the effectiveness of and gaps in existing (as of the day before the date of enactment of this Act) methods, techniques, and strategies used by regulated financial institutions in detecting illicit activity, such as money laundering, involving self-hosted wallets;

(3) any illicit actors, including nation state actors, that pose a high risk of facilitating illicit activity through the use of self-hosted wallets;

(4) the benefits of the use of self-hosted wallets to—

(A) enhance user privacy and civil liberties through direct asset custody; and

(B) expand financial inclusion and access for communities underserved by traditional financial institutions;

(5) end user and counterparty risks associated with self-hosted wallets, including consumer fraud, cybersecurity, and identity verification;

(6) the use of hardware self-hosted wallets to smuggle digital assets for financing cross-border illicit activity;

(7) the use of hardware self-hosted wallets for tax evasion and asset concealment; and

(8) other considerations the Secretary may determine appropriate.

(d) GUIDANCE.—The Secretary of the Treasury may issue guidance for financial institutions that transact with self-hosted wallets based on the results of the research on benefits and risks required under subsection (c), which shall not—

(1) require a regulated entity to collect, with respect to any transaction, personally identifiable information about the controller of a self-hosted wallet when the controller is not both the customer of the regulated entity and a party to such transaction, ex-

cept as required by Federal law, including United States sanctions laws and regulations or lawful process; or

(2) be construed to hinder, restrict, or otherwise impair the authority of any Federal agency to investigate, detect, counteract, or prevent illegal activity.

SEC. 10308. RISK MANAGEMENT STANDARDS FOR DIGITAL ASSET INTERMEDIARIES.

(a) IN GENERAL.—Before conducting trading activity (including display of trading interest, entering orders, routing orders, and effecting transactions) through a decentralized finance trading protocol, a digital asset intermediary shall implement risk management standards as described in subsection (b) with respect to trading using that decentralized finance trading protocol.

(b) REQUIREMENTS.—The risk management standards applicable to a digital asset intermediary shall be comprised of the following:

(1) Conducting an effective risk analysis with respect to the decentralized finance trading protocol, including—

(A) money laundering and sanctions evasion risks, including whether trading will involve activity relating to a primary money laundering concern;

(B) fraud and market manipulation;

(C) operational and cybersecurity risk, including settlement; and

(D) implementing robust policies and procedures to mitigate the risks identified under this paragraph.

(2) Disclosing the risks identified under paragraph (1) using plain language to customers.

(3) Maintaining robust, risk-based capability to detect market manipulation, fraud, cyber intrusions, money laundering, and sanctions evasion occurring on the decentralized finance trading protocol, which may include the use of alternative tools that will properly target such risks, including distributed ledger analytics tools.

(4) Implementing an effective risk-based procedure for determining whether to execute, reject, or suspend an incoming or outgoing transaction relating to the decentralized finance trading protocol, as applicable, including a determination based on suspected risk of money laundering, sanctions evasion, fraud, or market manipulation.

(5) Consistent with this subsection, implementing other reasonable standards which may be required by rule.

(c) EXAMINATIONS.—

(1) COMPLIANCE.—The Commission or the Commodity Futures Trading Commission, or other appropriate self-regulatory organization, shall verify compliance with the requirements of this section as part of a regular examination of the digital asset intermediary at the frequency and under the conditions otherwise provided by law or rule.

(2) RULE OF CONSTRUCTION.—Nothing in this section may be construed to limit the authority of the Financial Crimes Enforcement Network or the Office of Foreign Assets Control from conducting examinations, investigations, or enforcement actions relating to this section as otherwise provided by law.

(d) RULEMAKING.—Rules shall be adopted to implement this section as follows:

(1) The Department of the Treasury, in consultation with the Commission and the Commodity Futures Trading Commission, shall adopt rules to implement the money laundering and sanctions evasion risk analysis standards of this section.

(2) The Commission and the Commodity Futures Trading Commission shall adopt rules to implement this section other than the provisions described in paragraph (1).

(3) Rules adopted under this paragraph shall be reasonably tailored to the size of the applicable digital asset intermediary and risks of the digital asset intermediary that are reasonably knowable to the digital asset intermediary.

SEC. 10309. STUDY ON DIGITAL ASSET MIXERS AND TUMBLERS.

(a) DIGITAL ASSET MIXER AND TUMBLER DEFINED.—In this section, the term "digital asset mixer and tumbler" means a smart contract, or set of smart contracts, that obfuscate or eliminate the source or other forms of identification of the holder of a digital asset, including by pooling assets from different holders and redistributing those assets among holders.

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury shall, in consultation with the Attorney General and State and local law enforcement agencies, 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 analyzes the following issues:

(1) Current (as of the date on which the report is submitted) typologies of digital asset mixers and tumblers and historical transaction volume.

(2) Estimates of the percentage of transactions relating to digital asset mixers and tumblers that are used by actors engaged in illicit finance.

(3) Estimates of the reliance, and financial exposure, of centralized exchanges and traditional financial institutions to digital asset mixers and tumblers, and the extent to which centralized exchanges and traditional financial institutions are adequately implementing anti-money laundering and economic sanctions compliance with respect to digital asset mixers and tumblers.

(4) An assessment of potential non-illicit uses of mixers and tumblers described in paragraph (1), including privacy benefits.

(5) An analysis of regulatory approaches employed by other jurisdictions relating to digital asset mixers and tumblers.

(6) Recommendations for legislation or regulation relating to digital asset mixers and tumblers.

SEC. 10310. GAO STUDY ON INTERMEDIARIES IN FOREIGN JURISDICTIONS.

(a) IN GENERAL.—The Comptroller General of the United States, in consultation with the Secretary of the Treasury, shall conduct a study to—

(1) assess the risks posed by digital asset intermediaries that—

(A) are primarily located in foreign jurisdictions that lack regulatory requirements that are substantially similar to the requirements of the Bank Secrecy Act; and

(B) provide services to United States persons; and

(2) provide any regulatory or legislative recommendations to address the risks described in paragraph (1).

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall submit to Congress a report containing all findings and determinations made in carrying out the study required under subsection (a).

SEC. 10311. STUDIES ON FOREIGN ADVERSARY ACTIVITIES.

(a) DEFINITIONS.—In this section:

(1) FOREIGN ADVERSARY.—The term "foreign adversary" means a foreign government or foreign non-government person determined by the Secretary

of Commerce to be a foreign adversary under section 791.4(a) of title 15, Code of Federal Regulations, or any successor regulation.

(2) RELEVANT CONGRESSIONAL COMMITTEES.—The term "relevant congressional committees" 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 Select Committee on Intelligence of the Senate;

(D) the Committee on Financial Services of the House of Representatives;

(E) the Committee on Agriculture of the House of Representatives; and

(F) the Permanent Select Committee on Intelligence of the House of Representatives.

(b) TREASURY REPORT.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury, in consultation with the Commodity Futures Trading Commission and the Commission, shall conduct a study and submit a report to the relevant congressional committees, which may include a classified annex, that—

(1) identifies any digital asset intermediary that is controlled by a government of a foreign adversary, or by individuals or entities acting at the direction of a foreign adversary;

(2) determines whether any government of a foreign adversary is collecting trading data about United States persons in digital asset markets; and

(3) evaluates whether any proprietary intellectual property of digital asset intermediaries is being misused or stolen by any government of a foreign adversary.

(c) GAO STUDY AND REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General shall conduct a study and submit a report to the relevant congressional committees, which may include a classified annex, that—

(1) identifies any digital asset intermediary that is owned by a government of a foreign adversary, or by individuals or entities acting at the direction of a foreign adversary;

(2) determines whether any government of a foreign adversary is collecting trading data about United States persons in digital asset markets; and

(3) evaluates whether any proprietary intellectual property of digital asset intermediaries is being

misused or stolen by any government of a foreign adversary.

SEC. 10312. TREASURY STUDY ON CYBERSECURITY STANDARDS.

(a) STUDY.—The Secretary of the Treasury, in consultation with the Director of the Cybersecurity and Infrastructure Security Agency, the Director of the National Security Agency, and the Director of the National Institute of Standards and Technology, shall conduct a study on cybersecurity standards applicable to digital asset smart contracts, custody, key management, and smart contract deployment.

(b) REPORT.—

(1) IN GENERAL.—Not later than 365 days after the date of enactment of this Act, the Secretary 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 containing—

(A) the findings of the study under subsection (a); and

(B) any legislative recommendations.

(2) CLASSIFIED ANNEX.—The report under paragraph (1) may include a classified annex, as appropriate.

SEC. 10313. STUDIES ON FINANCIAL STABILITY RISKS OF DECENTRALIZED FINANCE TRADING AND CREDIT IN DIGITAL COMMODITY MARKETS.

Not later than 1 year after the date of enactment of this Act, and every 4 years thereafter until 4 consecutive reports have been issued, the Secretary of the Treasury, the Board of Governors of the Federal Reserve System, the Commission, and the Commodity Futures Trading Commission shall—

(1) conduct a study examining—

(A) the role of decentralized finance protocols in the financial system, including—

(i) the functions of such protocols;

(ii) the use of such protocols to obtain leverage or financing;

(iii) the effects of such protocols on the pricing and trading of financial instruments, including descriptions of any linkages between such protocols and traditional financial instrument; and

(iv) the types and volumes of financial activity conducted through such protocols;

(B) the risks of decentralized finance protocols to financial stability, fair and orderly markets, and otherwise to the financial system of the United States, which shall include a quantification of those risks, to the extent possible;

(C) the strategies and guardrails regulators and market participants have used and are using to mitigate risks arising from the use of decentralized finance protocols; and

(D) an assessment of whether the regulatory framework adequately controls any risk with respect to decentralized finance protocols;

(2) conduct a separate study examining the risks to financial stability and orderly markets arising from the extension and maintenance of credit with respect to digital assets by digital asset service providers, including—

(A) the effect of gaps in the regulatory framework for credit extended on digital assets, such as risks arising from the extension and maintenance of credit on digital assets; and

(B) the interconnections between leverage in the market for digital assets and the financial system; and

(3) submit to the Committee on Banking, Housing, and Urban Affairs of the Senate, the Committee on Agriculture, Nutrition, and Forestry of the Senate, the Committee on Financial Services of

the House of Representatives, and the Committee on Agriculture of the House of Representatives a report on the studies conducted under paragraphs (1) and (2), which—

(A) shall include legislative and regulatory recommendations, as appropriate; and

(B) may include a classified annex.

TITLE IV—RESPONSIBLE BANKING INNOVATION

SEC. 10401. PERMISSIBILITY OF DIGITAL ASSET ACTIVITIES.

(a) DEFINITIONS.—In this section:

(1) APPROPRIATE FEDERAL BANKING AGENCY; STATE BANK; STATE BANK SUPERVISOR; STATE MEMBER BANK.—The terms ‘‘appropriate Federal banking agency’’, ‘‘State bank’’, ‘‘State bank supervisor’’, and ‘‘State member bank’’ have the meanings given those terms in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(2) CUSTOMER-DRIVEN TRANSACTION.—The term ‘‘customer-driven transaction’’—

(A) means a transaction that is entered into for a valid and independent business purpose of a customer; and

(B) does not include a transaction, the principal purpose of which is to deliver to a financial holding company, insured State bank, or national bank assets that the financial holding company, insured State bank, or national bank, respectively, could not invest in directly.

(3) FEDERAL BRANCH; STATE BRANCH.—The terms ''Federal branch'' and ''State branch'' have the meanings given those terms in section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101).

(4) FEDERAL CREDIT UNION; INSURED CREDIT UNION.—The terms ''Federal credit union'' and ''insured credit union'' have the meanings given those terms in section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

(5) 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).

(6) FINANCIAL SUBSIDIARY.—The term ''financial subsidiary'' has the meaning given the term in section 5136A(g)(3) of the Revised Statutes (12 U.S.C. 24a).

(7) INSURED STATE BANK.—The term "insured State bank" means a State bank, the deposits of which are insured by the Federal Deposit Insurance Corporation.

(8) NATIONAL BANK.—The term "national bank" means a national banking association.

(9) STATE CREDIT UNION SUPERVISOR.—The term "State credit union supervisor" has the meaning given the term in section 6003 of the Anti-Money Laundering Act of 2020 (31 U.S.C. 5311 note).

(b) AUTHORIZED ACTIVITIES FOR FINANCIAL HOLDING COMPANIES AND FINANCIAL SUBSIDIARIES.—

(1) IN GENERAL.—A financial holding company or financial subsidiary may use a digital asset or distributed ledger 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 (g) are financial in nature, or incidental to a financial activity, for purposes of section 4(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)) and section 5136A(b) of the Revised Statutes (12 U.S.C. 24a(b)).

(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to exempt the performance, provision, or delivery by a financial holding company or financial subsidiary 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.

(c) AUTHORIZED ACTIVITIES FOR NATIONAL BANKS.—

(1) IN GENERAL.—

(A) AUTHORIZED ACTIVITIES.—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.

(B) BRANCHES OF FOREIGN BANKS.—

(i) FEDERAL BRANCHES.—Consistent with section 4(b) of the International Banking Act of 1978 (12 U.S.C. 3102(b)), the activities authorized for a national bank under subparagraph (A) and paragraph (2) shall be permissible for a Federal branch, subject to any limitations that would apply to those activities pursuant to the International Banking Act of 1978 (12 U.S.C. 3101 et seq.) if the activity were not performed, provided, or delivered using a digital asset or distributed ledger system.

(ii) RULE OF CONSTRUCTION FOR STATE BRANCHES.—For the purposes of activities engaged in by a State branch as principal under section 7(h) of the International Banking Act of 1978 (12 U.S.C. 3105(h)), the activities authorized under clause (i) are permissible activities of a Federal branch.

(2) BUSINESS OF BANKING AND OTHER AUTHORIZED ACTIVITIES.—The activities described in subsection (g) are authorized as part of the business of banking, 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) or under other applicable law.

(3) RULES OF CONSTRUCTION.—Nothing in this subsection may be construed to—

(A) exempt the performance, provision, or delivery by a national bank of an activity, function, product, or service from a prohibition, restriction, registration, limitation, or other requirement that would apply if the activity were not performed, provided, or delivered using a digital asset or distributed ledger system by a national bank; or

(B) expand or contract the meaning of "operations are or have been required by the Comptroller of the Currency to be limited to those of a trust company and activities related thereto", as that term is used in section 5169(a) of the Revised Statutes (12 U.S.C. 27(a)).

(d) STATE BANKS.—The activities authorized under subsection (c) are permissible activities—

(1) of a national bank for purposes of activities of an insured State bank and any subsidiary of an insured State bank to engage in as principal under subsections (a) and (d) of section 24 of the Federal Deposit Insurance Act (12 U.S.C. 1831a); and

(2) of a State member bank, and any subsidiary of a State member bank, to engage in as principal.

(e) AUTHORIZED ACTIVITIES FOR FEDERAL CREDIT UNIONS.—

(1) IN GENERAL.—A Federal credit union may use a digital asset or distributed ledger system to

perform, provide, or deliver any activity, function, product, or service that the Federal credit union is otherwise authorized by law to perform, provide, or deliver.

(2) BUSINESS OF CREDIT UNIONS.—The activities described in subsection (g) are authorized as part of, or incidental to, the authority necessary or requisite to carry on effectively the business for which Federal credit unions are incorporated, as provided under section 107(17) of the Federal Credit Union Act (12 U.S.C. 1757(17)), or under other applicable law, to the extent that those activities are consistent with activities of the type recognized as permissible by the National Credit Union Administration or provided for in other applicable law.

(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to exempt the performance, provision, or delivery by a Federal credit union 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 by a Federal credit union.

(f) INSURED CREDIT UNIONS.—An activity authorized under subsection (e) shall be permissible for an insured credit union, to the extent that such activity is permissible under applicable State law.

(g) ACTIVITIES DESCRIBED.—The activities described in this subsection are—

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

(2) providing services related to custodial services for digital assets, 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;

(3) making loans collateralized by digital assets;

(4) engaging in payment activities involving digital assets, including facilitating customer or principal payments in connection with otherwise permissible activities;

(5) operating a node on a distributed ledger;

(6) providing self-custodial wallet software;

(7) engaging in derivatives transactions, including related hedging activities, in a manner consistent with activities permissible under existing law;

(8) providing brokerage services with respect to any digital asset, including clearing and execution

services, whether alone or in combination with other permissible activities;

(9) 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;

(10) holding as principal digital assets for which the entity anticipates a reasonably foreseeable need to the extent incidental to an otherwise permissible activity, which shall include holding digital assets as principal in order to pay fees arising from interactions with a distributed ledger system or for the purposes of risk management, treasury services, liquidity management or trade or margin settlement or similar purposes, subject to the otherwise applicable limitations on the activities of a banking entity pursuant to section 13 of the Bank Holding Company Act of 1956 (12 U.S.C. 1851) and only to the extent that the terms and prohibitions of that section apply to a transaction; and

(11) underwriting, dealing in, or making a market in digital assets in customer-driven transactions, including related hedging activities in connection with those customer-driven transactions, subject to the otherwise applicable limitations on the activities of a banking entity pursuant to section 13 of the Bank Holding Company Act of 1956 (12 U.S.C. 1851) and only to the extent that the terms and prohibitions of that section apply to a transaction.

(h) OTHER REQUIREMENTS.—There shall be no other prior notice or approval requirements to engage in the activities described in subsections (b) through (g) of this section other than those required under title LXII of the Revised Statutes, the Act entitled ''An Act to place authority over the trust powers of national banks in the Comptroller of the Currency'', approved September 28, 1962 (12 U.S.C. 92a et seq.), the Federal Reserve Act (12 U.S.C. 221 et seq.), the Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.), or the Federal Credit Union Act (12 U.S.C. 1751 et seq.) and the regulations promulgated under those Acts.

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

(1) exclude other possible permissible activities that are not activities described in subsection (g);

(2) imply that inclusion of an activity described in subsection (g) means that the activity is otherwise impermissible;

(3) expand or contract the statutory authority of a Federal credit union or insured credit union to engage in digital asset activities recognized by the National Credit Union Administration or a State credit union supervisor or provided for in other applicable law, as in effect on the day before the date of enactment of this Act;

(4) limit the authority of an appropriate Federal banking agency, a State bank supervisor, or the National Credit Union Administration to determine that activities other than activities described in subsection (g) are permissible for (or authorized as part of) the business of banking or of credit unions, financial in nature, incidental or complementary to those activities, or permissible under other applicable law, as applicable, through interpretations, guidance, or rulemaking;

(5) limit the authority of an appropriate Federal banking agency, or a State bank supervisor, to supervise and take enforcement action with respect to an insured depository institution (or, to the extent applicable, a financial holding company) engaging in

a digital asset activity authorized by this section that the appropriate Federal banking agency or State bank supervisor, as applicable, determines, pursuant to applicable law, to be an unsafe or unsound practice or a violation of a law, rule, or regulation, or any condition imposed in writing; or

(6) limit the authority of the National Credit Union Administration or a State credit union supervisor to supervise and take enforcement action with respect to an insured credit union engaging in a digital asset activity authorized under this section that the National Credit Union Administration or State credit union supervisor, as applicable, determines, pursuant to applicable law, to be—

(A) an unsafe or unsound practice; or

(B) a violation of a law, rule, regulation, or condition imposed in writing.

(j) APPLICATION.—The authorities described in this section shall not apply to nonfungible assets.

SEC. 10402. JOINT RULES FOR PORTFOLIO MARGINING DETERMINATIONS.

(a) IN GENERAL.—The Commodity Futures Trading Commission and the Commission shall jointly issue rules 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, for persons registered with either such Commission, 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.—The rules required to be jointly issued under subsection (a) shall—

(1) describe the treatment of any account to which the rules relate, and any assets that may be held therein, in a proceeding under title 11, United States Code, the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.), title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 et seq.), or any other

applicable insolvency law with respect to the person carrying the account;

(2) be issued only if that issuance is in the public interest and provides for the appropriate protection of customers, including appropriate disclosures to each current and potential customer concerning the treatment of any account to which the rules relate, and any assets that may be held therein, in a proceeding under title 11, United States Code, the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.), title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 et seq.), or any other applicable insolvency law with respect to the person carrying the account;

(3) require the Commission and the Commodity Futures Trading Commission to consider the public interest of, and the protection of investors by, those rules through the solicitation of public comments; and

(4) require the Commission and the Commodity Futures Trading Commission to—

(A) consult with other relevant foreign or domestic regulators, including the Board of Governors of the Federal Reserve System, the

Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and State bank supervisors, as appropriate; and

(B) if the rules pertain to a securities account carried by a registered broker or dealer that is a member of the Securities Investor Protection Corporation, consult with the Securities Investor Protection Corporation.

SEC. 10403. CAPITAL REQUIREMENTS TO ADDRESS NETTING AGREEMENTS.

(a) DEFINITIONS.—In this section, the terms ''depository institution holding company'' and ''insured depository institution'' have the meanings given those terms in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(b) CAPITAL REQUIREMENTS.—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 of the Federal Reserve System that address netting agreements that provide for termination and close-out netting across multiple types of financial transactions, consistent with section 10402, in the event of the default of a counterparty.

SEC. 10404. PROHIBITING INTEREST AND YIELD ON PAYMENT STABLECOINS.

(a) DEFINITIONS.—In this section:

(1) AFFILIATE.—The term ''affiliate'' means any entity that controls, is controlled by, or is under common control with another entity.

(2) COMMISSIONS.—The term ''Commissions'' means the Commission and the Commodity Futures Trading Commission.

(3) COMPTROLLER; FOREIGN PAYMENT STABLECOIN ISSUER; PAYMENT STABLECOIN; PERMITTED PAYMENT STABLECOIN ISSUER.—The terms ''Comptroller'', ''foreign payment stablecoin issuer'', ''payment stablecoin'', and ''permitted payment stablecoin issuer'' have the meanings given those terms in section 2 of the GENIUS Act (12 U.S.C. 5901).

(4) COVERED PARTY.—The term ''covered party'' means any digital asset service provider, together with all of its affiliates, but in each case excluding any permitted payment stablecoin issuer or

foreign payment stablecoin issuer registered with the Comptroller.

(5) DEPOSIT.—The term ''deposit'' has the meaning given the term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(6) RESTRICTED RECIPIENT.—The term ''restricted recipient'' means a United States person that is a customer or user of a covered party.

(7) UNITED STATES PERSON.—The term ''United States person'' means a person that is a resident of the United States or is organized or incorporated under the laws of the United States.

(b) SENSE OF CONGRESS.—It is the sense of Congress that—

(1) depository institutions provide financial services that are integral to the strength of the economy of the United States and that the payment of consideration by digital asset service providers to United States customers or users based on their payment stablecoin balances in a manner that is economically or functionally equivalent to the payment of interest or yield on an interest-bearing bank deposit may inhibit the key functions of depository institutions in the economy of the United States; and

(2) payment stablecoins represent a significant innovation in financial infrastructure that can strengthen the United States payments system and the primacy of the United States dollar and that activity-based rewards and incentives tied to the use of payment stablecoins and participation in distributed ledger systems are critical to enabling innovation, competition, and consumer adoption.

(c) PROHIBITION ON INTEREST AND YIELD.—

(1) IN GENERAL.—No covered party shall, directly or indirectly, pay any form of interest or yield (whether in cash, tokens, or other consideration) to a restricted recipient—

(A) solely in connection with the holding of the payment stablecoins of that restricted recipient; or

(B) on a payment stablecoin balance in a manner that is economically or functionally equivalent to the payment of interest or yield on an interest-bearing bank deposit.

(2) ACTIVITY-BASED OR TRANSACTION-BASED REWARDS AND INCENTIVES PERMITTED.—

(A) IN GENERAL.—The prohibition under paragraph (1) shall not apply with respect to rewards or incentives based on bona fide activities or bona fide transactions that are not economically or functionally equivalent to the payment of interest or yield on an interest-bearing bank deposit pursuant to the regulations promulgated under paragraph (3).

(B) EQUIVALENCE TO BANK DEPOSITS.—Except as permitted under subparagraph (A), the prohibition under paragraph (1) shall apply to the payment of interest or yield (whether in cash, tokens, or other consideration) by a covered party to a restricted recipient in connection with a loyalty, promotional, subscription, or incentive program that is economically or functionally equivalent to the payment of interest or yield on an interest-bearing bank deposit.

(3) RULEMAKING.—

(A) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Commissions and the Secretary of the Treasury shall jointly promulgate regulations through notice and comment rulemaking to clarify the circumstances under which the prohibition and permissible rewards and incentives in paragraphs (1) and (2) shall apply. Such rulemaking shall include a non-exhaustive list of permissible activity-based or transaction-based rewards or incentives, including payments to restricted recipients in connection with or in compensation for any of the following, provided such payments are not economically or functionally equivalent to the payment of interest or yield on an interest-bearing bank deposit:

(i) A transaction, payment, transfer, conversion, remittance, or settlement activity, including a rebate or incentive provided in connection with the acceptance or use of a payment stablecoin.

(ii) Providing liquidity for market-marking activity, posting of collateral in connection with trading, or otherwise putting assets at credit or investment risk.

(iii) The use of any product or service, including participation in governance, validation, staking, or a loyalty, promotional, subscription, or incentive program.

(B) CALCULATION BY REFERENCE.—Payments to restricted recipients of consideration, rewards, or benefits that are permissible pursuant to paragraph (2) and subparagraph (A) of this paragraph may be calculated by reference to a balance, duration, tenure, or any combination of the foregoing.

(4) EVASION.—It shall be unlawful for a covered party to violate the prohibition under paragraph (1) or rules promulgated pursuant to paragraph (3). A covered party may not circumvent or evade such prohibition or rules. The Commissions and the Secretary may jointly issue such rules as may be necessary or appropriate to prevent circumvention or evasion of the prohibition under paragraph (1) or the rules promulgated pursuant to paragraph (3).

(5) GOOD FAITH RELIANCE.—A covered party that structures a program in good faith reliance on paragraphs (2) and (3) shall not be subject to penalties if a subsequent rulemaking or adjudication determines the program falls outside paragraphs (2) and (3), provided—

(A) the covered party comes into compliance within 90 days of such determination; and

(B) the violation is not substantially similar to a past violation by the covered party.

(d) PROHIBITION ON SPECIFIED REPRESENTATIONS.—

(1) CERTAIN MARKETING PRACTICES.—No covered party shall represent that—

(A) payment stablecoins are investment products, deposits, backed by the full faith and credit of the United States, guaranteed by the United States Government, subject to deposit insurance by the Federal Deposit Insurance Corporation, or subject to share insurance by the National Credit Union Administration; or

(B) any compensation (whether in cash, tokens, or other consideration) paid to a restricted recipient in connection with the holding, use, or retention of the payment stablecoins of that restricted recipient is—

(i) paid or generated by the payment stablecoin itself, a permitted payment stablecoin issuer, or a foreign payment stablecoin issuer registered with the Comptroller;

(ii) risk-free or comparable to interest paid on a deposit; or

(iii) offered, administered, or paid by a person other than the covered party.

(2) MISLEADING.—No covered party shall omit material information necessary to prevent any mar-

keting, promotion, or description described in this subsection from being misleading.

(e) DISCLOSURES.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Commissions and the Secretary of the Treasury shall jointly promulgate rules requiring clear and conspicuous disclosure, in plain English, of any compensation (whether in cash, tokens, or other consideration) paid by a covered party in connection with the holding, use, or retention of the payment stablecoins of a restricted recipient in a manner that is consistent with subsection (d).

(2) REQUIREMENTS.—In promulgating rules under paragraph (1), the Commissions and the Secretary of the Treasury shall require that any required disclosure of compensation described in that paragraph, and any related term, representation, or description—

(A) is presented in a clear, factual, nonpromotional, and non-misleading manner;

(B) clearly identifies the circumstances under which such compensation can be paid;

(C) clearly identifies the person or persons responsible for offering, administering, and pay-ing such compensation, including whether such persons are affiliated with the issuer of associated payment stablecoins;

(D) outlines all material terms with respect to such compensation; and

(E) includes a statement that payment stablecoins are not investment products, deposits, backed by the full faith and credit of the United States, guaranteed by the United States Government, subject to deposit insurance by the Federal Deposit Insurance Corporation, or subject to share insurance by the National Credit Union Administration.

(3) PROHIBITION.—After the date on which the rules promulgated under paragraph (1) become effective, no covered party shall market the offering of compensation (whether in cash, tokens, or other consideration) paid by such covered party in connection with the holding, use, or retention of the payment stablecoins of a restricted recipient unless the covered party has provided the disclosures required under this subsection.

(4) SATISFACTION OF REQUIREMENT.—A covered party that provides the disclosures required under this subsection shall be deemed not to have

made a representation that is prohibited under subsection (d), provided that—

(A) any marketing, promotion, or description with respect to the applicable compensation does not contradict those disclosures; and

(B) those disclosures are presented in plain English and in a clear and conspicuous manner.

(f) PENALTY.—

(1) CIVIL MONETARY PENALTY.—Whoever knowingly and willfully participates in a violation of subsection (c)(1), (d)(1), (d)(2), or (e)(3), or rules issued under subsection (c)(4), shall be subject to a civil monetary penalty by the Department of the Treasury of not more than $5,000,000 for each such violation.

(2) DETERMINATION OF THE NUMBER OF VIOLATIONS.—For purposes of determining the number of violations for this subsection, separate acts of noncompliance are a single violation when the acts are a result of—

(A) a common or substantially overlapping originating cause; or

(B) the same statement or publication.

(g) REFERRAL TO SECRETARY OF THE TREASURY.—If the Commission or the Commodity Futures Trading

Commission has reason to believe that any covered party has knowingly and willfully violated subsection (c)(1), (d)(1), (d)(2), or (e)(3), or rules issued under subsection (c)(4), the Commission or the Commodity Futures Trading Commission, as applicable, shall refer the matter to the Secretary of the Treasury.

(h) REPORT TO CONGRESS.—Not later than 2 years after the date of enactment of this Act, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Secretary of the Treasury shall jointly 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 on payment stablecoin activity that—

(1) analyzes and quantifies—

(A) the adoption of United States dollar-denominated payment stablecoins and of other payment stablecoins issued by permitted payment stablecoin issuers and foreign payment stablecoin issuers registered with the Comptroller;

(B) the effect of United States dollar-denominated payment stablecoins on the average yields of, and demand for, United States Treasury securities of various durations;

(C) the effect of United States dollar-denominated payment stablecoins on the use of the dollar in global foreign exchange transactions, global foreign exchange reserves, and global trade;

(D) the effect of United States dollar-denominated payment stablecoins on increasing access to financial services for unbanked and underbanked persons, both domestically and globally;

(E) the effect of United States dollar-denominated payment stablecoins on payment costs of consumers and merchants; and

(F) the adoption of non-United States dollar-denominated stablecoins, including foreign central bank digital currencies, and their effect on the use of the dollar in global foreign exchange transactions, global foreign exchange reserves, and global trade;

(2) describes how compensation, if any, is paid by covered parties to restricted recipients with respect to the payment stablecoins of restricted recipi-

ents, including through rewards, incentives, or similar programs; and

(3) analyzes and quantifies the effect of any compensation described in paragraph (2) and the effect of prohibitions on the payment of interest or yield by covered parties under this division and by issuers of payment stablecoins under section 4(a)(11) of the GENIUS Act (12 U.S.C. 5903(a)(11)) on—

(A) the volume, stickiness, composition, and concentration of deposits at depository institutions, including any deposit outflows from depository institutions and the extent to which community banks and credit unions are disproportionately affected thereby;

(B) net interest margin accrued to depository institutions;

(C) the average rate of interest paid to depositors at depository institutions;

(D) consumer and business access to credit;

(E) financial arrangements between depository institutions and digital asset service providers and issuers of payment stablecoins; and

(F) the items described in paragraph (1).

(i) NO DEEMING OF PAYMENT OF INTEREST OR YIELD.—For purposes of this section, a covered party shall not be deemed to violate the prohibition in subsection (c) solely because an unaffiliated third party independently makes a payment with respect to a payment stablecoin, unless the covered party directs or maintains significant influence over the offering of such consideration and the offering of such consideration would otherwise violate the prohibition in subsection (c).

(j) CLARIFICATION OF SCOPE AND REGULATORY AUTHORITY.—

(1) COMPENSATION.—The prohibitions under subsections (c), (d), and (e) shall only apply to compensation paid in connection with a payment stablecoin or payment stablecoin balance.

(2) OTHER ASSETS.—Nothing in this section shall be construed to authorize the Commissions or the Secretary of the Treasury to regulate, restrict, or prohibit the payment of any compensation paid in connection with any asset other than a payment stablecoin.

(k) NON-APPLICABILITY.—Nothing in this section shall—

(1) modify, alter, or extend prohibitions on the payment of yield, interest, or consideration applica-

ble to permitted payment stablecoin issuers or foreign payment stablecoin issuers, including under section 4(a)(11) of the GENIUS Act (12 U.S.C. 5903(a)(11)); or

(2) prohibit the disclosure by covered parties of truthful, non-misleading factual information or any information otherwise required by Federal law or regulation.

SEC. 10405. EXPANDED SECURITIES PORTFOLIO MARGIN ACCOUNTS UNDER THE SECURITIES INVESTOR PROTECTION ACT OF 1970.

(a) AMENDMENTS.—The Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.) is amended—

(1) in section 9(a) (15 U.S.C. 78fff–3(a))—

(A) in paragraph (4), by striking ''and'' at the end;

(B) in paragraph (5), by striking the period at the end and inserting ''; and''; and

(C) by adding at the end the following:

''(6) no advance shall be made by SIPC to the trustee to pay or otherwise satisfy any net equity claim of any customer with respect to any digital commodities or swaps held in an expanded securities portfolio margin account.'';

(2) in section 10(g) (15 U.S.C. 78fff–4(g)), by striking ''16(12)'' and inserting ''16(13)''; and

(3) in section 16 (15 U.S.C. 78lll)—

(A) by redesignating paragraphs (7) through (14) as paragraphs (8) through (15), respectively;

(B) by inserting after paragraph (6) the following:

''(7) EXPANDED SECURITIES PORTFOLIO MARGIN ACCOUNT.—The term 'expanded securities portfolio margin account' means a customer account—

''(A) that is maintained by a broker or dealer registered with the Commission;

''(B) that includes positions in securities, security-based swaps, futures contracts, options on futures contracts, swaps, digital commodities, or other financial instruments, or any combination thereof, as permitted by rule jointly issued by the Commission and the Commodity Futures Trading Commission;

''(C) that is subject to portfolio margining requirements approved pursuant to section 10402 of the Digital Asset Market Clarity Act; and

"(D) in which margin requirements are determined on a risk-based, portfolio-wide basis, rather than on an instrument-by-instrument basis."; and

(C) in paragraph (10), as so redesignated, in the matter following subparagraph (L), by striking "a transaction in the portfolio margining account" and inserting "the portfolio margining account or expanded securities portfolio margin account".

(b) RULES.—

(1) DEFINITIONS.—In this subsection:

(A) EXPANDED SECURITIES PORTFOLIO MARGIN ACCOUNT.—The term "expanded securities portfolio margin account" has the meaning given the term in section 16 of the Securities Investor Protection Act of 1970 (15 U.S.C. 78lll), as amended by this section.

(B) SIPC.—The term "SIPC" means the Securities Investor Protection Corporation.

(2) ISSUANCE OF RULES.—Notwithstanding any provision of the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.), in jointly issuing rules under section 10402, the Commission and the Commodity Futures Trading Commission,

in consultation with the SIPC and the Secretary of the Treasury, shall issue rules relating to the treatment under that Act of securities (including related extensions of credit), security-based swaps, contracts of sale of a commodity for future delivery, options on contracts of sale of a commodity for future delivery, swaps, digital commodities, cash, or other property (to the extent that such instruments, cash, or other property effectively hedge or collateralize a securities position) held in an account offering portfolio margining carried as a securities account by a registered broker or dealer pursuant to an expanded securities portfolio margin account to facilitate portfolio margining in a manner that protects customers, including portfolio margin customers, which shall include rules relating to—

(A) the transfer of accounts;

(B) the allocation of customer property among customers;

(C) the eligibility of products and positions to be held in an expanded securities portfolio margin account, including any disclosures to and any elections that may need to be performed by customers;

(D) the application of customer protection or segregation requirements as between securities customers who are and are not maintaining positions in an expanded securities portfolio margin account;

(E) further defining the terms, solely as relating to an expanded securities portfolio margin account, ''customer'', ''customer property'', and ''net equity'', as necessary or appropriate to address non-securities and non-cash positions and assets held in an expanded securities portfolio margin account, and in a manner consistent with subparagraphs (A) through (D); and

(F) any interaction between a securities account and an expanded securities portfolio margin account, including any funding of debits in one type of account by credits in the other type of account.

(3) PROCESS FOR ISSUANCE OF RULES.—The requirements of section 10402(b) shall apply with respect to the rules issued under this subsection.

(c) EFFECT OF RULES.—An expanded securities portfolio margin account may not be offered, maintained, or utilized until the final rules required under subsection (b) are issued.

TITLE V—RESPONSIBLE REGULATORY INNOVATION

SEC. 10501. CFTC-SEC MICRO-INNOVATION SANDBOX.

(a) DEFINITIONS.—In this section:

(1) COMMISSION.—The term ''Commission'' means either of the Commissions, as the context requires.

(2) COMMISSIONS.—The term ''Commissions'' means the Securities and Exchange Commission and the Commodity Futures Trading Commission.

(3) 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.

(4) INNOVATIVE.—The term ''innovative'' means new or emerging technology, or a novel application of technology, including artificial intelligence, that—

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

(B) lacks—

(i) a substantially comparable, widely available analogue in common use in the United States; and

(ii) an analogous Federal regulatory regime.

(5) PERSON.—The term ''person'' means a person, as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)) or section 1a of the Commodity Exchange Act (7 U.S.C. 1a), as amended by this Act.

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

(7) SELF-REGULATORY ORGANIZATION.—The term ''self-regulatory organization'' means a self-regulatory organization, as defined in—

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

(B) section 1.52(a)(2) of title 17, Code of Federal Regulations, or any successor regulation.

(b) ESTABLISHMENT.—Not later than 360 days after the date of enactment of this Act, the Commissions shall, by joint notice and comment rulemaking, establish a CFTC-SEC Micro-Innovation Sandbox to enable eligible firms to test innovative activities within the United States, subject to—

(1) applicable Federal and State securities and commodities laws;

(2) other State laws that are not specific to the regulation of securities or commodities; and

(3) the limitations of this section.

(c) ELIGIBLE FIRM.—

(1) IN GENERAL.—A United States-based person shall be an eligible firm, and shall be eligible to participate in the Sandbox, if the person—

(A) submits an application under subsection (e) that is approved under that subsection;

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

(C) is not subject to—

(i) a statutory disqualification, as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a));

(ii) a disqualification under section 8a(2) of the Commodity Exchange Act (7 U.S.C. 12a(2)); or

(iii) a disqualification under State law;

(D) does not have a criminal conviction for fraud;

(E) agrees to submit to the jurisdiction and oversight of the Commissions, to the extent that the person is not subject to that jurisdiction or oversight, for purposes of, and while participating in, the Sandbox;

(F) designates to the Commissions an individual as a point of contact with respect to activities that the person undertakes as an applicant and participant with respect to the Sandbox;

(G) employs not more than 25 employees; and

(H) has annual gross revenues of not more than $10,000,000 in any fiscal year.

(2) APPLICATION OF REQUIREMENTS.—The requirements under paragraph (1) shall be satisfied during the entire period in which an eligible firm participates in the Sandbox.

(d) ELIGIBLE ACTIVITIES AND ACTIVITY CEILINGS.—

(1) LIST OF ELIGIBLE ACTIVITIES.—

(A) IN GENERAL.—After providing notice and an opportunity for public comment, the

Commissions shall maintain and publish a list of eligible innovative activities, which shall be—

(i) updated once every 2 years after providing notice and an opportunity for public comment;

(ii) reasonably tailored to include activities that—

(I) further the purposes of this section; and

(II) are consistent with the interests of the public and the protection of investors;

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

(iv) focused exclusively on activities for which specific provisions of the securities laws and commodities laws may create a material impediment to the proposed innovative activity.

(B) IDENTIFICATION OF REQUIREMENTS.—

(i) IN GENERAL.—For each eligible innovative activity, the Commissions shall, consistent with existing (as of the day before the date of enactment of this Act) statutory and regulatory precedent concerning the respective jurisdiction of each Commission, identify the requirements that each Commission will administer.

(ii) JOINT JURISDICTION.—With respect to an eligible innovative activity that is subject to the jurisdiction of both Commissions, the rulemaking under subsection (b) shall specify which requirements each Commission will administer and any coordinated conditions needed to protect investors and market integrity.

(2) ACTIVITY CEILINGS.—For each eligible innovative activity, the Commissions shall, after public input and consultation, establish individual customer and monetary ceilings, which shall provide that an eligible firm may not raise or commit more than $20,000,000 in aggregate customer, investor, or counterparty funds in connection with Sandbox activities.

(3) ANNUAL PARTICIPATION CAP.—Each of the Commissions may approve not more than 20 projects per year.

(e) APPLICATION.—

(1) IN GENERAL.—An eligible firm seeking to participate in the Sandbox shall submit to the Commission or Commissions, as applicable, an application that—

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

(B) subject to approval of the applicable Commission, identifies the provisions of the securities laws, or of the Commodity Exchange Act (7 U.S.C. 1 et seq.) (as amended by this Act), from which the eligible firm proposes to be exempt during the period in which the eligible firm participates in the Sandbox, which—

(i) shall not include any Federal or State anti-fraud law or any other law that is not specific to the regulation of securities or commodities; and

(ii) shall be subject to the limitations of this section;

(C) sets forth how relief from the provisions of law identified under subparagraph (B) is reasonably necessary to engage in the innovative activity;

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

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

(F) states an exit objective of the eligible firm involving action from the applicable Commission, which may include registration, an exemptive order, interpretive guidance, a no-action letter, or a rulemaking petition, together with milestones and metrics the eligible firm will use to demonstrate readiness for that exit;

(G) states the agreement of the eligible firm to submit to the jurisdiction and oversight of the Commissions, to the extent that the eligible firm is not otherwise subject to that jurisdiction and oversight, for purposes of, and while participating in, the Sandbox;

(H) designates to the Commissions an individual as a point of contact with respect to activities that the eligible firm undertakes as an applicant and participant with respect to the Sandbox; and

(I) states the agreement of the eligible firm to abide by any condition that either of the Commissions may impose for engaging in an eligible innovative activity in the Sandbox.

(2) DEADLINE FOR DECISION.—Not later than 180 business days after the date on which an eligible firm submits an application under this subsection, the Commission or Commissions, as applicable, shall make a decision with respect to the application, after which the eligible firm submitting the application may commence eligible innovative activities in the Sandbox unless the application is denied.

(3) UPDATES AND STATUS REPORTS.—Each eligible firm shall submit to the Commission or Commissions, as applicable, on a semi-annual basis while participating in the Sandbox, an updated application that—

(A) describes any material changes to the information originally provided under paragraph (1); and

(B) reports the progress of the eligible firm toward the stated exit objective described in paragraph (1)(F), including milestones achieved, remaining impediments, and any pending requests for official action before the applicable Commission or the Commissions.

(4) UNREDACTED AND REDACTED VERSIONS.—

(A) IN GENERAL.—An eligible firm that submits an initial or updated application under this subsection may submit to the applicable Commission or the Commissions an unredacted version, together with a request for confidential treatment, pursuant to procedures the applicable Commission shall establish that are modeled on the rules of that Commission relating to the confidential treatment of information, which shall include—

(i) for the Securities and Exchange Commission, sections 200.83, 230.406, and 240.24b–2 of title 17, Code of Federal Regulations, or any successor regulations; and

(ii) for the Commodity Futures Trading Commission, section 145.9 of title 17, Code of Federal Regulations, or any successor regulations.

(B) OMITTED INFORMATION.—An eligible firm may omit information granted confidential treatment under subparagraph (A) from any public posting under subsection (h) in accordance with the procedures established under subparagraph (A).

(C) INDICATION OF CONFIDENTIAL INFORMATION.—Any omission in a public posting under subsection (h) shall be clearly indicated by brackets with a prominent legend stating that—

(i) confidential information has been omitted; and

(ii) an unredacted version has been filed with the applicable Commission or the Commissions.

(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.—

(A) SOLE JURISDICTION.—If an eligible innovative activity is subject only to the jurisdiction of 1 Commission, that Commission may extend participation by an eligible firm in the Sandbox by not more than 1 additional year, if that Commission determines that the eligible firm—

(i) is actively pursuing the exit objective described in subsection (e)(1)(F) in good faith;

(ii) is making demonstrable progress toward achieving such an exit; and

(iii) establishes that such an extension is necessary to achieve such an exit.

(B) JOINT JURISDICTION.—Where an eligible innovative activity is subject to the jurisdiction of both Commissions, an extension of participation by an eligible firm in the Sandbox by not more than 1 additional year shall be by joint order of the Commissions after making the findings described in clauses (i) through (iii) of subparagraph (A).

(g) CONDITIONS AND ENFORCEMENT.—

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

(2) MONITORING.—The Commissions shall monitor Sandbox activities and enforce compliance

with applicable regulatory conditions and Federal anti-fraud laws.

(3) COORDINATION.—

(A) IN GENERAL.—The Commissions shall coordinate supervision, information requests, and examinations to avoid duplication while each Commission retains full authority under the provisions of law that such Commission administers.

(B) COOPERATION WITH STATES.—The Commissions may cooperate with any State in enforcing compliance with applicable regulatory conditions and Federal and State anti-fraud laws with respect to the operation of the Sandbox.

(4) SELF-REGULATORY ORGANIZATIONS.—Each self-regulatory organization shall recognize and respect Sandbox conditions that are applicable to a participant in the Sandbox.

(5) CESSATION OF ACTIVITIES.—The Commissions may, at any time during the participation of an eligible firm in the Sandbox, disqualify the eligible firm from continued participation in the Sandbox, order the eligible firm to cease engaging in a permitted activity in the Sandbox, revoke a grant of

exemptive relief, or impose additional or more stringent conditions on continuing participation or engagement in a permitted activity in the Sandbox, if the Commissions find that the eligible firm has failed to comply with—

(A) the requirements of this section;

(B) the terms or conditions of participation established by the Commissions; or

(C) other applicable law.

(h) PUBLIC DISCLOSURE.—

(1) INITIAL POSTING.—Each eligible firm shall post, in a prominent location on a public website of the eligible firm, the information required under subsection (e)(1), subject to confidential treatment under subsection (e)(4), not later than the date on which the notice becomes effective under subsection (e)(3).

(2) UPDATES.—Each eligible firm shall post, in the same manner as under paragraph (1), the information required under subsection (e)(3), subject to confidential treatment under subsection (e)(4), concurrently with submission to the applicable Commission or the Commissions.

(3) DISCLOSURE REQUIREMENTS.—Each post under this subsection shall satisfy the disclosure re-

quirements of both Commissions where the jurisdictions of both Commissions are implicated.

(i) USE OF DATA BY COMMISSIONS.—Each Commission may collect and share data from Sandbox activities with the other Commission to inform permanent, principles-based regulatory frameworks that advance the missions of the Commissions.

(j) PUBLICATION BY COMMISSIONS.—Not less frequently than annually, each Commission shall publish on the public website of the Commission a report summarizing the activities conducted under this section, including—

(1) the number and general nature of eligible firms participating in the Sandbox;

(2) the categories of innovative activities tested;

(3) the impact of Sandbox participation on innovation, investor protection, market integrity, and the public interest;

(4) the disclosures posted by eligible firms under subsection (h)(1); and

(5) exit outcomes, including the types of relief requested and actions taken by the Commissions.

(k) RELATIONSHIP OF SANDBOX PARTICIPATION TO STATE LAW.—

(1) LIMITED PREEMPTION FOR SANDBOX PARTICIPANTS.—This section, including participation in the Sandbox, and any exemption or relief granted under this section, shall supersede any State securities or commodities law requiring registration, qualification, or licensing as a condition of engaging in an approved activity or otherwise regulating that activity as a security or commodity.

(2) STATE ENFORCEMENT PRESERVED.—Nothing in this section may be construed to prohibit or limit any State securities or commodities regulator, any State bank regulator, or any State law enforcement agency from conducting an investigation or bringing an administrative, civil, or criminal enforcement action under—

(A) a State law prohibiting fraud or deceit, or fraudulent, deceptive, manipulative, unethical, dishonest, or other unlawful conduct or practices, in connection with securities or securities transactions;

(B) the anti-fraud provisions of the Commodity Exchange Act (7 U.S.C. 1 et seq.), as amended by this Act, or State commodities laws; or

(C) any State law of general applicability, including such a law relating to banking, consumer protection, contracts, property, or criminal conduct.

(3) NOTICE FILINGS.—A State may require notice of any document filed with either of the Commissions in connection with participation in the Sandbox, together with consent to service of process and reasonable fees, consistent with section 18(c) of the Securities Act of 1933 (15 U.S.C. 77r(c)).

SEC. 10502. INTERNATIONAL COOPERATION.

(a) DEFINITION.—In this section, the term ''Commissions'' means the Commission and the Commodity Futures Trading Commission.

(b) COOPERATION.—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 Commissions, as appropriate—

(1) shall consult and coordinate with foreign regulatory authorities or other relevant international organizations 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 determined 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 distributed ledger 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.

(c) CROSS-BORDER SANDBOX.—The Commissions may leverage the activities described in paragraphs (1) through (5) of subsection (b) to establish or participate in cross-border regulatory sandboxes that build upon the CFTC-SEC Micro-Innovation Sandbox established pursuant to section 10501.

SEC. 10503. AUTOMATED REGULATORY COMPLIANCE STUDY.

(a) DEFINITIONS.—In this section:

(1) AUTOMATED REGULATORY COMPLIANCE.—The term ''automated regulatory compliance'' means the use of technology, including data standards, automation, and distributed ledger or smart contract functionality, to automate, tag, or otherwise streamline regulatory reporting, disclosure, supervisory, or other compliance obligations.

(2) INNOVATIVE.—The term ''innovative'' has the meaning given the term in section 10501(a).

(b) STUDY REQUIRED.—The Comptroller General of the United States shall, in consultation with the Department of the Treasury (including the Financial Crimes Enforcement Network, the Office of Foreign Assets Control, and the Office of Financial Research), the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Commission, the Commodity Futures Trading Commission, the Bureau of Consumer Financial Protection, and the Federal Housing Finance Agency, carry out a study of distributed ledger-based compliance tools that—

(1) to the extent feasible, identifies and evaluates—

(A) the landscape of existing (as of the day before the date of enactment of this Act) distributed ledger-based compliance tools for—

(i) statutory and regulatory disclosures;

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

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

(B) the feasibility, benefits, and risks of allowing regulated entities to satisfy applicable regulatory obligations through on-chain, code-based, or other automated mechanisms;

(C) the potential for interoperability with automated regulatory compliance mechanisms across and among each of those agencies;

(D) the data collection systems of each of those agencies; and

(E) standards or taxonomies, or other common data elements, if any, that those agencies could publish or adopt to support the interoperability described in subparagraph (C) in order to ensure consistency and regulatory access;

(2) recommends pilot programs, guidance, rule changes, or amendments to statutes that would be needed to implement effective automated regulatory compliance approaches and any other related approaches addressed in the study;

(3) identifies the costs and benefits to issuers of different sizes, secondary market intermediaries, regulators, investors, and other applicable parties, including differential impacts on smaller entities and options to reduce those burdens;

(4) benchmarks international efforts with respect to automated regulatory compliance mechanisms and consults with any appropriate State, Federal, or foreign regulators; and

(5) evaluates whether existing (as of the day before the date of enactment of this Act) oversight, enforcement, and liability frameworks are sufficient to—

(A) ensure accountability, transparency, fairness, and consumer protection; and

(B) prevent misuse of distributed ledger-based compliance tools.

(c) REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall make publicly available a report that includes the results of the study conducted under subsection (b).

SEC. 10504. 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.

SEC. 10505. TOKENIZATION OF SECURITIES.

(a) DEFINITIONS.—In this section:

(1) TOKENIZATION.—The term ''tokenization'' means the process of creating a digital representation of all rights, obligations, or interests in a tangible or intangible asset on a distributed ledger or comparable technology.

(2) TOKENIZED.—The term ''tokenized'', with respect to an asset, means that the asset has undergone tokenization.

(b) SENSE OF CONGRESS.—It is the sense of Congress that States should promptly consider and adopt commercial law frameworks under the Uniform Commercial Code that provide clear and uniform rules for the ownership, control, and enforceability of rights relating to digital assets.

(c) STUDY.—Not later than 360 days after the date of enactment of this Act, the Commission shall conduct a comprehensive study of the regulatory treatment of tokenized securities, including custody standards, interagency coordination, cross-border coordination, and consumer protection.

(d) PARITY IN REGULATORY TREATMENT.—

(1) IN GENERAL.—Subject to paragraph (2), a tokenized security shall be treated, for all regulatory purposes, as the security that the tokenized security represents, except as otherwise provided by—

(A) section 10106(a); or

(B) a rule, regulation, or order issued by the Commission.

(2) REQUIREMENT.—A rule, regulation, or order described in paragraph (1)(B) may only be issued by the Commission to adapt the manner in which the applicable regulatory requirements are satisfied, to the extent necessary or appropriate—

(A) in light of the unique technological or other characteristics of digital assets or substantially similar technology; and

(B) consistent with—

(i) what is necessary or appropriate in the public interest; and

(ii) protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

(e) PROHIBITION ON MISREPRESENTATION.—Any statement or omission with respect to any material fact that is made by a person in connection with the offer, sale, or other representation regarding a tokenized security shall be subject to the securities laws, including applicable anti-fraud or anti-manipulation provisions under the securities laws.

(f) AGENCY ACTION FOR TOKENIZED SECURITIES.—

(1) IN GENERAL.—The Commission may issue rules governing tokenized securities pursuant to the requirements of this section.

(2) REQUIREMENTS.—Rules issued under this subsection may address, consistent with sections 10106 and 10107, how requirements applicable to an underlying security apply to custody, books and records, reconciliation with transfer agents or other recordkeepers, auditability, settlement finality, treatment of chain reorganizations, and other operational risks arising from the use of distributed ledger technology or comparable technology.

(g) RULE OF CONSTRUCTION REGARDING ENFORCEMENT.—Nothing in this section may be construed to prevent the Commission from enforcing the anti-fraud and anti-manipulation provisions of the securities laws, and the rules issued under the securities laws, with respect to tokenized securities, provided that the elements of those provisions are satisfied.

(h) SAVINGS CLAUSES.—

(1) TOKENIZED SECURITY.—Any asset that is a security under the securities laws shall not cease to be a security solely because the asset is issued, recorded, represented, or transferred using distributed ledger technology or comparable technology.

(2) EFFECT ON STATE LAW.—Nothing in this section may be construed, interpreted, or applied in a manner that preempts, supersedes, invalidates, or otherwise affects any State property transfer rules, laws, regulations, or common law principles relating to the transfer or recording of real tangible or intangible assets or interests therein.

(3) RULEMAKINGS, ORDERS, AND OTHER ACTIONS.—Notwithstanding any other provision of this section, section 10106 shall apply to any rulemaking, order, or other action of the Commission under this section.

(4) NO LIMIT OF ABILITY TO OFFER OR SELL.—Nothing in this section, or any rule, regulation, or order promulgated under this section, may be construed to limit the ability of any person to

offer or sell any tokenized security, consistent with the securities laws.

SEC. 10506. VOLUNTARY ADOPTION OF NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY POST-QUANTUM CRYPTOGRAPHY STANDARDS.

(a) DEFINITIONS.—In this section:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ‘‘appropriate congressional committees’’ 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 Commerce, Science, and Transportation of the Senate;

(D) the Committee on Financial Services of the House of Representatives;

(E) the Committee on Agriculture of the House of Representatives; and

(F) the Committee on Energy and Commerce of the House of Representatives.

(2) DIRECTOR.—The term ‘‘Director’’ means the Under Secretary of Commerce for Standards and Technology.

(b) FINDINGS.—Congress finds the following:

(1) Technical standards with respect to digital assets ensure quality, interoperability, and reliability in products, processes, and services and facilitate innovation.

(2) The digital asset ecosystem should harness standards to solve coordination problems and foster innovation, not through regulation, but through voluntary, market-driven measures.

(3) Advances in quantum computing threaten existing (as of the day before the date of enactment of this Act) cryptographic standards and the security of digital assets.

(c) VOLUNTARY ADOPTION.—The Director, in consultation with the Secretary of Homeland Security and the heads of sector risk management agencies, as appropriate, shall promote the voluntary adoption and deployment of post-quantum cryptography standards, including by—

(1) disseminating and making publicly available guidance and resources to help organizations adopt and deploy those standards;

(2) providing technical assistance, as practicable, to entities that are at high risk of quantum cryptography analytic attacks, such as entities deter-

mined to be critical infrastructure or digital infrastructure providers; and

(3) conducting such other activities determined necessary by the Director to promote the adoption and deployment of those standards across the United States.

(d) INDUSTRY CONSULTATION.—In implementing subsection (c), the Director shall, at a minimum—

(1) solicit regular input from a broad range of industry stakeholders regarding the feasibility and practical challenges of adopting the standards described in that subsection;

(2) facilitate ongoing dialogue between the National Institute of Standards and Technology and industry participants to identify, assess, and address barriers to the adoption of the standards described in that subsection;

(3) not later than 2 years after the date of enactment of this Act, and biennially thereafter until 2035, submit to the appropriate congressional committees a report on the implementation of that subsection, including stakeholder engagement with respect to those actions and continued challenges in adopting the standards described in that subsection; and

(4) not later than 5 years after the date of enactment of this Act, make available to the public a report on stakeholder engagement and lessons learned in implementing that subsection.

SEC. 10507. INTERNATIONAL COORDINATION TO COMBAT DIGITAL ASSET ILLICIT FINANCE.

(a) DEFINITION.—In this section, the term ''Strategy'' means the National Strategy to Combat International Digital Asset Illicit Finance submitted under subsection (d).

(b) INTERAGENCY INITIATIVE.—The Secretary of the Treasury, in coordination with the Secretary of State, the Attorney General, the Secretary of Homeland Security, and the heads of such other Federal departments and agencies as the President may designate, shall lead an interagency initiative to strengthen international cooperation to prevent the misuse of digital assets for illicit finance, sanctions evasion, terrorist financing, or other national-security threats.

(c) OBJECTIVES.—The initiative established under subsection (b) shall—

(1) engage foreign counterparts, including finance ministries, central banks, and financial intelligence units, to promote anti-money-laundering, sanctions evasion, and counter-terrorist financing

standards applicable to digital asset activities, consistent with United States standards and the framework established under the Strategy;

(2) encourage the adoption and enforcement of effective regulatory and supervisory frameworks for digital asset service providers to ensure transparency and prevent illicit use;

(3) identify and prioritize jurisdictions of concern that present significant risk of facilitating illicit digital asset activity and develop coordinated diplomatic, economic, and law enforcement strategies to address those risks;

(4) support technical assistance and capacity-building programs for partner jurisdictions to enhance anti-money laundering, sanctions evasion, and counter-terrorist financing supervision, enforcement, and information sharing relating to digital assets; and

(5) report annually to Congress on progress made toward the objectives described in paragraphs (1) through (4), including a list of cooperative and non-cooperative jurisdictions and any recommendations for additional actions or sanctions.

(d) NATIONAL STRATEGY TO COMBAT INTERNATIONAL DIGITAL ASSET ILLICIT FINANCE.—Not later than 270 days after the date of enactment of this Act, the Secretary of the Treasury, in coordination with the Secretary of State, the Attorney General, and the Director of National Intelligence, shall submit to the Committee on Banking, Housing, and Urban Affairs, the Committee on Foreign Relations, and the Committee on Homeland Security and Governmental Affairs of the Senate, and the Committee on Financial Services, the Committee on Foreign Affairs, and the Committee on Homeland Security of the House of Representatives a National Strategy to Combat International Digital Asset Illicit Finance, which shall—

(1) assess global vulnerabilities with respect to the digital assets framework set out in the Strategy;

(2) set measurable goals and timelines for multilateral engagement with respect to digital assets;

(3) recommend resource and staffing requirements for Treasury attaches, financial intelligence liaisons, and other personnel necessary to implement the Strategy; and

(4) identify standards for combating money laundering, sanctions evasion, and terrorist financing with respect to digital asset activities applicable to foreign jurisdictions, which shall be informed by

United States law, regulation, and supervisory standards, including standards relating to—

(A) anti-money laundering and countering the financing of terrorism laws and regulations that identify, prioritize, and mitigate illicit finance threats, including preventive measures for financial institutions and other entities covered by those laws and regulations, including measures relating to customer due diligence, recordkeeping, internal controls, and the reporting of suspicious transactions;

(B) money laundering offenses, asset seizure, and confiscation to recover proceeds of crime;

(C) terrorist financing and proliferation-financing offenses and related targeted financial sanctions; and

(D) regulation, supervision, and enforcement by competent authorities, including financial intelligence, law enforcement, and sanctions measures.

SEC. 10508. ANNUAL REPORT ON FOREIGN DIGITAL ASSET TRADING VOLUME, COMPLIANCE WITH UNITED STATES STANDARDS AND REMEDIATION ACTIONS.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, and annually thereafter for a period of 4 years, the Secretary of the Treasury 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) lists the top 20 foreign jurisdictions by volume of digital asset trading activity on foreign digital asset service providers during the calendar year immediately preceding the year of the report;

(2) assesses the degree to which each foreign jurisdiction listed under paragraph (1) has implemented anti-money laundering, sanctions evasion, and counter-terrorist financing laws, regulations, or standards applicable to digital asset activities consistent with the standards and framework identified under the National Strategy to Combat International Digital Asset Illicit Finance submitted under section 10507; and

(3) identifies foreign jurisdictions with—

(A) material deficiencies in the implementation or enforcement of the standards described in paragraph (2); and

(B) trading volumes that present systemic illicit finance risk to the United States.

(b) FORM.—Each report required under subsection (a) shall be submitted in unclassified form, but may include a classified annex, as appropriate.

(c) REMEDIATION AND ENGAGEMENT REPORT.—For each foreign jurisdiction identified pursuant to subsection (a)(3), the Secretary of the Treasury shall include in the applicable report—

(1) a description of bilateral diplomatic, regulatory, or law enforcement engagements undertaken during the calendar year immediately preceding the year in which the report is submitted to remedy the deficiencies of the foreign jurisdiction;

(2) a summary of actions taken by the United States individually, or in conjunction with any applicable international body, to identify high-risk or non-cooperative jurisdictions with respect to digital asset illicit finance, including public statements identifying those jurisdictions and measures to support their remediation;

(3) any commitments obtained from the foreign jurisdiction to address identified deficiencies, including timeliness and benchmarks; and

(4) an assessment of progress made toward full implementation of the standards identified under the National Strategy to Combat International Digital Asset Illicit Finance submitted under section 10507.

SEC. 10509. AI INNOVATION LABS.

(a) DEFINITIONS.—

(1) AI TEST PROJECT.—The term ''AI test project'' means a financial product, service, or activity—

(A) that makes substantial use of artificial intelligence;

(B) that is, or may be, subject to a Federal regulation or Federal statute; and

(C) for which a regulated entity submits an application for the waiver or modification of an applicable regulation subject to an alternative compliance strategy.

(2) APPROPRIATE FINANCIAL REGULATORY AGENCY.—The term ''appropriate financial regulatory agency'' means—

(A) the appropriate Federal banking agency, as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813), with respect to an institution described in subsection (q) of that section;

(B) the Bureau of Consumer Financial Protection, with respect to a covered person, as defined in section 1002 of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5481), that does not have an appropriate financial regulatory agency under subparagraph (A), (C), or (D) of this paragraph;

(C) the National Credit Union Administration, with respect to an insured credit union, as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752); and

(D) the Federal Housing Finance Agency, with respect to—

(i) a Federal Home Loan Bank;

(ii) the Federal Home Loan Bank System;

(iii) the Federal National Mortgage Association; and

(iv) the Federal Home Loan Mortgage Corporation.

(3) ARTIFICIAL INTELLIGENCE; AI.—The terms "artificial intelligence" and "AI" have the meaning

given the term ‘‘artificial intelligence’’ in section 5002 of the National Artificial Intelligence Initiative Act of 2020 (15 U.S.C. 9401).

(4) FINANCIAL PRODUCT OR SERVICE.—The term ‘‘financial product or service’’—

(A) has the meaning given the term in section 1002 of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5481);

(B) includes—

(i) activities that are financial in nature, as defined in section 4(k)(4) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)(4)); and

(ii) any financial product or service provided by a person regulated by the Commission, as defined in section 1002 of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5481); and

(C) does not include the business of insurance.

(5) FINANCIAL REGULATORY AGENCY.—The term ‘‘financial regulatory agency’’ means—

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

(B) the Federal Deposit Insurance Corporation;

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

(D) the Bureau of Consumer Financial Protection;

(E) the National Credit Union Administration; and

(F) the Federal Housing Finance Agency.

(6) REGULATED ENTITY.—The term "regulated entity" means an entity regulated by any financial regulatory agency.

(b) USE OF ARTIFICIAL INTELLIGENCE BY REGULATED FINANCIAL ENTITIES.—

(1) AI INNOVATION LABS.—

(A) ESTABLISHMENT.—Each financial regulatory agency shall establish, or identify an office, division, or department of the agency that shall serve as, an AI Innovation Lab to enable regulated entities to experiment with AI test projects without unnecessary or unduly burdensome regulation or expectation of enforcement actions, pursuant to the approval of an application under subparagraph (B).

(B) APPLICATIONS.—

(i) SUBMISSION.—

(I) IN GENERAL.—On and after the date that is 1 year after the date of enactment of this Act, a regulated entity may submit to the appropriate financial regulatory agency an application, on a form determined by the appropriate financial regulatory agency, to engage in an AI test project through the AI Innovation Lab established or identified under subparagraph (A).

(II) CONTENTS.—An application submitted under subclause (I) shall include—

(aa) a description of the AI test project proposed to be carried out by the regulated entity;

(bb) an alternative compliance strategy that—

(AA) identifies a regulation issued by the appropriate financial regulatory agency that the regulated entity requests be waived or modified; and

(BB) proposes an alternative method for the regulated entity to comply with the regulation, including an explanation as to why the alternative method is essential to the operation of the entity and how the regulated entity would effectively manage risks associated with the AI test project;

(cc) an explanation of how under the strategy described in item (aa), the AI test project—

(AA) would serve the public interest, improve consumer or investor access to a financial product or service, or promote consumer or investor protection;

(BB) would enhance efficiency or operations, foster innovation or competitiveness, improve risk management and security, or enhance regulatory compliance;

(CC) would not present a systemic risk to the financial system of the United States;

(DD) is consistent with the purposes of the anti-money laundering and countering the financing of terrorism obligations under subchapter II of chapter 53 of title 31, United States Code; and

(EE) would not present a national security risk to the United States;

(dd) a proposed date on which the AI test project would terminate and an explanation as to why such termination date would be appropriate;

(ee) proposed limitations on the size, scope, and growth of the AI test project;

(ff) a detailed business plan; and

(gg) an estimate of the economic impact of the AI test project if approved.

(III) JOINT APPLICATIONS.—Two or more regulated entities may submit a joint application to the same financial regulatory agency under subclause (I).

(IV) REGULATIONS OF OTHER AGENCIES.—

(aa) IN GENERAL.—A regulated entity may submit an application under this subparagraph that includes an alternative compliance strategy for a regulation issued or enforced by a financial regulatory agency that is not the appropriate financial regulatory agency for the regulated entity.

(bb) REQUIREMENTS.—An application described in item (aa) shall be subject to the same requirements as an application described in subclause (II), except that—

(AA) the regulated entity shall submit the application to the appropriate financial regulatory agency and the financial regulatory agency that issued or enforces the regulation that is the subject of the alternative compliance strategy; and

(BB) the AI test project may not take effect unless the appropriate financial regulatory agency and any other financial regulatory agency that issued or enforces the regulation that is the subject of the alternative compliance strategy jointly approve the application using the process described in clause (ii).

(V) NOTICE.—A regulated entity that is regulated or supervised by more than 1 financial regulatory agency shall provide notice of any application submitted to the appropriate financial regulatory agency under this section to each financial regulatory agency by which it is regulated or supervised not later than 5 business days after the entity submits the application to the appropriate financial regulatory agency.

(ii) AGENCY REVIEW.—

(I) IN GENERAL.—Except as provided in subclause (IV), not later than 120 days after the date on which an application is submitted to the appropriate financial regulatory agency under clause (i), the appropriate financial regulatory agency shall—

(aa) review the application; and

(bb) submit to the applicant in writing a determination of the agency.

(II) APPROVAL.—

(aa) IN GENERAL.—If the applicant shows that it is more likely than not that the application meets the requirements for establishing an alternative compliance strategy and satisfies the standards described in items (bb) and (cc) of clause (i)(II), the agency shall approve the application and notify the applicant in writing of—

(AA) the regulation that is the subject of the alternative compliance strategy;

(BB) the terms of the alternative compliance strategy for the AI test project;

(CC) the date on which the AI test project will terminate;

(DD) any limitations on the size, scope, or growth of the AI test project; and

(EE) any additional limitations or conditions on the AI test project, as determined by the appropriate financial regulatory agency.

(bb) EFFECT OF APPROVAL.—With respect to an AI test project, except as provided in item (cc), beginning on the date on which an application submitted under clause (i) is approved and ending on the date described in item (aa)(CC)—

(AA) the appropriate financial regulatory agency may enforce a regulation described in item (aa)(AA) only in the manner set out in the alternative compliance strategy described in item (aa)(BB); and

(BB) except as provided in subclause (III), a financial regulatory agency that is not the appropriate financial regulatory agency may not enforce a regulation described in item (aa)(AA).

(cc) ENFORCEMENT BY ANOTHER FINANCIAL REGULATORY AGENCY.—With respect to an AI test project, a financial regulatory agency other than the appropriate financial regulatory agency that approves an application under clause (i)(IV) may enforce a regulation described in item (aa)(AA) if the alternative compliance strategy described in item (aa)(BB) provides for enforcement by such financial regulatory agency.

(dd) RULE OF CONSTRUCTION.—Nothing in this clause may be construed to limit the authority of a financial regulatory agency to take an enforcement action against a regulated entity with respect to fraud or market manipulation or for engaging in an unsafe or unsound practice relating to an AI test project.

(III) DENIAL.—

(aa) IN GENERAL.—If an agency denies an application submitted under clause (i), the agency—

(AA) shall submit to the applicant a written notice explaining the reason for denial; and

(BB) may not take an enforcement action related to the proposed AI test project against the applicant earlier than the date that is 30 days after the date on which the agency submits the written notice described in subitem (AA).

(bb) RESUBMITTALS.—Each time an application submitted under clause (i) is denied, the regulated entity—

(AA) may submit an amended application after receiving feedback from the agency making such denial; and

(BB) may not resubmit more than 2 applications that are substantially similar to the denied application.

(cc) INJUNCTIVE RELIEF.—Notwithstanding item (aa)(BB), a financial regulatory agency, by and through its own attorneys, may file a civil action in an appropriate United States district court to enjoin an active AI test project if the agency determines that the AI test project presents an immediate danger to consumers or investors or presents a risk—

(AA) to financial markets;

(BB) in the case of an AI test project engaged in by an insured depository institution or an insured credit union, of loss to a Federal deposit or share insurance fund;

(CC) of a violation of anti-money laundering and countering the financing of terrorism obligations under subchapter II of chapter 53 of title 31, United States Code; or

(DD) to the national security of the United States.

(IV) EXTENSION.—If the financial regulatory agency needs additional time, the agency may extend the approval deadline by 120 days. After the expiration of the 120-day extension period, if the agency has not made a determination on the application, the application will automatically be deemed approved and effective.

(V) ADDITIONAL INFORMATION.—Not later than the initial or extended approval deadline, as applicable, a financial regulatory agency may request additional information from the applicant.

(iii) DATA SECURITY.—All data supplied by sponsors of AI test projects to a financial regulatory agency submitted under this section shall be stored and maintained in a secure manner by the financial regulatory agency, consistent with applicable data security standards.

(iv) REGULATIONS.—Not later than 180 days after the date of enactment of this Act, each financial regulatory agency shall promulgate regulations that—

(I) shall be published in the Federal Register and provide a 60-day period for public notice and comment;

(II) include—

(aa) procedures for modifying the AI test projects that are approved by the agency;

(bb) consequences for failure to comply with the terms of an alternative compliance strategy;

(cc) a requirement that an AI test project will terminate not earlier than 1 year after the AI test project is approved;

(dd) procedures to extend the termination date described in item (cc);

(ee) procedures for confidentiality; and

(ff) procedures for coordinating decisions relating to applications submitted jointly by multiple regulated entities or applications submitted to more than one financial regulatory agency.

(2) REPORT.—Not later than 2 years after the date of enactment of this Act, and each year for 7 years thereafter, each financial regulatory agency 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 an annual report on the outcomes of AI test projects. A report under this subsection may not include the names of participating entities or any proprietary or confidential business information. A report under this subsection shall include aggregated findings, trends, and lessons learned from the AI test projects.

(3) RULE OF CONSTRUCTION.—Nothing in this section may be construed to limit the authority of a financial regulatory agency to take an enforcement action against a regulated entity with respect to fraud or market manipulation relating to an AI test project.

TITLE VI—PROTECTING SOFTWARE DEVELOPERS AND SOFTWARE INNOVATION

SEC. 10601. PROTECTING SOFTWARE DEVELOPERS.

(a) AMENDMENT TO THE SECURITIES ACT OF 1933.—The Securities Act of 1933 (15 U.S.C. 77a et seq.) is amended by inserting after section 27B (15 U.S.C. 77z–2a) the following:

"SEC. 27C. APPLICATION TO SOFTWARE DEVELOPERS.

"(a) DISTRIBUTED LEDGER SYSTEM DEFINED.—In this section, the term 'distributed ledger system' has the meaning given the term in section 10001 of the Digital Asset Market Clarity Act.

"(b) APPLICATION TO SOFTWARE DEVELOPERS.—Notwithstanding any other provision of this Act, a person shall not be subject to this Act and the regulations promulgated under this Act solely based on the person engaging in any of the following activities, whether singly or in combination, in relation to the operation of a distributed ledger system or any component thereof:

"(1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity.

"(2) Providing computational work, operating a node or oracle service, or procuring, offering, or utilizing network bandwidth, or providing other similar incidental services.".

(b) AMENDMENT TO THE SECURITIES EXCHANGE ACT OF 1934.—The Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by inserting after section 15G (15 U.S.C. 78o–11) the following:

"SEC. 15H. APPLICATION TO SOFTWARE DEVELOPERS.

"(a) DEFINITIONS.—In this section:

"(1) CONSTITUTE.—The term 'constitute' means to compile, assemble, integrate, or otherwise combine software components into a complete software system.

"(2) DECENTRALIZED FINANCE MESSAGING SYSTEM; DECENTRALIZED FINANCE TRADING PROTOCOL.—The terms 'decentralized finance messaging system' and 'decentralized finance trading protocol' have the meanings given those terms in section 1a of the Commodity Exchange Act (7 U.S.C. 1a).

"(3) DIGITAL ASSET; DISTRIBUTED LEDGER APPLICATION; DISTRIBUTED LEDGER SYSTEM; DISTRIBUTED LEDGER PROTOCOL; DECENTRALIZED GOVERNANCE SYSTEM; SMART CONTRACT.—The terms 'digital asset', 'distributed ledger application', 'distributed ledger system', 'distributed ledger protocol', 'decentralized governance system', and 'smart contract' have the meanings given those terms in section 10001 of the Digital Asset Market Clarity Act.

"(4) DEPLOY.—The term 'deploy' means to bring software or hardware onto a distributed ledger system for active use.

"(b) APPLICATION TO SOFTWARE DEVELOPERS.—Notwithstanding any other provision of this Act, a person shall not be subject to this Act and the regulations promulgated under this Act solely based on the person engaging in any of the following activities, whether singly or in combination, in relation to the operation of a distributed ledger system or any component thereof:

"(1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity.

"(2) Providing computational work, operating a node or oracle service, or procuring, offering, or utilizing network bandwidth, or providing other similar incidental services.

"(3) Developing, publishing, or constituting—

"(A) a distributed ledger system; or

"(B) software or systems that create or utilize hardware or software, including wallets or other systems, that facilitate the ability of a user to keep, safeguard, or have custody of the digital assets or private keys of the user.

"(c) RULE OF CONSTRUCTION.—Subsection (b)(3) does not extend to any activity covered in any of the activities described in subparagraphs (A) through (D) of subsection (d)(1), including activity taken following deployment of such software or hardware.

"(d) CLARIFICATION.—

"(1) IN GENERAL.—The Commission shall, pursuant to notice and comment rulemaking, clarify the circumstances under which a person shall not be subject to this Act by reason of engaging solely in 1 or more of the following activities in relation to the operation of a decentralized finance trading protocol or any component thereof:

"(A) Providing a user interface that enables a user to read and access data.

"(B) Administering, maintaining, or otherwise distributing a decentralized governance system relating to a decentralized finance trading protocol, or a decentralized finance trading protocol.

"(C) Administering, maintaining, or otherwise distributing a decentralized finance messaging system or operating or participating in a smart contract-based liquidity pool in a decentralized finance trading protocol.

"(D) Administering, maintaining, or otherwise distributing software or systems that create or deploy hardware or software, including wallets or other systems, that facilitate the ability of a user to keep, safeguard, or maintain custody of the digital assets or related private keys of the user.

"(2) CONSIDERATIONS.—In providing the clarification under paragraph (1) the Commission shall—

"(A) ensure that the rules are consistent with the purposes of the securities laws, including the public interest, the protection of investors, and the maintenance of fair and orderly markets;

"(B) provide that section 10108(a) of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026 shall apply to such rules;

"(C) protect the rights of software developers, publishers, and users to create, publish, and use code and software in a manner consistent with the First Amendment to the Constitution of the United States; and

"(D) provide legal clarity for the development, publication, and operation of distributed ledger systems and the components therein in a manner consistent with the purposes of this section.

"(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to grant the Commission authority over persons, systems, software, or activities that do not otherwise fall within the jurisdiction of the Commission under this Act, or to create a presumption that any such activity is subject to this Act.

"(e) ANTI-FRAUD, ANTI-MANIPULATION, AND FALSE REPORTING.—The determination that a person is not subject to this Act under subsections (b) and (d) shall not apply to the anti-fraud, anti-manipulation, or false reporting enforcement authorities of the Commission.

"(f) RULE OF CONSTRUCTION.—Nothing in this Act or the rules and regulations promulgated under this Act may be construed to apply any requirement of the securities laws to a digital commodity, as defined in section 10001 of the Digital Asset Market Clarity Act, or expand the authority of the Commission beyond that which the Commission had before the date of enactment of the Digital Asset Market Clarity Act to regulate the activities described in subsection (d)(1).

"(g) FEDERAL PREEMPTION.—

"(1) IN GENERAL.—Notwithstanding any other provision of law, no securities, commodities, or digital assets law of any State (or of any political subdivision of a State) shall apply to an activity described in subsection (b).

"(2) RULE OF CONSTRUCTION.—Nothing in paragraph (1) may be construed to apply to the anti-money laundering, anti-fraud, or anti-manipulation authorities of a State (or of any political subdivision of a State).".

(c) APPLICABILITY.—This section, and the amendments made by this section, shall apply to conduct occurring before, on, or after the date of enactment of this Act.

SEC. 10602. SAFE HARBOR FOR NONFUNGIBLE TOKENS.

(a) DEFINITIONS.—In this section:

(1) NONFUNGIBLE TOKEN.—The term "nonfungible token" means a digital asset recorded on a distributed ledger that—

(A) is individually identifiable and distinguishable from any other digital asset;

(B) represents ownership of, or rights in, a work of authorship, art, a collectible, a membership, an access credential, a certificate of authenticity, an in-game or in-application item, or another similar specific item or discrete digital or physical good, service, or benefit;

(C) is not interchangeable on a 1-to-1 basis with any other token or digital asset; and

(D) may be bought, sold, or transferred for consideration.

(2) PROMOTER.—The term ''promoter'' means a person or group that manages, controls, or operates an enterprise in which capital is invested, or any person or group acting on behalf of such a person or group with respect to such an enterprise, including an affiliate, agent, or coordinated actor that contributes to the capital raising efforts of the enterprise.

(b) SAFE HARBOR.—

(1) IN GENERAL.—Except as provided in paragraph (3), the offer, sale, resale, transfer, or conveyance of a nonfungible token shall not be deemed to constitute an offer, sale, or distribution of a security or investment contract under the Securities Act of 1933 (15 U.S.C. 77a et seq.), the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), or any equivalent State law, unless the transaction, in substance, involves all of the elements of an investment contract.

(2) RULES OF CONSTRUCTION.—Neither of the following shall be considered to be a security under the Securities Act of 1933 (15 U.S.C. 77a et seq.) or the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.):

(A) The resale or secondary market transfer of a nonfungible token, where the payment for that resale or transfer does not flow to a promoter or is not used to raise new capital for an enterprise.

(B) A nonfungible token that serves as a collectible, membership right, event ticket, access credential, or other non-investment-based use case solely because the nonfungible token may appreciate in value or depend in part on the continued efforts or the reputation of the creator or issuer of the nonfungible token.

(3) EXCEPTIONS.—The safe harbor under paragraph (1) shall not apply to—

(A) a mass-minted series of items with substantially similar or nearly identical traits that are marketed or sold interchangeably;

(B) a fractionalized interest in a nonfungible token; or

(C) an interest representing a beneficial or economic claim on a nonfungible token or an asset that a nonfungible token represents.

(4) RELIANCE; PROSPECTIVE EFFECT.—

(A) RELIANCE.—A person, other than an originator or related person, that reasonably and in good faith relies on the safe harbor under this subsection shall not be subject to any civil or administrative penalties.

(B) PROSPECTIVE EFFECT.—Any determination by the Commission that the safe harbor under this subsection does not apply to a particular circumstance shall—

(i) be prospective only; and

(ii) take effect not earlier than 60 days after the date on which the Commission publicly posts that determination.

SEC. 10603. STUDY ON NONFUNGIBLE TOKENS.

(a) DEFINITION.—In this section, the term ''nonfungible token'' has the meaning given the term in section 10602.

(b) STUDY.—The Comptroller General of the United States shall carry out a study of nonfungible tokens that analyzes—

(1) the nature, size, role, purpose, and use of nonfungible tokens;

(2) the similarities and differences between nonfungible tokens and other digital commodities, including digital commodities and payment stablecoins, and how the markets for those digital commodities intersect;

(3) how nonfungible tokens are minted by issuers and subsequently distributed to purchasers;

(4) how nonfungible tokens are stored after being purchased by a consumer;

(5) the interoperability of nonfungible tokens between different distributed ledger systems;

(6) the scalability of different nonfungible token marketplaces;

(7) the benefits of nonfungible tokens, including verifiable digital ownership;

(8) the risks of nonfungible tokens, including—

(A) the infringement of intellectual property rights;

(B) cybersecurity risks; and

(C) market risks;

(9) whether and how nonfungible tokens have been, or could be, integrated with traditional marketplaces, including marketplaces for music, real estate, gaming, events, and travel;

(10) whether and how nonfungible tokens have been, or could be, used to facilitate commerce or other activities through the representation of documents, identification, contracts, licenses, and other commercial, governmental, or personal records;

(11) any risks to traditional markets from the integration described in paragraph (9); and

(12) the levels and types of illicit activity in nonfungible token markets.

(c) REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall make publicly available a report that includes the results of the study required under subsection (b).

SEC. 10604. BLOCKCHAIN REGULATORY CERTAINTY ACT.

(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 system by multiple users, including a service or system that enables users to send, receive, exchange, or

store digital assets described by distributed ledger systems.

(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 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 transmitting business, as defined in section 5330 of title 31, United States Code, and the regulations promulgated under that section; or

(B) engaged in money transmitting, as defined in section 1960 of title 18, United States Code; 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 a requirement (as in effect on the day before the date

of enactment of this Act) that applies to an entity described in subparagraph (A) or (B) of paragraph (1), 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 digital assets of the customer; or

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

(d) CLARIFICATION OF TREATMENT.—Subsection (c) shall not modify the application of section 1960(b)(1)(C) of title 18, United States Code, to any person (referred to in this subsection as the ''initial person'') that acts with the specific intent to transfer, on behalf of another person, funds that are known by the initial person to be—

(1) derived from a criminal offense; or

(2) intended to be used to promote or support unlawful activity.

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

(1) to affect whether a developer or provider of a distributed ledger 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 division, any amendment made by this division, or any Act enacted after the date of enactment of this Act, based on conduct outside the scope of subsection (c);

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

SEC. 10605. KEEP YOUR COINS ACT.

(a) SHORT TITLE.—This section may be cited as the ‘‘Keep Your Coins Act’’.

(b) DEFINITIONS.—In this section:

(1) COVERED USER.—The term ''covered user'' means a United States individual who obtains digital assets to purchase goods or services on behalf of that individual, without regard to the method in which that individual obtained those digital assets.

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

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

(B) under which the owner of digital assets secured and transferred under subparagraph (A) retains independent control over those digital assets.

(c) SELF-CUSTODY.—A Federal agency may not prohibit, restrict, or otherwise impair the ability of a covered user to self-custody digital assets using a self-hosted wallet or other means to conduct transactions for any lawful purpose.

(d) RULE OF CONSTRUCTION.—Nothing in this section may be construed to limit the authority of the Secretary of the Treasury, the Commission, the Commodity Futures Trading Commission, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the National Credit Union Administration to carry out any enforcement action or special measure authorized under applicable law, including—

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

(2) any other law relating to illicit finance, money laundering, terrorism financing, or United States sanctions.

TITLE VII—PROTECTING CUSTOMER PROPERTY

SEC. 10701. CUSTOMER PROPERTY PROTECTIONS FOR ANCILLARY ASSETS AND DIGITAL COMMODITIES IN BANKRUPTCY.

(a) DEFINITIONS FOR STOCKBROKER LIQUIDATION.—

(1) IN GENERAL.—Section 741 of title 11, United States Code, is amended—

(A) by redesignating paragraphs (5) through (9) as paragraphs (7) through (11), respectively;

(B) by redesignating paragraphs (1) through (4) as paragraphs (2) through (5), respectively;

(C) by inserting before paragraph (2), as so redesignated, the following:

"(1) 'ancillary asset' has the meaning given that term in section 10001 of the Digital Asset Market Clarity Act;";

(D) in paragraph (3), as so redesignated—

(i) in subparagraph (A)(vi), by striking "and" at the end;

(ii) by redesignating subparagraph (B) as subparagraph (C);

(iii) by inserting after subparagraph (A) the following:

"(B) entity with whom a person deals as principal or agent and that has a claim against such person on account of a digital commodity or an ancillary asset received, acquired, or held by such person from or for the securities account or accounts of such entity for 1 or more of the purposes identified in clauses (i) through (vi) of subparagraph (A) of this paragraph; and"; and

(iv) in subparagraph (C), as so redesignated—

(I) in clause (i)—

(aa) by inserting ", ancillary asset, or digital commodity" after "security"; and

(bb) by inserting "or (B)" after "subparagraph (A)"; and

(II) in clause (ii), by inserting "an ancillary asset, a digital commodity," after "a security,";

(E) in paragraph (5), as so redesignated, in the matter preceding subparagraph (A), by inserting "ancillary asset, digital commodity," after "cash, security," each place it appears;

(F) by inserting after paragraph (5), as so redesignated, the following:

"(6) 'digital commodity' has the meaning given that term in section 10001 of the Digital Asset Market Clarity Act;"; and

(G) in paragraph (8), as so redesignated, in subparagraph (A)(i), by inserting ", ancillary asset positions, and digital commodities positions" after "securities positions".

(b) EXTENT OF CUSTOMER CLAIMS.—Section 746(b) of title 11, United States Code, is amended, in the matter preceding paragraph (1), by striking "cash or a security" and inserting ‘‘cash, a security, an ancillary asset, or a digital commodity’’.

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 546(e) of title 11, United States Code, is amended—

(A) by striking ‘‘section 741(7)’’ and inserting ‘‘section 741’’; and

(B) by striking ‘‘section 761(4)’’ and inserting ‘‘section 761’’.

(2) Section 561(a) of title 11, United States Code, is amended—

(A) in paragraph (1), by striking ‘‘section 741(7)’’ and inserting ‘‘section 741’’; and

(B) in paragraph (2), by striking ‘‘section 761(4)’’ and inserting ‘‘section 761’’.

(3) Section 752(c) of title 11, United States Code, is amended by striking ‘‘section 741(4)(B)’’ and inserting ‘‘section 741(5)(B)’’.

(d) CLARIFICATIONS.—For the avoidance of doubt—

(1) nothing in this section or an amendment made by this section may be construed to apply to securities or cash held by a broker-dealer and such assets and related claims shall be governed exclusively by the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.);

(2) nothing in this section or an amendment made by this section may be construed to apply to deposits held by a bank or commodity contracts, which shall be governed by the relevant applicable law; and

(3) in any liquidation proceeding under subchapter III or IV of chapter 7 of title 11, United States Code, those provisions shall be construed to treat ancillary assets and digital commodities held for customers as customer property governed by title 11, United States Code, and required to be distributed according to such title.

SEC. 10702. INSOLVENCY SAFE HARBOR.

(a) DEFINITIONS.—In this section:

(1) COMMODITY BROKER; FINANCIAL INSTITUTION; FINANCIAL PARTICIPANT; SECURITIES CLEARING AGENCY; STOCKBROKER.—The terms ‘‘commodity broker’’, ‘‘financial institution’’, ‘‘financial participant’’, ‘‘securities clearing agency’’, and ‘‘stockbroker’’ have the meanings given those terms in section 101 of title 11, United States Code.

(2) COMMODITY CONTRACT.—The term ‘‘commodity contract’’ means a commodity contract described in paragraph (4)(A) of section 761 of title 11, United States Code.

(b) SAFE HARBOR.—A purchase, sale, or loan of, a margin loan or other extension of credit on, or a repurchase, reverse repurchase, or other transaction involving, a unit of a digital commodity occurring with a commodity broker, stockbroker, financial institution, financial participant, or securities clearing agency shall be deemed to be—

(1) a commodity contract for purposes of—

(A) sections 362(b)(6), 362(o), 546(e), 553, 556, 561, and 562 of title 11, United States Code;

(B) section 11 of the Federal Deposit Insurance Act (12 U.S.C. 1821);

(C) section 210 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5390); and

(D) section 5(b)(2)(C) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78eee(b)(2)(C)); and

(2) a margin payment for purposes of section 548(d)(2)(B) of title 11, United States Code.

TITLE VIII—CUSTOMER PROTECTION

SEC. 10801. EDUCATIONAL MATERIALS.

The Commission and the Commodity Futures Trading Commission shall require digital asset intermediaries to provide clear and accessible educational materials to the public, including—

(1) an overview of how distributed ledger systems function;

(2) a description of common risks associated with digital assets;

(3) a description of the differences between digital asset markets and traditional financial markets;

(4) information on reporting and disclosure requirements related to digital asset transactions and securities which may be accompanied by network tokens or ancillary assets; and

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

SEC. 10802. SAVINGS CLAUSES.

(a) DEFINITIONS.—In this section:

(1) DIGITAL CONSUMER TOKEN.—The term "digital consumer token" means a digital asset that is primarily acquired for a consumptive purpose, including redemption for a specified good or service at the time of sale or within a reasonable time after sale, as defined by the Federal Trade Commission pursuant to rule.

(2) NONFUNGIBLE TOKEN.—The term "nonfungible token" means a digital asset recorded on a distributed ledger that—

(A) is individually identifiable and distinguishable from any other digital asset;

(B) represents ownership of, or rights in, a work of authorship, art, a collectible, a membership, an access credential, a certificate of authenticity, an in-game or in-application item, or another similar specific item or discrete digital or physical good, service, or benefit;

(C) is not interchangeable on a 1-to-1 basis with any other token or digital asset; and

(D) may be bought, sold, or transferred for consideration.

(b) FEDERAL TRADE COMMISSION.—Nothing in this division, or any amendment made by this division, may be construed as limiting or abridging the jurisdiction of the Federal Trade Commission with respect to—

(1) investigations or enforcement actions under the Federal Trade Commission Act (15 U.S.C. 41 et seq.) relating to unfair or deceptive acts or practices by persons relating to commerce in nonfungible tokens or digital consumer tokens, including deceptive acts with respect to advertising and endorsements

relating to nonfungible tokens and digital consumer tokens;

(2) highlighting best practices relating to commerce in nonfungible tokens or digital consumer tokens;

(3) promoting responsible innovation;

(4) consumer education relating to fraudulent digital asset activity; or

(5) investigating unlawful restraints of trade in the digital asset industry.

(c) RULE OF CONSTRUCTION.—Nothing in this Act, or any amendment made by this Act, may be construed to expand, contract, or otherwise affect the jurisdiction or authority with respect to the Federal consumer financial laws under the Consumer Financial Protection Act of 2010 (12 U.S.C. 5481 et seq.), as in effect on the day before the date of enactment of this Act, including with respect to subsection (i) or (j) of section 1027 of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5517).

SEC. 10803. STUDY ON EXPANDING FINANCIAL LITERACY.

(a) STUDY.—The Commission and the Commodity Futures Trading Commission shall jointly conduct a study to identify—

(1) the existing (as of the day before the date of enactment of this Act) level of financial literacy among retail digital asset customers;

(2) methods to improve the timing, content, and format of financial literacy materials regarding digital assets provided by the respective commissions;

(3) methods to improve coordination between the Commission and the Commodity Futures Trading Commission with other agencies, including the Financial Literacy and Education Commission, nonprofit organizations, and State and local jurisdictions, to better disseminate financial literacy materials;

(4) the efficacy of current financial literacy efforts with a focus on rural communities and communities with majority-minority populations;

(5) the most useful and understandable relevant information, including clear disclosures, that retail digital asset customers need to make informed financial decisions before engaging with or purchasing a digital asset;

(6) the most effective public-private partnerships in providing financial literacy regarding digital assets;

(7) the most relevant metrics to measure successful improvement of the financial literacy of an individual after engaging with financial literacy efforts; and

(8) in consultation with the Financial Literacy and Education Commission, a strategy (including, to the extent practicable, measurable goals and objectives) to increase financial literacy of investors regarding digital assets.

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Commission and the Commodity Futures Trading Commission shall jointly submit to the Committee on Banking, Housing, and Urban Affairs and the Committee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Financial Services and the Committee on Agriculture of the House of Representatives a written report on the study required under subsection (a).

SEC. 10804. CONSULTATION WITH SIPC REGARDING MANDATORY BROKER-DEALER DISCLOSURES TO INVESTORS CONCERNING THE STATUS OF PAYMENT STABLECOINS AND DIGITAL COMMODITIES.

(a) DEFINITION.—In this section, the term ''payment stablecoin'' has the meaning given the term in section 2 of the GENIUS Act (12 U.S.C. 5901).

(b) RULES.—Not later than 270 days after the date of enactment of this Act, the Commission, after consultation with the Commodity Futures Trading Commission and the Securities Investor Protection Corporation, shall issue rules requiring written disclosures regarding the treatment of customer assets in the event of an insolvency, resolution, or liquidation proceeding to be provided by a registered broker or dealer to an investor—

(1) before a digital commodity, a payment stablecoin, or a security involving a unit of a digital commodity is received, acquired, or held by the broker or dealer for the account of the investor; and

(2) after the provision of the disclosures under paragraph (1), at such frequency as the Commission may prescribe.

(c) CONTENTS.—The rules issued under subsection (b) shall include, as necessary or appropriate for the protection of investors—

(1) a description of the manner in which any digital commodity, payment stablecoin, or security involving a unit of a digital commodity received, acquired, or held by a broker or dealer for the account of an investor would be treated in an insolvency, resolution, or liquidation proceeding with respect to the broker or dealer under—

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

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

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

(2) how the treatment described in paragraph (1) differs from the treatment of securities and cash received, acquired, or held by the broker or dealer for the account of the applicable investor in the event of an insolvency, resolution, or liquidation proceeding with respect to the broker or dealer under each provision of law described in subparagraph (A), (B), and (C) of paragraph (1).

TITLE IX—LAW ENFORCEMENT TOOLS

SEC. 10901. GUARDING UNPROTECTED AGING RETIREES FROM DECEPTION.

(a) SHORT TITLE.—This section may be cited as the ‘‘Guarding Unprotected Aging Retirees from Deception’’ or the ‘‘GUARD Act’’.

(b) DEFINITIONS.—In this section:

(1) ELDER FINANCIAL FRAUD.—The term ‘‘elder financial fraud’’ means the illegal or improper use of the money, property, or other resources of an elderly individual or adult with a disability for monetary or personal benefit, profit, or gain.

(2) ELIGIBLE FEDERAL GRANT FUNDS.—The term ‘‘eligible Federal grant funds’’ means funds received under any of the following:

(A) Title IV of the Prioritizing Resources and Organization for Intellectual Property Act of 2008 (34 U.S.C. 30103 et seq.) (commonly known as the ‘‘Economic, High-Technology, White Collar, and Internet Crime Prevention National Training and Technical Assistance Program’’), including relating to the use of technology to solve crimes and to facilitate prosecutions (commonly known as the ‘‘Internet of Things (IoT) National Training and Technical Assistance Program'').

(B) Part 23 to title 28, Code of Federal Regulations (commonly known as ''Justice Information Sharing Training and Technical Assistance Program'').

(C) Section 1401 of the Violence Against Women Act Reauthorization Act of 2022 (34 U.S.C. 30107) to a local law enforcement agency for enforcement of cybercrimes against individuals.

(D) Section 1701 title I of the Omnibus Crime Control and Safe Streets Act of 1968 (34 U.S.C. 10381), relating to developing and acquiring effective equipment, technologies, and interoperable communications that assist in responding to and preventing crime (commonly known as the ''COPS Technology and Equipment Program'').

(3) GENERAL FINANCIAL FRAUD.—The term ''general financial fraud'' means, in order to obtain money or other things of value—

(A) intentional misrepresentation of information or identity to deceive an individual;

(B) unlawful use of a credit card, debit card, or automated teller machine; or

(C) use of electronic means to transmit deceptive information.

(4) PIG BUTCHERING.—The term ''pig butchering'' means a confidence and investment fraud in which the victim is gradually lured into making increasing monetary contributions, generally in the form of cryptocurrency, to a seemingly sound investment before the scammer disappears with the contributed monies.

(5) SCAM.—The term ''scam'' means a financial crime undertaken through the use of social engineering that uses deceptive inducement to acquire—

(A) authorized access to funds; or

(B) personal or sensitive information that can facilitate the theft of financial assets.

(6) STATE.—The term ''State'' means each of the several States, the District of Columbia, and each territory of the United States.

(c) FEDERAL GRANTS USED FOR INVESTIGATING ELDER FINANCIAL FRAUD, PIG BUTCHERING, AND GENERAL FINANCIAL FRAUD.—

(1) IN GENERAL.—State, local, and Tribal law enforcement agencies and grantees that receive eligi-

ble Federal grant funds may use such funds for investigating elder financial fraud, pig butchering, and general financial fraud, including by—

(A) hiring and retaining analysts, agents, experts, and other personnel;

(B) providing training specific to complex financial investigations, including training on—

(i) coordination and collaboration between State, local, Tribal, and Federal law enforcement agencies;

(ii) assisting victims of financial fraud and exploitation;

(iii) the use of blockchain intelligence tools and related capabilities relating to emerging technologies identified in the February 2024 "Critical and Emerging Technology List Update" of the Fast Track Action Subcommittee on Critical and Emerging Technologies of the National Science and Technology Council (commonly known as the "Critical and Emerging Technology List"); and

(iv) unique aspects of fraud investigations, including transnational financial investigations and emerging technologies identified in the Critical and Emerging Technology List;

(C) obtaining software and technical tools to conduct financial fraud and exploitation investigations;

(D) encouraging improved data collection and reporting;

(E) supporting training and tabletop exercises to enhance coordination and communication between financial institutions and State, local, Tribal, and Federal law enforcement agencies for the purpose of stopping fraud and scams; and

(F) designating a financial sector liaison to serve as a point of contact for financial institutions to share and exchange with State, local, Tribal, and Federal law enforcement agencies information relevant to the investigation of fraud and scams.

(2) REPORT TO GRANT PROVIDER.—Each law enforcement agency and grantee that makes use of eligible Federal grant funds for a purpose specified under paragraph (1) shall, not later than 1 year after making such use of the funds, submit to the

Federal agency that provided the eligible Federal grant funds, a report containing—

(A) an explanation of the amount of funds so used, and the specific purpose for which the funds were used;

(B) statistics with respect to elder financial fraud, pig butchering, and general financial fraud in the jurisdiction of the law enforcement agency, along with an analysis of how the use of the funds for a purpose specified under paragraph (1) affected such statistics; and

(C) an assessment of the ability of the law enforcement agency to deter elder financial fraud, pig butchering, and general financial fraud.

(d) REPORT ON GENERAL FINANCIAL FRAUD, PIG BUTCHERING, AND ELDER FINANCIAL FRAUD.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury, in consultation with the Attorney General, the Secretary of Homeland Security, and the appropriate Federal banking agencies and Federal functional regulators shall, jointly, submit to Congress a report on efforts and recommendations related to general financial fraud, pig butchering, elder financial fraud, and scams.

(e) REPORT ON THE STATE OF SCAMS IN THE UNITED STATES.—

(1) IN GENERAL.—Not later than 2 years after the date of enactment of this Act, the Secretary of the Treasury, in consultation with the Attorney General, the Secretary of Homeland Security, and the appropriate Federal banking agencies and Federal functional regulators, shall submit a report to Congress on the state of scams in the United States that—

(A) estimates—

(i) the number of financial fraud, pig butchering, elder financial fraud, and scams committed against consumers in the United States each year, including—

(I) attempted scams, including through social media, online dating services, email, and impersonation of financial institutions and nonbank financial institutions; and

(II) successful scams, including through social media, online dating services, email, and impersonation of financial institutions and nonbank financial institutions;

(ii) the number of consumers each year that lose money to 1 or more scams;

(iii) the dollar amount of consumer losses to scams each year;

(iv) the percentage of scams each year that can be attributed to—

(I) overseas actors; and

(II) organized crime;

(v) the number of attempted scams each year that involve the impersonation of phone numbers associated with financial institutions and nonbank financial institutions; and

(vi) an estimate of the number of synthetic identities impersonating consumers in the United States each year;

(B) provides an overview of the Federal civil and criminal enforcement actions brought against the recipients of the proceeds of financial fraud, pig butchering, elder financial fraud, and scams during the period covered by the report that includes—

(i) the number of such enforcement actions;

(ii) an evaluation of the effectiveness of such enforcement actions;

(iii) an identification of the types of claims brought against the recipients of the proceeds of financial fraud, pig butchering, elder financial fraud, and scams;

(iv) an identification of the types of penalties imposed through such enforcement actions;

(v) an identification of the types of relief obtained through such enforcement actions; and

(vi) the number of such enforcement actions that are connected to a Suspicious Activity Report; and

(C) identifies amounts made available and amounts expended to address financial fraud, pig butchering, elder financial fraud, and scams during the period covered by the report by—

(i) the Bureau of Consumer Financial Protection;

(ii) the Department of Justice;

(iii) the Federal Bureau of Investigation;

(iv) the Federal Communications Commission;

(v) the Board of Governors of the Federal Reserve Board;

(vi) the Federal Trade Commission;

(vii) the Department of the Treasury;

(viii) the Securities and Exchange Commission;

(ix) the Social Security Administration;

(x) the United States Postal Inspection Service;

(xi) the United States Secret Service;

(xii) the Department of Homeland Security;

(xiii) the Federal Deposit Insurance Corporation; and

(xiv) the Office of the Comptroller of the Currency.

(2) SOLICITATION OF PUBLIC COMMENT.—In carrying out the report required under paragraph (1), the Secretary of the Treasury shall engage with interested stakeholders, including consumers, social media companies, email providers, telecommuni-

cations companies, financial institutions, and nonbank financial institutions.

(f) REPORT TO CONGRESS.—Each Federal agency that provides eligible Federal grant funds that are used for a purpose specified under subsection (c)(1) shall issue an annual report to the Committee on Banking, Housing, and Urban Affairs of the Senate, the Committee on Financial Services of the House of Representatives, the Committee on the Judiciary of the Senate, and the Committee on the Judiciary of the House of Representatives containing the information received from law enforcement agencies under subsection (c)(2).

(g) FEDERAL LAW ENFORCEMENT AGENCIES ASSISTING STATE, LOCAL, AND TRIBAL LAW ENFORCEMENT AND FUSION CENTERS.—Federal law enforcement agencies may assist State, local, and Tribal law enforcement agencies and fusion centers in the use of distributed ledger analytics tools.

SEC. 10902. GRANT PROGRAM FOR STATE AND LOCAL DIGITAL ASSET ENFORCEMENT CAPABILITIES.

(a) IN GENERAL.—Section 501(a) of title I of the Omnibus Crime Control and Safe Streets Act of 1968 (34 U.S.C. 10152(a)) is amended—

(1) in paragraph (1) by adding at the end the following:

"(L) Programs for the investigation and prosecution of crimes involving—

"(i) digital assets (as defined in section 10001 of the Digital Asset Market Clarity Act);

"(ii) distributed ledger systems (as defined in section 10001 of the Digital Asset Market Clarity Act);

"(iii) evasion of United States sanctions laws (as defined in section 10302 of the Digital Asset Market Clarity Act);

"(iv) fraud;

"(v) terrorism financing; and

"(vi) other illicit finance activity.

"(M) Programs to acquire distributed ledger analytics tools and related investigative technology and to certify the use of distributed ledger analytics tools and related investigative technology.

"(N) Programs carried out under title IV of the Prioritizing Resources and Organization for Intellectual Property Act of 2008 (34 U.S.C. 30103 et seq.) (commonly known as the 'Economic, High-Technology, White Collar, and Internet Crime Prevention National Training and Technical Assistance Program'), including programs relating to the use of technology to solve crimes and to facilitate prosecutions (commonly known as the 'Internet of Things (IoT) National Training and Technical Assistance Program').''; and

(2) by adding at the end the following:

''(3) GRANTS RELATING TO INVESTIGATION AND PROSECUTION OF CERTAIN CRIMES AND ACQUISITION OF CERTAIN TOOLS AND TECHNOLOGIES.—In making any grant using amounts appropriated pursuant to section 10902(b) of the Digital Asset Market Clarity Act to carry out a program described in subparagraph (L), (M), or (N) of paragraph (1) of this subsection, the Attorney General shall consult with the Secretary of the Treasury.''.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Attorney General to award grants under paragraph (1) of section 501(a) of title I of the Omnibus Crime Control and Safe Streets Act of 1968 (34 U.S.C. 10152(a)) for programs described in subparagraphs (L), (M), and (N) of that paragraph $600,000,000 for each of fiscal years 2027 through 2031, to remain available until expended.

SEC. 10903. DIGITAL ASSET LAW ENFORCEMENT AND NATIONAL SECURITY TRAINING PROGRAM.

(a) ESTABLISHMENT.—Not later than 180 days after the date of enactment of this Act, the Secretary of the Treasury and the Attorney General shall jointly establish and administer a digital asset law enforcement and national security training program for—

(1) Federal law enforcement officers, investigators, prosecutors, analysts, and national security personnel;

(2) State, local, Tribal, and territorial law enforcement officers, investigators, prosecutors, and analysts;

(3) personnel of the Department of the Treasury, the Department of Justice, the Securities and Exchange Commission, and the Commodity Futures Trading Commission;

(4) personnel of State financial regulators and State attorneys general with responsibility for digital asset, money transmission, securities, commodities, banking, consumer protection, or illicit-finance matters; and

(5) such other government personnel as the Secretary of the Treasury and the Attorney General determine appropriate.

(b) PURPOSE.—The purpose of the program established under subsection (a) shall be to provide education, training, and technical assistance relating to—

(1) the provisions of this Act and the amendments made by this Act that relate to illicit finance, sanctions compliance, anti-money-laundering obligations, countering the financing of terrorism, fraud, market manipulation, cybersecurity, customer protection, and national security;

(2) the respective roles of the Department of the Treasury, the Department of Justice, the Securities and Exchange Commission, and the Commodity Futures Trading Commission under this Act and the amendments made by this Act;

(3) the use of investigative, supervisory, reporting, referral, information-sharing, and customer-protection tools available under this Act, the amendments made by this Act, and other applicable Federal law; and

(4) coordination among Federal, State, local, Tribal, and territorial law enforcement agencies and Federal financial regulators relating to digital asset investigations, enforcement matters, and national security risks.

(c) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to alter, limit, impair, or supersede the authority of the Securities and Exchange Commission, the Commodity Futures Trading Commission, the Secretary of the Treasury, the Attorney General, or any other Federal agency under any other provision of law.

SEC. 10904. ESTABLISHMENT OF A DIGITAL ASSET CYBER INNOVATION CENTER.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—There is established within the Department of the Treasury a Digital Asset Cyber Innovation Center (referred to in this section as the "DACIC"), which shall be operated—

(A) in partnership with the Department of Justice, the Department of Homeland Security, the Federal Bureau of Investigation, the United States Secret Service, the Department of Defense, the Commission, the Commodity Futures Trading Commission, and other relevant Federal agencies (which may include components of the intelligence community (as defined in section 3 of the National Security Act of 1947 (50 U.S.C. 3003))), as determined by the Secretary of the Treasury; and

(B) in collaboration with private sector entities.

(2) ROLE.—The DACIC shall be responsible for countering threats from state actors that target digital assets for funding or otherwise leverage digital assets for illicit purposes, while simultaneously advancing efforts by the United States to foster innovation, ensure digital economic safety, and support technological advancements in digital asset security and compliance.

(3) TIMELINE.—Not later than 1 year after the date of enactment of this Act, the DACIC shall be fully operational.

(b) RISK ASSESSMENT AND EVALUATION.—As part of the national strategy for combating terrorist and other illicit financing required under sections 261 and 262 of the Countering America's Adversaries Through Sanctions Act (Public Law 115–44; 131 Stat. 934), as amended by section 6506 of the National Defense Authorization Act for Fiscal Year 2022 (Public Law 117–81; 135 Stat. 2428), the Secretary of the Treasury shall, in coordination with the agencies described in subsection (a)(1)(A)—

(1) analyze sources of money laundering, sanctions evasion, and other illicit financial flows within

the digital asset space that have been generated by state actors;

(2) assess the effectiveness and impact of existing tools, frameworks, and technologies in addressing cyber threats and criminal activity within the digital asset space; and

(3) assess the rate of adoption of blockchain analytics tools.

(c) CYBERSECURITY AND FINANCIAL INTEGRITY ACTIONS.—

(1) DISRUPTION OF CYBER ATTACKS AND ILLICIT ACTIVITIES.—

(A) IN GENERAL.—The DACIC shall work to disrupt cyberattacks, scams, thefts, sanctions evasion, and money laundering within the digital asset ecosystem, with a focus on state actors.

(B) COORDINATION.—The DACIC shall—

(i) work in coordination with Federal departments and agencies to ensure that authorities from relevant Federal departments and agencies are deployed effectively in conjunction with each other, alongside partnerships with private sector entities, to combat illicit activities; and

(ii) ensure that actions are consistent with the development of permissionless blockchain technologies.

(C) IDENTIFICATION AND DISRUPTION OF ATTEMPTS.—The DACIC shall focus on identifying and disrupting attempts by state actors, such as the Democratic People's Republic of Korea and the Islamic Republic of Iran, including by—

(i) coordinating with international law enforcement and intelligence agencies to disrupt cybercrime activities linked to the Democratic People's Republic of Korea or the Islamic Republic of Iran; and

(ii) coordinating with relevant stakeholders to neutralize efforts by the Democratic People's Republic of Korea and the Islamic Republic of Iran to use non-compliant international exchanges or over-the-counter desks as cash-out points.

(2) SEIZURE OF STOLEN FUNDS.—The DACIC shall support efforts to seize criminal proceeds derived from illicit digital asset transactions, ensuring that stolen funds are promptly identified, traced,

and recovered, and that such seizures are conducted in accordance with appropriate legal frameworks.

(d) INFORMATION SHARING AND COLLABORATION.—

(1) PRIVATE SECTOR COLLABORATION.—The DACIC shall facilitate continuous information exchange with appropriate private sector entities, including digital asset exchanges, blockchain analytics firms, cybersecurity companies, web3 development platforms, and other relevant parties, which shall focus on the following:

(A) Vulnerabilities, cyber intrusions, and indicators of compromise (including by state actors) in the digital asset ecosystem.

(B) Real-time collaboration to eliminate malicious cyber and digital asset campaigns by adversarial state actors.

(2) PUBLIC-PRIVATE COLLABORATION.—The DACIC shall engage with private sector consortia and other relevant entities to promote frequent, real-time information sharing between the public and private sectors, ensuring efficient responses to emerging cyber threats.

(3) REWARDS FOR JUSTICE PROGRAM.—The DACIC shall establish a Rewards for Justice program specifically targeting digital asset threats, of-

fering appropriate incentives for white hat hackers and security researchers, including those who identify vulnerabilities, provide actionable intelligence on threat actors, or assist in recovering stolen digital assets.

(4) EMERGENCY RESPONSE INITIATIVE.—The DACIC shall—

(A) establish an Emergency Response Initiative for coordinated action during active digital asset attacks or major security incidents, including by identifying clear lines of authority, communication channels, and predefined response options that can be rapidly implemented; and

(B) maintain links to a multidisciplinary team capable of rapid deployment during significant digital asset security incidents, including technical experts, legal advisors, blockchain forensics specialists, and coordination officers who can work with affected entities to contain attacks, preserve evidence, and initiate recovery efforts.

(5) INTERNATIONAL COOPERATION.—The DACIC shall establish an International Coordination Office responsible for actively engaging with foreign

partners, including international organizations, international regulators, financial institutions, and law enforcement agencies, and assisting in coordinating the response to cross-border threats, which may include pressuring non-compliant digital asset exchanges and over-the-counter desks that adversarial state actors, other entities, and persons subject to sanctions imposed by the United States have utilized for illicit activity, including as cash-out points, promoting global compliance and deterrence.

(e) REGULATORY APPROVALS AND TESTING OF ONCHAIN SOLUTIONS.—The DACIC shall drive and support the development of technical standards for digital asset security, working with public and private standards bodies such as the National Institute of Standards and Technology to establish widely accepted security benchmarks.

(f) ORGANIZATIONAL STRUCTURE AND STAFFING.—

(1) EXECUTIVE DIRECTOR.—The Secretary of the Treasury shall appoint an Executive Director of the DACIC to oversee the activities and operations of the DACIC, ensuring alignment with the mission and goals of the DACIC, who possess expertise in 1 or more of the following:

(A) Cybersecurity.

(B) Enforcement.

(C) Digital asset markets.

(2) STAFFING.—

(A) IN GENERAL.—The DACIC shall be staffed with professionals from the agencies described in subsection (a)(1)(A).

(B) FOCAL POINT.—The DACIC shall not disrupt ongoing efforts within the agencies described in subsection (a)(1)(A), but shall serve as a focal point for combating thefts and money laundering from state actors to ensure that tools and authorities are used collaboratively and effectively to counter those threats.

(3) PARTNERSHIPS WITH WEB3 AND BLOCKCHAIN DEVELOPMENT.—The DACIC shall establish strategic partnerships with blockchain analytics firms, web3 development platforms, centralized and decentralized digital asset organizations, cybersecurity companies, academic researchers, and any other relevant entities to stay at the forefront of technological developments in the digital asset sector.

(g) BUDGET AND FUNDING.—There is authorized to be appropriated $60,000,000 to the DACIC for fiscal year 2026, and each fiscal year thereafter, to support the operations, staffing, and initiatives of the DACIC aimed at combating illicit activities in the digital asset space, including research, development, enforcement, and collaboration efforts.

(h) IMPLEMENTATION AND OVERSIGHT.—The DACIC shall submit to Congress an annual report on the activities, goals, and achievements of the DACIC for the period covered by the report, which shall provide—

(1) updates on efforts to disrupt cyber-attacks and combat money laundering and sanctions evasion, including metrics on threat actors disrupted, dollars recovered, and other relevant information;

(2) progress on the state of public-private cooperation in addressing digital asset illicit finance, including information sharing effectiveness, such as the speed of information sharing; and

(3) recommendations for legislative action.

SEC. 10905. STRENGTHENING AGENCY FRAMEWORKS FOR ENFORCEMENT OF CRYPTOCURRENCY.

(a) SHORT TITLE.—This section may be cited as the ‘‘Strengthening Agency Frameworks for Enforcement of Cryptocurrency Act’’ or the ‘‘SAFE Crypto Act’’.

(b) DEFINITIONS.—In this section:

(1) LAWFUL ORDER; PERMITTED PAYMENT STABLECOIN ISSUER.—The terms ‘‘lawful order’’

and "permitted payment stablecoin issuer" have the meanings given those terms, respectively, in section 2 of the GENIUS Act (12 U.S.C. 5901), respectively.

(2) SECRETARY.—The term "Secretary" means the Secretary of the Treasury.

(3) TASK FORCE.—The term "Task Force" means the Task Force on Cryptocurrency Scams established under section 3(a).

(c) TASK FORCE ON CRYPTOCURRENCY SCAMS.—

(1) ESTABLISHMENT.—Not later than 180 days after the date of enactment of this Act, the Secretary shall establish a task force, to be known as the Task Force for Recognizing and Averting Cryptocurrency Scams.

(2) MEMBERSHIP.—

(A) COMPOSITION.—The Task Force shall be chaired by the Secretary, or a designee thereof, and shall consist of the following individuals, or the designees of these individuals:

(i) The Attorney General.

(ii) The Director of the Financial Crimes Enforcement Network.

(iii) The Director of the United States Secret Service.

(iv) The head of any other relevant Federal department or agency, as determined by the Secretary, in consultation with the Task Force.

(v) Representatives of permitted payment stablecoin issuers.

(vi) Representatives of digital asset service providers.

(vii) Representatives of digital asset custodians.

(viii) Representatives of distributed ledger analytics companies (as defined in section 10204(b)).

(ix) Representatives of victims, scam support networks, or other relevant consumer protection stakeholders.

(x) Representatives of Federal, State, and local law enforcement.

(xi) Representatives of any other industries, as determined necessary by the Secretary.

(xii) Representatives from 1 or more State bank regulatory authorities.

(B) TERM OF APPOINTMENT.—The term of a member of the Task Force shall continue until the termination of the Task Force.

(C) VACANCY.—Any vacancy occurring in the membership of the Task Force shall be filled in the same manner in which the original appointment was made.

(3) PURPOSES.—The purposes of the Task Force include the following:

(A) SCAM DETECTION AND PREVENTION.—The Task Force shall examine current trends and developments in the financial grooming scams involving digital assets, identify effective methods for preventing such scams, and issue recommendations to enhance efforts to identify and prevent such activities.

(B) CROSS-SECTOR APPROACH.—The Task Force shall adopt a cross-sector approach to ensure its recommendations reflect the full scope of the issue, given that scams impact individuals across jurisdictions and a wide range of industries, including financial services, telecommunications, and technology.

(C) STAKEHOLDER INSIGHT.—The Task Force shall include representation from—

(i) stakeholders with direct experience supporting victims of scams (including individuals forced to engage in the scams and individuals impacted by the scams); and

(ii) industry participants with insight into—

(I) the organized crime networks perpetrating the scams;

(II) digital asset kiosks (as defined in section 5337(a) of title 31, United States Code, as added by section 10205(b) of this Act); and

(III) prevention strategies, including following the money to detect, deter, and dismantle the organized crime networks.

(D) INFORMATION SHARING AND INTERDICTION NETWORKS.—The Task Force, in coordination with relevant Federal agencies, is encouraged to promote participation by digital asset service providers and permitted payment stablecoin issuers in public-private, real-time information sharing and interdiction networks designed to detect, disrupt, and prevent the offramping of funds associated with scams, fraud, and other illicit activities.

(E) ENHANCED ASSET RECOVERY MECHANISMS.—The Task Force shall work with permitted payment stablecoin issuers to ensure that the permitted payment stablecoin issuers have the technological capability to comply, and do comply, with the terms of any lawful order relating to payment stablecoins issued by any such permitted payment stablecoin issuer determined to be proceeds of scams or other unlawful conduct, consistent with applicable law, including the GENIUS Act (12 U.S.C. 5901 et seq.) and implementing regulations and due process protections.

(4) MEETINGS.—The Task Force shall meet not less than 3 times during the 1-year period beginning on the date of enactment of this Act, and thereafter at such times and places, and by such means, as the Chair of the Task Force determines to be appropriate, which may include the use of remote conference technology.

(5) DUTIES.—The duties of the Task Force shall include—

(A) evaluating opportunities to use data collected by the Internet Crime Complaint Center database of the Federal Bureau of Investigation and the fraud reporting database of the Federal Trade Commission;

(B) evaluating best practices for combating methods (such as financial grooming scams, Ponzi schemes, money laundering, organized crime schemes, fraudulent Initial Coin Offerings, and rug pulls) used by scammers, including means of identifying, communicating with, and exploiting victims;

(C) assessing how international jurisdictions have tried to prevent scams involving digital assets;

(D) identifying and reviewing current methods used to scam individuals, including users and consumers, using digital asset intermediaries;

(E) determining a strategy for education programs that better equip individuals, including consumers, to identify, avoid, and report digital asset scam attempts to the appropriate law enforcement or government authorities;

(F) coordinating efforts to ensure perpetrators of scams involving digital assets can be identified and pursued by law enforcement;

(G) consulting with other relevant stakeholders, including State, local, and Tribal agencies and financial services providers;

(H) determining whether any additional Federal legislation and full-time equivalents would be beneficial for law enforcement and industry in mitigating scams involving digital assets; and

(I) working with international governments and law enforcement agencies to combat digital asset scams, including by targeting the organized crime networks perpetrating scams, originating abroad.

(6) COMPENSATION.—Each member of the Task Force shall serve without compensation, other than compensation to which entitled as an employee of the United States, as the case may be.

(7) REPORT.—

(A) IN GENERAL.—Not later than 1 year after the date on which the Secretary establishes the Task Force, the Task Force shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate, the Committee on Agriculture, Nutrition, and Forestry of the Senate, the Committee on Financial Services of the House of Representatives, and the Committee on Agriculture of the House of Representatives and make publicly available online a report detailing—

(i) the results of the reviews and evaluations of the Task Force under paragraph (5);

(ii) the strategy identified under paragraph (5);

(iii) any legislative, regulatory, or personnel recommendations that would enhance the ability to detect and prevent scams involving digital assets described in paragraph (5); and

(iv) recommendations to enhance cooperation among Federal, State, local, and Tribal authorities in the investigation and prosecution of scams and other financial crimes, including harmonizing data collection, improving data sharing processes, improving reporting mechanisms and streams, estimating the number of complaints and consumers affected, and evaluating the effectiveness of anti-scam training programs.

(B) ANNUAL UPDATES.—After submitting an initial report required under subparagraph (A), the Task Force shall, on an annual basis, submit to the Committee on Banking, Housing, and Urban Affairs of the Senate, the Committee on Agriculture, Nutrition, and Forestry of the Senate, the Committee on Financial Services of the House of Representatives, and the Committee on Agriculture of the House of Representatives and make publicly available online an updated version of the report.

(8) APPLICABLE LAW.—Chapter 4 of title 5, United States Code, shall not apply to the Task Force.

(9) SUNSET.—The Task Force shall terminate on the date that is 3 years after the date on which the Task Force submits the report required under paragraph (7)(A).

SEC. 10906. COMPLIANCE WITH LAWFUL ORDERS REQUIRING REISSUANCE.

Section 2(16)(A) of the GENIUS Act (12 U.S.C. 5901(16)(A)) is amended by striking ‘‘requires a person’’ and all that follows through "by the person" and inserting "requires a person to prevent the transfer of payment stablecoins issued by the person, or seize, freeze, or burn such payment stablecoins and, as appropriate, reissue replacement payment stablecoins".

TITLE X—OTHER MATTERS

SEC. 11001. JOINT ADVISORY COMMITTEE ON DIGITAL ASSETS.

(a) ESTABLISHMENT.—The Commodity Futures Trading Commission and the Commission (referred to collectively in this section as the "Commissions") shall jointly establish the Joint Advisory Committee on Digital Assets (referred to in this section as the "Committee").

(b) PURPOSE.—

(1) IN GENERAL.—The Committee shall—

(A) provide the Commissions with official findings and nonbinding recommendations on—

(i) the rules, regulations, oversight, and other matters of the Commissions relating to digital assets, including with respect to regulatory harmonization between the Commissions;

(ii) how to further the regulatory harmonization of digital asset policy between the Commissions or areas in which that harmonization should occur; and

(iii) the implementation by the Commissions of this division, and the amendments made by this division, including with respect to regulatory harmonization between the Commissions, memoranda of understanding, and the CFTC-SEC Micro-Innovation Sandbox established pursuant to section 10501;

(B) develop and share objective methods and best practices for evaluating digital asset networks and activities, including, as appropriate, technical features, economic design, and implications for market integrity, investor protection, and operational resilience; and

(C) issue nonbinding recommendations to assist in resolving disputes between the Commissions.

(c) REVIEW BY THE COMMISSIONS.—Each of the Commissions shall—

(1) review the findings and nonbinding recommendations provided under subsection (b)(1)(A);

(2) promptly publish a public statement each time the Committee submits a finding or nonbinding

recommendation to the applicable Commission under subsection (b)(1)(A) that—

(A) assesses the finding or recommendation; and

(B) if applicable, discloses the action or decision not to take action; and

(3) provide the Committee with a formal written response not later than 90 days after the date of submission of a finding or nonbinding recommendation under subsection (b)(1)(A).

(d) MEMBERSHIP AND LEADERSHIP.—

(1) NON-FEDERAL MEMBERS; SIZE AND COMPOSITION.—

(A) IN GENERAL.—The Commissions shall appoint to the Committee not more than 14 nongovernmental voting members who—

(i) represent a broad spectrum of interests, equally divided between the Commissions; and

(ii) serve at the pleasure of the appointing Commission.

(B) SPECIFIC MEMBERS.—For each of the Commissions, the appointees under subparagraph (A) of this paragraph shall include—

(i) 2 individuals described in paragraph (2)(A);

(ii) 2 individuals described in paragraph (2)(B);

(iii) 1 individual described in paragraph (2)(C);

(iv) 2 individuals described in paragraph (2)(D); and

(v) 1 individual described in paragraph (2)(E).

(2) MEMBERS DESCRIBED.—A member described in this paragraph is—

(A) an individual who is employed by, or is a related person with respect to, a digital asset market participant;

(B) a person registered with either of the Commissions and that is engaged in activities relating to digital assets;

(C) an individual engaged in academic research relating to digital assets;

(D) a retail user of digital assets; and

(E) a State securities regulator.

(3) NIST.—The Director of the National Institute of Standards and Technology, or the designee of the Director, shall serve in an advisory capacity

as a nonvoting, ex officio member of the Committee, and shall not be excluded from any proceedings, meetings, discussions, or deliberations of the Committee, except that the chair of the Committee, upon an affirmative vote of the Committee, may exclude the Director or the designee from any proceedings, meetings, discussions, or deliberations of the Committee when necessary to safeguard and promote the free exchange of confidential information.

(4) CO-DESIGNATED FEDERAL OFFICERS; COMMISSIONER SUPPORT.—

(A) CO-DESIGNATED FEDERAL OFFICERS.—

(i) IN GENERAL.—Each Commission shall designate 1 Federal officer to serve as a co-designated Federal officer of the Committee.

(ii) SHARED DUTIES.—The duties required by section 1009(e) of title 5, United States Code, to be carried out by a designated officer or employee of the Federal Government with respect to the Committee shall be shared by the Federal officers of the Committee who are co-designated under clause (i).

(B) COMMISSIONER SUPPORT.—

(i) IN GENERAL.—Commissioners of the Commissions may be supported by officers or employees of the respective Commission who may prepare or transmit materials, coordinate with agency staff, liaise with Committee leadership, propose agenda items, gather information, and otherwise support the participation of that commissioner in Committee business, in an ex officio, nonvoting capacity.

(ii) RULE OF CONSTRUCTION.—An officer or employee described in clause (i) shall not be considered to be a member of the Committee for purposes of chapter 10 of title 5, United States Code.

(C) INFORMATION SHARING.—The co-designated Federal officers under subparagraph (A) and the officers or employees of the respective Commissions providing support under subparagraph (B) shall share information about digital asset activities under this division, in accordance with section 10902, including with regard to preventing insider trading.

(5) COMMITTEE LEADERSHIP.—The members of the Committee shall elect, from among the membership of the Committee, a secretary and an assistant secretary.

(6) ROTATING CHAIR.—The chair and vice chair of the Committee shall rotate annually between the Commissions, with the Commission designating the chair in even-numbered calendar years, the Commodity Futures Trading Commission designating the chair in odd-numbered calendar years, the Commission designating the vice chair in odd-numbered calendar years, and the Commodity Futures Trading Commission designating the vice chair in even-numbered calendar years.

(7) TERMS; VACANCIES; HOLDOVER.—

(A) IN GENERAL.—Each non-Federal member of the Committee shall be appointed for a term of 4 years.

(B) SERVICE UNTIL NEW APPOINTMENT.—A member of the Committee may continue to serve after the expiration of the term of the member until a successor is appointed.

(C) VACANCIES.—A vacancy with respect to membership in the Committee shall be filled only for the remainder of the applicable term.

(D) REAPPOINTMENT.—A member of the Committee may be reappointed.

(8) STATUS OF MEMBERS.—A member of the Committee appointed under paragraph (1) shall not be deemed to be an employee or agent of either of the Commissions solely by reason of membership on the Committee.

(e) NO COMPENSATION FOR COMMITTEE MEMBERS.—

(1) NON-FEDERAL MEMBERS.—All Committee members appointed under subsection (d)(1) shall—

(A) serve without compensation; and

(B) while away from the home or regular place of business of the member in the performance of services for the Committee, be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in Government service are allowed expenses under section 5703 of title 5, United States Code.

(2) NO COMPENSATION FOR CO-DESIGNATED FEDERAL OFFICERS.—The Federal officers co-designated under subsection (d)(4)(A) shall serve without compensation in addition to that received for

their services as officers or employees of the United States.

(f) FREQUENCY OF MEETINGS.—The Committee shall meet—

(1) not less frequently than twice annually; and

(2) at such other times as either of the Commissions may request.

(g) PROCEDURES; ADVISORY NATURE.—

(1) IN GENERAL.—The Committee shall operate pursuant to chapter 10 of title 5, United States Code, except as otherwise expressly provided by this section.

(2) ADVISORY NATURE OF RECOMMENDATIONS.—The recommendations of the Committee are advisory in nature, shall not create any legal rights or obligations, and shall not limit or delay the independent authority of either of the Commissions.

(h) TIME LIMITS.—The Commissions shall—

(1) not later than 90 days after the date of enactment of this Act, adopt a joint charter for the Committee;

(2) not later than 120 days after the date of enactment of this Act, make the appointments required under subsection (d)(1); and

(3) not later than 180 days after the date of enactment of this Act, hold the initial meeting of the Committee.

(i) FUNDING.—Subject to the availability of funds, the Commissions shall jointly fund the Committee.

(j) DURATION AND RENEWAL.—

(1) INITIAL PERIOD.—The Committee shall remain in effect for 10 years beginning on the date of enactment of this Act.

(2) RENEWAL THEREAFTER.—At the conclusion of the 10-year period described in paragraph (1)—

(A) the Committee shall be subject to subsections (a) and (b) of section 1013 of title 5, United States Code; and

(B) the Commissions may renew the Committee for successive 2-year periods by publishing a notice in the Federal Register, consistent with chapter 10 of title 5, United States Code.

SEC. 11002. MEMORANDUM OF UNDERSTANDING.

(a) MEMORANDUM OF UNDERSTANDING.—The Commission shall enter into a memorandum of understanding with the Commodity Futures Trading Commission to ensure—

(1) coordinated supervision and enforcement with respect to registrants of the Commission and the Commodity Futures Trading Commission, including with regard to—

(A) the anti-fraud and anti-manipulation authorities of the Commission, such as with regard to insider trading; and

(B) the market integrity authorities of the Commodity Futures Trading Commission; and

(2) appropriate information sharing between the Commission and the Commodity Futures Trading Commission to further the purposes of and compliance with this division, the amendments made by this division, the Securities Act of 1933 (15 U.S.C. 77a et seq.) (as amended by this Act), the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (as amended by this Act), and the Commodity Exchange Act (7 U.S.C. 1 et seq.) (as amended by this Act).

(b) Rule of Construction.—Nothing in this section may be construed to limit the anti-fraud, anti-manipulation, or false reporting enforcement authorities of the Commodity Futures Trading Commission with respect to a contract of sale of a commodity and persons effecting such contracts.

(c) RULE OF CONSTRUCTION.—Nothing in this division, or any amendment made by this division, may be construed to limit or prevent the continued application of applicable law regarding the insider trading of securities, including digital asset securities, including section 21A of the Securities Exchange Act of 1934 (15 U.S.C. 78u–1).

SEC. 11003. FINCEN APPROPRIATIONS.

(a) AUTHORIZATION OF APPROPRIATIONS.—For the purposes of developing policy relating to digital assets, acquiring information technology resources, funding the operations described in sections 10202 and 10203, and enforcement of the laws within its jurisdiction relating to digital assets, there is authorized to be appropriated to the Financial Crimes Enforcement Network of the Department of the Treasury the following:

(1) $30,000,000 for fiscal year 2026, to remain available until September 30, 2027.

(2) $30,000,000 for fiscal year 2027, to remain available until September 30, 2028.

(3) $30,000,000 for fiscal year 2028, to remain available until September 30, 2029.

(4) $30,000,000 for fiscal year 2029, to remain available until September 30, 2030.

(5) $30,000,000 for fiscal year 2030, to remain available until September 30, 2031.

(b) INCENTIVE PREMIUM FOR HIGHLY QUALIFIED INDIVIDUALS.—Notwithstanding any other provision of law or regulation, the Director of the Financial Crimes Enforcement Network of the Department of the Treasury may pay an annual incentive premium of not more than 20 percent of the annual rate of basic pay for a position if necessary to attract highly qualified individuals for positions that the Director has certified to the Director of the Office of Personnel Management reflect the needs of the Financial Crimes Enforcement Network.

SEC. 11004. TECHNICAL CORRECTIONS TO THE GENIUS ACT.

(a) CREDIT UNION PARITY.—The GENIUS Act (12 U.S.C. 5901 et seq.) is amended—

(1) in section 2—

(A) in paragraph (17), by striking ‘‘national currency or deposit (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) denominated in a national currency’’ and inserting ‘‘national currency or a deposit (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) or account (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)) denominated in a national currency’’; and

(B) in paragraph (22), by striking "is a deposit (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)), including a deposit recorded using distributed ledger technology" and inserting "is a deposit (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) or account (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)), including a deposit or account recorded using distributed ledger technology"; and

(2) in section 4(a)(1)(A)(ii), by striking "or insured shares" and inserting ", or an account (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)),".

(b) REMOVAL OF DEADLINE FOR STATE-LEVEL REGULATORY REGIME APPLICATIONS.—Section 4(c)(4)(A) of the GENIUS Act (12 U.S.C. 5903(c)(4)(A)) is amended—

(1) by striking "not later than 1 year after" and inserting "beginning on"; and

(2) by striking "shall" and inserting "may".

(c) CONSISTENT TREATMENT OF TIMELY REDEMPTIONS.—Section 4(a)(1)(B)(i) of the GENIUS Act (12 U.S.C. 5903(a)(1)(B)(i)) is amended by striking "imposed by a State qualified payment stablecoin regulator, the Corporation, the Comptroller, or the Board, consistent with section 7'' and inserting the following: ''imposed—

''(I) on a State qualified payment stablecoin issuer that has not transitioned to Federal oversight pursuant to section 4(d), by its State payment stablecoin regulator or by the Board or the Comptroller, consistent with section 7;

''(II) on a State qualified payment stablecoin issuer that has transitioned to Federal oversight pursuant to section 4(d), by its State payment stablecoin regulator or by its primary Federal payment stablecoin regulator; or

''(III) on any other permitted payment stablecoin issuer, by its primary Federal payment stablecoin regulator''.

(d) CORRECTED SCOPE OF FEDERAL ENFORCEMENT AUTHORITIES FOR STATE QUALIFIED PAYMENT STABLECOIN ISSUERS THAT HAVE TRANSITIONED TO FEDERAL OVERSIGHT.—Section 6(b)(6) of the GENIUS

Act (12 U.S.C. 5905(b)(6)) is amended by inserting '', unless such State qualified payment stablecoin issuer has transitioned to Federal oversight pursuant to section 4(d)'' after ''State qualified payment stablecoin issuer''.

(e) IMPROVING REGULATORY CERTAINTY OF FEDERAL REGULATOR AUTHORITIES OVER STATE QUALIFIED PAYMENT STABLECOIN ISSUERS FOLLOWING UNUSUAL AND EXIGENT CIRCUMSTANCES.—Section 7(e) of the GENIUS Act (12 U.S.C. 5906(e)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A), by inserting ''that is a depository institution or subsidiary of a depository institution'' after ''State qualified payment stablecoin issuer''; and

(B) in subparagraph (C)—

(i) by inserting ''that is a depository institution or subsidiary of a depository institution'' after ''State qualified payment stablecoin issuer'' each place it appears; and

(ii) by striking ''limiting'' and inserting ''and which may limit''; and

(2) in paragraph (2)—

(A) in subparagraph (A), by inserting ''or an institution-affiliated party of such issuer'' after ''State qualified payment stablecoin issuer that is a nonbank entity'';

(B) in subparagraph (C), by striking ''limiting'' and inserting ''and which may limit''; and

(C) in subparagraph (D)(i)(I), by striking ''Federal qualified payment stablecoin issuer'' each place it appears and inserting ''State qualified payment stablecoin issuer''.

(f) NO EXEMPTION FROM LAWFUL ORDER REQUIREMENT.—Section 18(a) of the GENIUS Act (12 U.S.C. 5916(a)) is amended in the matter preceding paragraph (1) by inserting '', except subsection (b)(2) of that section,'' after ''section 3''.

(g) EQUAL TREATMENT OF AML/CFT AND SANCTIONS OBLIGATIONS.—Section 4(a)(5) of the GENIUS Act (12 U.S.C. 5903(a)(5)) is amended—

(1) in subparagraph (A) by inserting ''and a foreign payment stablecoin issuer registered with the Comptroller'' after ''A permitted payment stablecoin issuer''; and

(2) in subparagraph (B) by inserting ''and foreign payment stablecoin issuers registered with the Comptroller'' after ''permitted payment stablecoin issuers''.

(h) CONSISTENCY OF TREATMENT UNDER THE BANK SECRECY ACT.—Section 5312(c)(1) of title 31, United States Code, is amended by adding at the end the following:

"(B) Any permitted payment stablecoin issuer or foreign payment stablecoin issuer registered with the Office of the Comptroller of the Currency.".

(i) CLARIFYING ENFORCEMENT AUTHORITIES OF THE SECRETARY OF THE TREASURY.—Section 4(a)(5)(C) of the GENIUS Act (12 U.S.C. 5903(a)(5)(C)) is amended by adding at the end the following: "For the avoidance of doubt, the Secretary of the Treasury may use applicable authorities under the Bank Secrecy Act and Federal laws relating to economic sanctions, prevention of money laundering, customer identification, and due diligence, as appropriate, to enforce rules issued by the Secretary to implement subparagraph (A).".

(j) CLARIFICATION REGARDING UNSAFE AND UNSOUND PRACTICES BY FOREIGN PAYMENT STABLECOIN ISSUERS.—Section 18(c)(2) of the GENIUS Act (12 U.S.C. 5916(c)(2) is amended to read as follows:

"(2) ONGOING MONITORING AND SAFETY AND SOUNDNESS.—A foreign payment stablecoin issuer registered with the Comptroller shall—

"(A) be subject to reporting, supervision, and examination requirements as determined by the Comptroller;

"(B) not engage in any unsafe or unsound practice; and

"(C) consent to United States jurisdiction relating to the enforcement of this Act.".

(k) CORRECTING ERRORS IN ELIGIBLE RESERVE ASSETS.—Section 4(a)(1)(A) of the GENIUS Act (12 U.S.C. 5903(a)(1)(A)) is amended—

(1) in clause (v), by inserting ", or cash," after "Treasury notes, bills, or bonds"; and

(2) in clause (vi), by inserting "or (vii) through (viii)" after "clauses (i) through (v)".

(l) CORRECTION RELATING TO REHYPOTHECATION.—Section 4(a)(2)(C) of the GENIUS Act (12 U.S.C. 5903(a)(2)(C)) is amended by striking "with a maturity of 93 days or less" after "repurchase agreements" and inserting "with a maturity of 93 days or less" after "Treasury bills".

(m) PROVIDING REGULATORY CLARITY FOR TREATMENT OF ISSUERS LOCATED IN UNITED STATES TERRITORIES.—

(1) DEFINITIONS.—Section 2(12)(A) of the GENIUS Act (12 U.S.C. 5901(12)(A)) is amended

by striking ", a territory of the United States, Puerto Rico, Guam, American Samoa, or the Virgin Islands".

(2) EXCEPTION FOR FOREIGN PAYMENT STABLECOIN ISSUERS.—Section 18(a)(1) of the GENIUS Act (12 U.S.C. 5916(a)(1)) is amended by striking ", a territory of the United States, Puerto Rico, Guam, American Samoa, or the Virgin Islands".

(n) CORRECTING SECTION REFERENCE FOR MONTHLY AUDITS.—Section 4(a)(3)(A) of the GENIUS Act (12 U.S.C. 5903(a)(3)(A)) is amended by striking "paragraph (1)(D)" and inserting "paragraph (1)(C)".

(o) CORRECTING SCOPE OF STABLECOIN CERTIFICATION REVIEW COMMITTEE APPROVAL OF FOREIGN NON-FINANCIAL SERVICES COMPANIES.—Section 4(a)(12) of the GENIUS Act (12 U.S.C. 5903(a)(12)) is amended—

(1) in the paragraph heading, by striking "PUBLIC"; and

(2) in subparagraph (C)—

(A) by striking "public" each place it appears; and

(B) by inserting "and its wholly or majority owned subsidiaries or affiliates" after "financial activities".

(p) CLARIFYING CRITERIA OF NON-FINANCIAL SERVICES PUBLIC COMPANIES EVALUATION.—Section 4(a)(12) of the GENIUS Act (12 U.S.C. 5903(a)(12)) is amended—

(1) in subparagraph (B)(i)(I) by striking "it" and inserting "issuance of payment stablecoins by the company"; and

(2) in subparagraph (C)(i)(I) by striking "it" and inserting "issuance of payment stablecoins by the company".

(q) FOREIGN COMPARABILITY REJECTION AND RESCISSION.—Section 18 of the GENIUS Act (12 U.S.C. 5916) is amended—

(1) in subsection (b)(4)(A), by inserting "and supervisory" after "regulatory"; and

(2) in subsection (c)(1)(C)(iv), by striking "foreign payment stablecoin" and inserting "issuance of payment stablecoins by the foreign payment stablecoin issuer".

(r) CORRECTED BILATERAL AGREEMENT PROCESS.—The GENIUS Act (12 U.S.C. 5901 et seq.) is amended—

(1) in section 3(b)(2), by inserting "or bilateral agreement" after "reciprocal arrangement"; and

(2) in section 18(a)(3), by inserting "or bilateral agreement" after "reciprocal arrangement".

(s) UNIFORMITY IN SAFE HARBORS.—Section 3(c) of the GENIUS Act (12 U.S.C. 5902(c)) is amended—

(1) in paragraph (1), by inserting "or subsection (b)(1)" after "subsection (a)"; and

(2) in paragraph (2), by inserting "or subsection (b)(1)" after "subsection (a)".

(t) CLARIFICATION REGARDING MONETARY VALUE.—Section 2(18)(A) of the GENIUS Act (12 U.S.C. 5901(18)(A)) is amended by striking "authorized or adopted" and inserting "issued."

(u) CLARIFICATION REGARDING EFFECTIVE DATE.—Section 20(d) of the GENIUS Act (Public law 119–27; 139 Stat. 466; 12 U.S.C. 5901 note) is amended by striking "the primary Federal payment stablecoin regulators" and inserting "all primary Federal payment stablecoin regulators".

(v) FEDERAL FLOOR FOR DIGITAL ASSET CUSTODIANS.—

(1) DEFINITIONS.—In this subsection:

(A) HOME STATE; HOST STATE.—The terms "home State" and "host State" have the meanings given those terms, respectively, in section 16 of the GENIUS Act (12 U.S.C. 5915), except that the reference in that section to a depository institution shall be deemed to mean a State supervised institution, as defined in this subsection.

(B) NATIONAL BANK.—The term "national bank" means a national banking association.

(C) STATE SUPERVISED INSTITUTION.—The term "State supervised institution" means—

(i) a State depository institution, as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813);

(ii) a State non-depository trust company subject to prudential regulation and supervision by a State bank supervisor, as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813); or

(iii) a State credit union subject to prudential regulation and supervision by a State credit union supervisor, as defined under section 6003 of the Anti-Money Laundering Act of 2020 (31 U.S.C. 5311 note).

(2) EFFECT ON STATE LAW.—A State supervised institution may provide custodial or safekeeping services for digital assets, and services directly related thereto, to the same extent and under the same conditions as a national bank.

(3) CUSTODY STANDARDS.—A state supervised institution providing custodial or safekeeping services for digital assets, and services directly related thereto, under paragraph (2) shall—

(A) comply with applicable Federal standards (or home State standards that are substantially similar to, or exceed, such Federal standards, pursuant to certification under paragraph (4)) relating to capital, liquidity, governance, safety and soundness, consumer protection, privacy, anti-money laundering, cybersecurity, information technology, third-party risk management, independent audits, and similar standards, to the extent applicable to a national bank;

(B) comply with applicable Federal standards (or similar tailored, risk-based home State standards) relating to resolution planning, business continuity and functional separation of the custodial or safekeeping function from trading, asset management and other market-facing activities, provided that, a State supervised institution shall be subject to Federal or home State standards under this paragraph prior to operating under the same conditions as a national bank for purposes of paragraph (2));

(C) clearly provide in customer agreements for intended treatment of custodial or safekeeping accounts under the Uniform Commercial Code, including the requirements specified under subparagraph (D);

(D) comply with the requirements of paragraphs (b) and (c) of section 10 of the GENIUS Act (12 U.S.C. 5909), provided that, for purposes of this section—

(i) digital assets shall be treated in the same manner as payment stablecoins (whether or not the digital assets are used as collateral); and

(ii) requirements relating to payment stablecoin reserves and subsection (c)(3) of that section shall not apply;

(E) maintain control over customer digital assets held in custody, including the dispositive ability to effectuate transactions that involve a change in the beneficial ownership of the asset; and

(F) be subject to supervision and examination by each host State to the same extent as a national bank.

(4) SUBSTANTIALLY SIMILAR STANDARDS.—

(A) IN GENERAL.—Beginning on the date that is 180 days after the effective date of this Act, a State bank supervisor or State credit union supervisor may submit to the Stablecoin Certification Review Committee created under the GENIUS Act (12 U.S.C. 5901 et seq.) a written request that the Committee issue a written determination on whether the standards of the State are substantially similar to, or exceed, applicable Federal standards for purposes of paragraph (3)(A). The State bank supervisor or State credit union supervisor shall provide all applicable laws, regulations, guidance, and other materials as part of the request.

(B) EFFECT OF WRITTEN DETERMINATION.—If the Stablecoin Certification Review Committee does not issue a written determination under subparagraph (A) within 100 days of receipt of a complete request under that paragraph, determining that the standards of such State are not substantially similar to, or do not exceed, applicable Federal standards, the State supervised institutions of such State may operate under the same conditions as a national bank for purposes of paragraph (1).

(5) RULES OF CONSTRUCTION.—Nothing in this subsection shall be construed as—

(A) affecting the applicability of any law of the home State of a State supervised institution, the authority of such State to supervise or examine such institution, or the applicability of any Federal law which may otherwise apply; or

(B) limiting the ability of a depository institution to hold cash on deposit relating to a custodial or safekeeping account, provided such treatment is consistent with Federal law.

(6) REPEAL.—Subsection (d) of section 16 of the GENIUS Act (12 U.S.C. 5915) is repealed.

SEC. 11005. RULEMAKINGS.

Except as otherwise provided, not later than 1 year after the date of enactment of this Act, each applicable regulator shall adopt rules to carry out this division, and the amendments made by this division, through appropriate notice and comment rulemaking.

DIVISION B—DIGITAL COMMODITY INTERMEDIARIES ACT

SEC. 20001. SHORT TITLE.

This division may be cited as the ''Digital Commodity Intermediaries Act''.

TITLE XI—DEFINITIONS; RULEMAKING

SEC. 20101. DEFINITIONS UNDER THE COMMODITY EXCHANGE ACT.

(a) IN GENERAL.—Section 1a of the Commodity Exchange Act (7 U.S.C. 1a) is amended—

(1) by redesignating paragraphs (2), (3) through (14), (15), (16) through (34), (35), (36) through (39), and (40) through (51) as paragraphs (4), (9) through (20), (24), (39) through (57), (59), (61) through (64), and (66) through (77), respectively;

(2) by inserting after paragraph (1) the following:

''(2) ANCILLARY ASSET.—The term 'ancillary' has the meaning given the term in section 4B(a) of the Securities Act of 1933.

''(3) ANCILLARY ASSET ORIGINATOR.—The term 'ancillary asset originator' has the meaning given the term in section 4B(a) of the Securities Act of 1933.'';

(3) by inserting after paragraph (4) (as so redesignated) the following:

''(5) ASSOCIATED PERSON OF A DIGITAL COMMODITY BROKER.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'associated person of a digital commodity broker' means a person who is associated with a digital commodity broker as a partner, officer, employee, or agent (or any person occupying a similar status or performing similar functions) in any capacity that involves—

''(i) the solicitation or acceptance of an order for the purchase or sale of a digital commodity; or

''(ii) the supervision of any person engaged in the solicitation or acceptance of an order for the purchase or sale of a digital commodity.

''(B) EXCLUSION.—The term 'associated person of a digital commodity broker' does not include any person associated with a digital commodity broker the functions of which are solely clerical or ministerial.

"(6) ASSOCIATED PERSON OF A DIGITAL COMMODITY DEALER.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'associated person of a digital commodity dealer' means a person who is associated with a digital commodity dealer as a partner, officer, employee, or agent (or any person occupying a similar status or performing similar functions) in any capacity that involves—

"(i) the solicitation or acceptance of a contract for the purchase or sale of a digital commodity; or

"(ii) the supervision of any person engaged in the solicitation or acceptance of a contract for the purchase or sale of a digital commodity.

"(B) EXCLUSION.—The term 'associated person of a digital commodity dealer' does not include any person associated with a digital commodity dealer the functions of which are solely clerical or ministerial.

"(7) ASSOCIATED PERSON OF A DIGITAL COMMODITY POOL OPERATOR.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'associated person of a digital commodity pool operator' means a person who is associated with a digital commodity pool operator as a partner, officer, employee, or agent (or any person occupying a similar status or performing similar functions) in any capacity that involves—

"(i) the solicitation or acceptance of an order for the purchase or sale of a digital commodity; or

"(ii) the supervision of any person engaged in the solicitation or acceptance of an order for the purchase or sale of a digital commodity.

"(B) EXCLUSION.—The term 'associated person of a digital commodity pool operator' does not include any person associated with a digital commodity pool operator the functions of which are solely clerical or ministerial or that do not directly involve the exercise of investment discretion or the solicitation or acceptance of investments in the applicable pool.

"(8) ASSOCIATED PERSON OF A DIGITAL COMMODITY TRADING ADVISOR.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'associated person of a digital commodity trading advisor' means a person who is associated with a digital commodity trading advisor as a partner, officer, employee, or agent (or any person occupying a similar status or performing similar functions) in any capacity that involves—

"(i) the solicitation or acceptance of a contract for the purchase or sale of a digital commodity; or

"(ii) the supervision of any person engaged in the solicitation or acceptance of a contract for the purchase or sale of a digital commodity.

"(B) EXCLUSION.—The term 'associated person of a digital commodity trading advisor' does not include any person associated with a digital commodity trading advisor the functions of which are solely clerical or ministerial or that do not directly involve the exercise of investment discretion or the solicitation or acceptance of investments in the applicable pool.";

(4) by inserting after paragraph (20) (as so redesignated) the following:

"(21) DECENTRALIZED FINANCE MESSAGING SYSTEM.—

"(A) IN GENERAL.—The term 'decentralized finance messaging system' means a software application that provides a user with the ability to create or submit an instruction, communication, or message to a decentralized finance trading protocol.

"(B) ADDITIONAL REQUIREMENTS.—The term 'decentralized finance messaging system' does not include any system that provides any person other than the user with—

"(i) control over the funds of the user; or

"(ii) the authority to execute any of the transactions of the user.

"(22) DECENTRALIZED FINANCE TRADING PROTOCOL.—

"(A) IN GENERAL.—The term 'decentralized finance trading protocol' means a distributed ledger system through which multiple participants can execute a financial transaction—

"(i) in accordance with an automated rule or algorithm that is predetermined and non-discretionary; and

"(ii) without reliance on a person other than the user to maintain custody or control of the digital assets subject to the financial transaction.

"(B) EXCLUSIONS.—

"(i) IN GENERAL.—The term 'decentralized finance trading protocol' does not include a distributed ledger system if—

"(I) a person or group of persons under common control or acting pursuant to an agreement to act in concert has the authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the distributed ledger system;

"(II) the distributed ledger system does not operate, execute, and enforce its operations and transactions based solely on pre-established, transparent rules encoded directly within the source code of the distributed ledger system; or

"(III) a person or group of persons under common control has the unilateral authority, via operation of the distributed ledger system, to restrict, censor, or prohibit the use of the distributed ledger system, including any applicable system-based user activity.

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

"(23) DECENTRALIZED GOVERNANCE SYSTEM.—The term 'decentralized governance system' has the meaning given the term in section 10001 of the Digital Asset Market Clarity Act.";

(5) by inserting after paragraph (24) (as so redesignated) the following:

"(25) DIGITAL ASSET.—The term 'digital asset' has the meaning given the term in section 2 of the GENIUS Act (12 U.S.C. 5901).

"(26) DIGITAL ASSET CUSTODIAN.—The term 'digital asset custodian' means a person who, as a regular business, holds, maintains, or safeguards digital assets for others.

"(27) DIGITAL COMMODITY.—

"(A) IN GENERAL.—The term 'digital commodity' means any fungible digital asset that can be exclusively possessed and transferred, person to person, without necessary reliance on an intermediary, and is recorded on a distributed ledger.

"(B) NETWORK TOKENS AND ANCILLARY ASSETS.—The term 'digital commodity' includes a network token, including a network token that is an ancillary asset (as those terms are defined in section 4B(a) of the Securities Act of 1933).

"(C) MEME COINS.—

"(i) IN GENERAL.—The term 'digital commodity' includes a meme coin unless the meme coin is excluded from the definition under subparagraph (D).

‘‘(ii) DEFINITION.—For the purposes of this paragraph, the term ‘meme coin’ means a digital asset inspired by an internet meme, character, current event, or trend for which the promoter seeks to attract an enthusiastic online community to purchase and engage in trading of the digital asset primarily for speculative purposes.

‘‘(D) EXCLUSIONS.—The term ‘digital commodity’ does not include any of the following:

‘‘(i) DISQUALIFYING FINANCIAL RIGHTS.—Disqualifying financial rights described in section 4B(a)(7)(B) of the Securities Act of 1933.

‘‘(ii) SECURITY DERIVATIVE.—A digital asset that, based on its terms and other characteristics, is, represents, or is functionally equivalent to an agreement, contract, or transaction that is—

‘‘(I) a security future (as defined in section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)));

‘‘(II) a security-based swap; or

"(III) a put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof) (within the meaning of section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1))).

"(iii) PERMITTED PAYMENT STABLECOIN.—A payment stablecoin (as defined in section 2 of the GENIUS Act (Public Law 119–27; 139 Stat. 419)) that is issued by a permitted payment stablecoin issuer (as defined in that section).

"(iv) BANKING DEPOSIT.—

"(I) A deposit (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)), regardless of the technology used to record the deposit.

"(II) An account (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)), regardless of the technology used to record the account.

"(v) COMMODITY.—A digital asset that references, represents an interest in, or is functionally equivalent to—

"(I) an agricultural commodity;

"(II) an excluded commodity, other than a security; or

"(III) an exempt commodity, other than the digital commodity itself, as shall be further defined by the Commission.

"(vi) COMMODITY DERIVATIVE.—A digital asset that, based on its terms and other characteristics, is, represents, or is functionally equivalent to an agreement, contract, or transaction that is—

"(I) a contract of sale of a commodity for future delivery or an option thereon;

"(II) a security futures product;

"(III) a swap;

"(IV) an agreement, contract, or transaction described in subparagraph (C)(i) or (D)(i) of section 2(c)(2);

"(V) a commodity option authorized under section 4c; or

"(VI) a leverage transaction authorized under section 19.

"(vii) POOLED INVESTMENT VEHICLE.—

"(I) IN GENERAL.—A digital asset that, based on its terms and other characteristics, is, represents, or is functionally equivalent to an interest in—

"(aa) a commodity pool; or

"(bb) a pooled investment vehicle.

"(II) POOLED INVESTMENT VEHICLE DEFINED.—In this clause, the term 'pooled investment vehicle' means—

"(aa) any investment company (as defined in section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)));

"(bb) any company (as defined in section 2 of such Act (15 U.S.C. 80a–2)) that would be an investment company under section 3(a) of such Act (15 U.S.C. 80a–3(a)), but for the exclusions provided from that definition by section 3(c) of such Act (15 U.S.C. 80a–3(c)), if for purposes of this subclause the company were assumed to be an issuer (as defined in section 2 of such Act (15 U.S.C. 80a–2)); or

"(cc) any entity or person that is not an investment company but holds or will hold assets other than securities.

"(viii) GOOD, COLLECTIBLE, AND OTHER NONCOMMODITY DIGITAL ASSET.—

"(I) IN GENERAL.—A digital asset that has value, utility, or significance beyond its mere existence as a digital asset, including the digital equivalent of a tangible or intangible good or a nonfungible token (as defined in section 10602(a) of the Digital Asset Market Clarity Act), such as—

"(aa) a work of art, a musical composition, a literary work, or other intellectual property;

"(bb) collectibles, merchandise, virtual land, and in-game or in-application assets;

"(cc) affinity, rewards, or loyalty points, including airline miles or credit card points; or

"(dd) rights, licenses, and tickets.

"(II) EXCEPTION.—Whenever a good, collectible, or other digital asset or class of goods, collectibles, or other digital assets is traded in such a manner or form akin to the trading of a digital commodity, such as a mass-minted series of items with substantially similar or nearly identical traits that are marketed or sold interchangeably and are primarily speculative in nature, it shall be considered to be and regulated as a digital commodity under this Act.

"(28) DIGITAL COMMODITY BROKER.—

"(A) In general.—The term 'digital commodity broker' means any person who—

"(i) as a regular business, in a digital commodity cash or spot market—

"(I)(aa) solicits or accepts an order from a person who is not an eligible contract participant for the purchase or sale of a unit of a digital commodity; and

"(bb) in conjunction with the activity described in item (aa), accepts or maintains control over the funds or other property or assets of the person or the execution of the transaction;

"(II) solicits or accepts an order from a person who is not an eligible contract participant on behalf of a digital commodity dealer for the purchase or sale of a unit of a digital commodity; or

"(III) solicits or accepts an order from a person who is not an eligible contract participant for the purchase or sale of a unit of a digital commodity on or subject to the rules of a registered digital commodity exchange; or

"(ii) is registered with the Commission as a digital commodity broker.

"(B) EXCEPTIONS.—The term 'digital commodity broker' does not include a person solely because the person—

"(i) enters into 1 or more digital commodity transactions that are attributable or solely incidental to making, sending, receiving, or facilitating payments, whether involving a payment service provider or on a peer-to-peer basis; or

"(ii) is a bank (as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))) engaging in certain banking activities with respect to a digital commodity in the same or a similar manner as a bank is excluded from the definition of a broker under section 3(a)(4) of that Act (15 U.S.C. 78c(a)(4)), as determined by the Commission.

"(C) FURTHER DEFINITION.—The Commission, by rule or regulation, may exclude from the term 'digital commodity broker' any person or class of persons if the Commission determines that the rule or regulation is in the public interest and will effectuate the purposes of this Act.

"(29) DIGITAL COMMODITY DEALER.—

"(A) IN GENERAL.—The term 'digital commodity dealer' means any person who—

"(i) as a regular business, in a spot or cash digital commodity market, enters into, or offers to enter into, a purchase or sale of a unit of a digital commodity—

"(I) with a counterparty that is not an eligible contract participant; and

"(II) not on or through a registered digital commodity exchange or decentralized finance trading protocol; or

"(ii) is registered with the Commission as a digital commodity dealer.

"(B) EXCEPTION.—The term 'digital commodity dealer' does not include a person solely because the person—

"(i) enters into 1 or more digital commodity transactions that are attributable or solely incidental to making, sending, receiving, or facilitating payments, whether involving a payment service provider or on a peer-to-peer basis; or

"(ii) is a bank (as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))) engaging in certain banking activities with respect to a digital commodity in the same or a similar manner as a bank is excluded from the definition of a dealer under section 3(a)(5) of that Act (15 U.S.C. 78c(a)(5)), as determined by the Commission.

"(C) FURTHER DEFINITION.—The Commission, by rule or regulation, may exclude from the term 'digital commodity dealer' any person or class of persons if the Commission determines that the rule or regulation is in the public interest and will effectuate the purposes of this Act.

"(30) DIGITAL COMMODITY EXCHANGE.—

"(A) IN GENERAL.—The term 'digital commodity exchange' means a trading facility that offers or seeks to offer a cash or spot market in at least 1 digital commodity.

"(B) FURTHER DEFINITION.—The Commission, by rule or regulation, may exclude from the term 'digital commodity exchange' any person or class of persons if the Commission determines that the rule or regulation is in the public interest and will effectuate the purposes of this Act.

"(31) DIGITAL COMMODITY POOL.—

"(A) IN GENERAL.—The term 'digital commodity pool' means any investment trust, syndicate, or similar form of enterprise operated for the purpose of trading in a digital commodity.

"(B) EXCLUSIONS.—The term 'digital commodity pool' does not include an investment trust, syndicate, or similar form of enterprise—

"(i) in which each person who participates is, at the time of investment, an eligible contract participant, subject to the condition that, if the eligible contract participant is a commodity pool, corporation, partnership, proprietorship, organization, trust, or other entity, any natural person participant or investor in the eligible contract participant shall be an eligible contract participant described in paragraph (40)(A)(xi); or

"(ii) that is a decentralized governance system.

"(C) FURTHER DEFINITION.—The Commission, by rule or regulation, may exclude from the term 'digital commodity pool' any investment trust, syndicate, or similar form of enterprise if the Commission determines that the rule or regulation will effectuate the purposes of this Act.

"(32) DIGITAL COMMODITY POOL OPERATOR.—

"(A) IN GENERAL.—The term 'digital commodity pool operator' means any person—

"(i) engaged in a business that is of the nature of a digital commodity pool, and who, in connection therewith, solicits, accepts, or receives from others funds, securities, or property, either directly or through capital contributions, the sale of stock or other forms of securities, or otherwise, for the purpose of trading in a digital commodity; or “(ii) who is registered with the Commission as a digital commodity pool operator.

“(B) EXCLUSIONS.—The term ‘digital commodity pool operator’ does not include any person engaged in a business that is of the nature of a digital commodity pool, investment trust, syndicate, or similar form of enterprise—

“(i) that engages in a digital commodity trade solely incidentally to the operation of a commercial enterprise and not for the purpose of investment, including payments, custodial services, and to hedge or mitigate commercial risk; or

“(ii) that is, or that is a subsidiary of, an issuer that—

“(I) offers securities registered with the Securities and Exchange Commission under the Securities Act of 1933 (15 U.S.C. 77a et seq.);

“(II) has a class of securities registered with the Securities and Exchange Commission pursuant to subsection (b) or (g) of section 12, or section 15, of the Securities Exchange Act of 1934 (15 U.S.C. 78l, 78o); or

“(III) is registered under the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.).

“(C) FURTHER DEFINITION.—The Commission, by rule or regulation, may exclude from the term ‘digital commodity pool operator’ any person engaged in a business that is of the nature of a digital commodity pool, investment trust, syndicate, or similar form of enterprise if the Commission determines that the rule or regulation will effectuate the purposes of this Act.

“(33) DIGITAL COMMODITY TRADING ADVISOR.—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘digital commodity trading advisor’ means any person who—

“(i) for compensation or profit, engages in the business of advising others, either directly or through publications, writings, or electronic media, as to the value of or the advisability of trading in a digital commodity;

"(ii) for compensation or profit, and as part of a regular business, issues or promulgates analyses or reports concerning any of the activities referred to in clause (i); or

"(iii) is registered with the Commission as a digital commodity trading advisor.

"(B) EXCLUSIONS.—Subject to subparagraph (C), the term 'digital commodity trading advisor' does not include—

"(i) any bank or trust company or any person acting as an employee thereof;

"(ii) any news reporter, news columnist, or news editor of the print or electronic media, or any lawyer, accountant, or teacher;

"(iii) any floor broker, futures commission merchant, digital commodity broker, digital commodity dealer, or qualified digital asset custodian;

"(iv) the publisher or producer of any print or electronic data of general and regular dissemination, including its employees;

"(v) the fiduciary of any defined benefit plan that is subject to the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.);

"(vi) any contract market or digital commodity exchange;

"(vii) any investment adviser registered with the Securities and Exchange Commission; or

"(viii) such other persons not within the intent of this paragraph, as the Commission may specify by rule, regulation, or order.

"(C) INCIDENTAL SERVICES.—Subparagraph (B) shall apply only if the furnishing of such services by persons referred to in subparagraph (B) is solely incidental to the conduct of their business or profession.

"(D) ADVISORS.—The Commission, by rule or regulation, may exclude from the term 'digital commodity trading advisor' any person advising as to the value of a digital commodity or issuing reports or analyses concerning a digital commodity if the Commission determines that the rule or regulation will effectuate the purposes of this paragraph and this Act.

"(34) DISTRIBUTED LEDGER.—The term 'distributed ledger' has the meaning given the term in section 10001 of the Digital Asset Market Clarity Act.

"(35) DISTRIBUTED LEDGER APPLICATION.—The term 'distributed ledger application' has the meaning given the term in section 10001 of the Digital Asset Market Clarity Act.

"(36) DISTRIBUTED LEDGER PROTOCOL.—The term 'distributed ledger protocol' has the meaning given the term in section 10001 of the Digital Asset Market Clarity Act.

"(37) 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 system by multiple users, including a service or system that enables users to send, receive, exchange, or store digital assets described by distributed ledger systems.

"(38) DISTRIBUTED LEDGER SYSTEM.—The term 'distributed ledger system' has the meaning given the term in section 10001 of the Digital Asset Market Clarity Act.'';

(6) by inserting after paragraph (57) (as so redesignated) the following:

''(58) MIXED DIGITAL ASSET TRANSACTION.—The term 'mixed digital asset transaction' means a transaction in which a digital commodity is traded for a security.'';

(7) by inserting after paragraph (59) (as so redesignated) the following:

''(60) NETWORK TOKEN.—The term 'network token' has the meaning given the term in section 4B(a) of the Securities Act of 1933.'';

(8) by inserting after paragraph (64) (as so redesignated) the following:

''(65) QUALIFIED DIGITAL ASSET CUSTODIAN.—The term 'qualified digital asset custodian' means a digital asset custodian that—

''(A) holds digital assets on behalf of a person registered under this Act or a customer of a person registered under this Act; and

''(B) is in compliance with the requirements for qualified digital asset custodians in section 5j.''; and

(9) in paragraph (66) (as so redesignated)—

(A) in subparagraph (E), by striking "and" at the end;

(B) in subparagraph (F), by striking the period at the end and inserting "; and"; and

(C) by adding at the end the following:

"(G) a digital commodity exchange registered under section 5i.".

(b) CONFORMING AMENDMENTS.—

(1) Section 1a of the Commodity Exchange Act (7 U.S.C. 1a) is amended—

(A) in paragraph (40)(A) (as redesignated by subsection (a)(1)), in the matter preceding clause (i), by striking "(18)(A)" and inserting "(41)(A)"; and

(B) in paragraph (41)(A)(vii)(III)(aa) (as redesignated by subsection (a)(1)), by striking "(17)(A)" and inserting "(40)(A)".

(2) Section 4(c)(1)(A)(i)(I) of the Commodity Exchange Act (7 U.S.C. 6(c)(1)(A)(i)(I)) is amended by striking "paragraphs (2), (3), (4), (5), and (7), paragraph (18)(A)(vii)(III), paragraphs (23), (24), (31), (32), (38), (39), (41), (42), (46), (47), (48), and (49) of section 1a" and inserting "paragraphs (4), (9), (10), (11), (13), (41)(A)(vii)(III), (46),

(47), (54), (55), (63), (64), (67), (68), (72), (73), (74), and (75) of section 1a''.

(3) Section 4q(a)(1) of the Commodity Exchange Act (7 U.S.C. 6q(a)(1)) is amended by striking ''1a(9)'' and inserting ''1a(15)''.

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

(A) in subsection (f)(1)(D), by striking ''1a(47)(A)(v)'' and inserting ''1a(73)(A)(v)''; and

(B) in subsection (h)(5)(A)(i), in the matter preceding subclause (I), by striking ''1a(18) of this Act'' and inserting ''1a(41)''.

(5) Section 4t(b)(1)(C) of the Commodity Exchange Act (7 U.S.C. 6t(b)(1)(C)) is amended by striking ''1a(47)(A)(v)),'' and inserting ''1a(73)(A)(v)),''.

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

(A) in subsection (d)(23), by striking ''1a(47)(A)(v)'' and inserting ''1a(73)(A)(v)''; and

(B) in subsection (e)(1), by striking ''1a(9)'' and inserting ''1a(15)''.

(7) Section 5b(k)(3)(A) of the Commodity Exchange Act (7 U.S.C. 7a–1(k)(3)(A)) is amended by striking "1a(47)(A)(v))" and inserting "1a(73)(A)(v))".

(8) Section 5h(f)(10)(A)(iii) of the Commodity Exchange Act (7 U.S.C. 7b–3(f)(10)(A)(iii)) is amended by striking "1a(47)(A)(v)" and inserting "1a(73)(A)(v)".

(9) Section 21(f)(4)(C) of the Commodity Exchange Act (7 U.S.C. 24a(f)(4)(C)) is amended by striking "1a(48)" and inserting "1a(74)".

(10) Section 5(e) of the Securities Act of 1933 (15 U.S.C. 77e(e)) is amended by striking "section 1a(18) of the Commodity Exchange Act (7 U.S.C. 1a(18))" and inserting "section 1a of the Commodity Exchange Act (7 U.S.C. 1a)".

(11) Section 3C(g)(3)(A)(v) of the Securities Exchange Act of 1934 (15 U.S.C. 78c–3(g)(3)(A)(v)) is amended by striking "section 1a(10) of the Commodity Exchange Act;" and inserting "section 1a of the Commodity Exchange Act (7 U.S.C. 1a);".

(12) Section 6(g)(5)(B)(i) of the Securities Exchange Act of 1934 (15 U.S.C. 78f(g)(5)(B)(i)) is amended—

(A) in subclause (I), by striking "section 1a(18)(B)(ii) of the Commodity Exchange Act" and inserting "subparagraph (B)(ii) of section 1a(41) of the Commodity Exchange Act (7 U.S.C. 1a(41))"; and

(B) in subclause (II), by striking "such section 1a(18))" and inserting "that section)".

(13) Section 15F(h)(5)(A)(i) of the Securities Exchange Act of 1934 (15 U.S.C. 78o–10(h)(5)(A)(i)) is amended, in the matter preceding subclause (I), by striking "1a(18)" and inserting "1a(41)".

(14) Section 712 of the Wall Street Transparency and Accountability Act of 2010 (15 U.S.C. 8302) is amended—

(A) in subsection (a)(8), by striking "1a(47)(D)" each place it appears and inserting "1a(73)(D)"; and

(B) in subsection (d)(1), by striking "1a(47)(A)(v)" each place it appears and inserting "1a(73)(A)(v)".

(15) Section 752(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (15 U.S.C. 8325(a)) is amended by striking "section 1a(39) of the Commodity Exchange Act)," and in-

serting "section 1a of the Commodity Exchange Act (7 U.S.C. 1a)),".

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

(A) in subsection (a)(2), by striking "1a(47)(A)(v)" and inserting "1a(73)(A)(v)"; and

(B) in each of subsections (b)(1) and (c)(2), by striking "1a(47)" and inserting "1a(73)".

SEC. 20102. DEFINITIONS UNDER THIS DIVISION.

In this division—

(1) the terms "ancillary asset", "ancillary asset originator", "decentralized finance messaging system", "decentralized finance trading protocol", "digital asset", "digital commodity", "digital commodity broker", "digital commodity dealer", "digital commodity exchange", and "mixed digital asset transaction" have the meanings given those terms, respectively, in section 1a of the Commodity Exchange Act (7 U.S.C. 1a); and

(2) the terms "decentralized governance system", "distributed ledger", and "distributed ledger

service'' have the meanings given those terms, respectively, in section 10001.

SEC. 20103. RULEMAKINGS.

(a) JOINT RULEMAKING FOR EXCHANGES AND INTERMEDIARIES.—The Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly issue rules to exempt persons dually registered with the Commodity Futures Trading Commission and the Securities and Exchange Commission from duplicative, conflicting, or unduly burdensome provisions of this Act, the securities laws (as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))), and the Commodity Exchange Act (7 U.S.C. 1 et seq.), and the rules under those Acts, to the extent that the exemption would—

(1) foster the development of fair and orderly markets in digital assets;

(2) be necessary or appropriate for the protection of customers; and

(3) be consistent with the protection of investors.

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

(c) JOINT RULEMAKING, PROCEDURES, OR GUIDANCE FOR DELISTING.—Not later than 180 days after the date of enactment of this Act, the Commodity Futures Trading Commission and the Securities and Exchange Commission (referred to in this subsection as the ''Commissions'') shall jointly issue rules, procedures, or guidance (as determined appropriate by the Commissions) regarding the process to delist an asset for trading under section 20104 if the Commissions determine that the listing is inconsistent with the Commodity Exchange Act (7 U.S.C. 1 et seq.), the securities laws (as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))) (including regulations under those laws), or this Act.

(d) CONFLICTS OF INTEREST RULEMAKING.—

(1) RULEMAKING.—The Commodity Futures Trading Commission shall issue rules establishing requirements for the identification, mitigation, and resolution of material conflicts of interest among and across persons required to be registered with the Commodity Futures Trading Commission, including conflicts of interest related to market regulation functions and vertically integrated market structures

and their varying responsibilities, without prohibiting affiliation or preventing multiple registrations solely because of common ownership or control.

(2) MINIMUM STANDARDS.—The rules issued under paragraph (1) shall, at a minimum, to the extent necessary and appropriate to mitigate or resolve material conflicts of interest—

(A) establish governance, personnel, or financial resource separation among affiliated entities that perform distinct regulated functions that present conflicts of interest with each other not otherwise mitigated or resolved by other safeguards;

(B) impose appropriate restrictions on a trading facility or an affiliated entity thereof from engaging in self-dealing;

(C) require appropriate safeguards for custody and use of customer assets to prevent conflicts arising from commingling or misuse;

(D) mandate disclosure and management of material conflicts, including those involving affiliated entities or proprietary trading;

(E) ensure independent oversight and decision-making in market operations and compliance; and

(F) provide for graduated penalties, including disgorgement and registration conditions, suspensions, or revocations for repeated violations, in a manner consistent with sections 6b, 6c, and 8a of the Commodity Exchange Act (7 U.S.C. 13a, 13a–1, 12a).

(e) CREDIT RULEMAKING.—After the Secretary of the Treasury, the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, and the Commodity Futures Trading Commission (referred to in this subsection as the ''agencies'') have submitted their report on the financial stability risks arising from the extension and maintenance of credit on digital assets, including the agencies' legislative and regulatory recommendations with respect to any reported financial stability risks posed by the extension and maintenance of credit on digital assets, to the Committee on Banking, Housing, and Urban Affairs of the Senate, the Committee on Agriculture, Nutrition, and Forestry of the Senate, the Committee on Financial Services of the House of Representatives, and the Committee of Agriculture of the House of Representatives pursuant to section 10313, the Commodity Futures Trading Commission shall prescribe rules and regulations based on the agencies' recommendations, as appropriate, to mitigate financial stability risks arising from the extension and maintenance of credit on digital assets.

(f) ANCILLARY ASSET MANIPULATION RULEMAKING.—

(1) RULEMAKING REQUIRED.—The Commodity Futures Trading Commission, in consultation with the Securities and Exchange Commission, shall promulgate rules to further define manipulation, attempted manipulation, other deceptive or manipulative conduct, abusive conduct, or other unfair and deceptive practices with respect to an ancillary asset under section 6(c) of the Commodity Exchange Act (7 U.S.C. 9).

(2) OBLIGATIONS.—The rulemaking under paragraph (1) shall establish conduct obligations applicable to ancillary asset originators and persons exercising control or substantial influence over ancillary assets, such as prohibitions on trading while in possession of material non-public information and on conflicted or self-dealing conduct.

(3) CONSIDERATION OF ORIGINATOR CONDUCT.—In promulgating rules under paragraph (1), the Commodity Futures Trading Commission shall address the extent to which conduct by an ancillary asset originator or any related person may con-

tribute to such conduct identified under paragraph (2).

(g) RULEMAKING ON DISQUALIFICATIONS.—

(1) NO AUTOMATIC EFFECT.—No provision of any statute, rule, or regulation described in paragraph (3) that provides, upon the occurrence of a specified event, for the automatic disqualification from, or ineligibility for, any registration, right, or privilege, service in any capacity, or membership in a self-regulatory organization (referred to in this subsection as a ''disqualifying provision'') shall have effect with respect to any person (other than a natural person) unless the Federal agency or self-regulatory organization responsible for administering such disqualifying provision (referred to in this subsection as a ''regulatory authority'') makes a determination to apply the disqualifying provision with respect to the particular matter in accordance with the process established under paragraph (2).

(2) JOINT AGENCY RULEMAKING.—

(A) IN GENERAL.—Not later than 360 days after the date of enactment of this Act, the Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly issue rules or regulations regarding the disqualifying provisions to establish a process for each regulatory authority to determine, prior to the disposition of any applicable matter, whether to apply the relevant disqualifying provision.

(B) REQUIREMENTS.—The rules or regulations issued under subparagraph (A) shall—

(i) provide for consistency across regulatory authorities in the administration of disqualifying provisions;

(ii) require the party subject to a disqualifying provision to provide to the relevant regulatory authority written notice that the party is subject to the disqualifying provision not later than 30 calendar days after the occurrence of the event specified in the disqualifying provision;

(iii) provide for a nonpublic process, as appropriate to protect confidentiality, in cases in which a regulatory action that would trigger a disqualifying provision has not yet been made public;

(iv) provide that an event may not result in the application of a disqualifying provision to a person (other than a natural person) unless that application, in whole or in part, to that person is necessary and appropriate in the public interest and for the protection of investors;

(v) take into consideration applicable mitigating factors;

(vi) provide that a disqualifying provision may be determined to apply only if the event triggering the disqualifying provision occurred in the same legal entity that would become subject to the application of the disqualifying provision and relates to the conduct of the business line that is directly affected by the disqualifying provision; and

(vii) balance the scope of the rules or regulations with ensuring adequate investor protections and safeguards.

(3) PROVISIONS DESCRIBED.—The provisions referred to in paragraph (1) are—

(A) the Commodity Exchange Act (7 U.S.C. 1 et seq.);

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

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

(D) the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.);

(E) the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.);

(F) any rule or regulation issued under any provision of law described in subparagraphs (A) through (E); and

(G) any rule of a self-regulatory organization issued under the authority of a provision, rule, or regulation described in subparagraphs (A) through (F).

(h) RULEMAKING FOR DUAL-REGISTERED ENTITIES.—

(1) CONFLICTS OF INTEREST POLICIES AND PROCEDURES.—Each person or entity dual-registered with the Commodity Futures Trading Commission as permitted under section 15(p) of the Securities Exchange Act of 1934, as added by this Act, shall establish, maintain, and, as applicable, enforce and comply with written policies and procedures reasonably designed to mitigate any conflicts of interest, including with respect to transactions or arrangements with affiliates registered with the Secu-

rities and Exchange Commission, taking into consideration the nature of the business of such person or entity.

(2) EXEMPTION FROM DUPLICATIVE, CONFLICTING, OR UNDULY BURDENSOME PROVISIONS.—The Securities and Exchange Commission shall prescribe rules for a person or entity with multiple registrations, where at least one such registration includes any dual registration permitted under section 15(p) of the Securities Exchange Act of 1934, as added by this Act, to exempt the person or entity from duplicative, conflicting, or unduly burdensome provisions of the Securities Exchange Act of 1934 and rules thereunder, to the extent such an exemption would protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

(3) IMPLEMENTING ORGANIZATIONS.—The Securities and Exchange Commission shall require any registered national securities association that has as a member a registered broker or registered dealer that is registered with the Commodity Futures Trading Commission as a digital commodity broker or digital commodity dealer as permitted under section 15(p)(1) of the Securities Exchange Act of

1934, as added by this Act, or otherwise transacts in permitted payment stablecoins to revise such rules as may be necessary to further the purposes of and compliance with this section.

(4) MEMORANDUM OF UNDERSTANDING.—The Securities and Exchange Commission shall enter into a memorandum of understanding with the Commodity Futures Trading Commission to ensure—

(A) non-duplicative supervision and enforcement with respect to registrants of the Securities and Exchange Commission dual-registered with the Commodity Futures Trading Commission as permitted under section 15(p) of the Securities Exchange Act of 1934, as added by this Act; and

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

(5) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to limit the anti-fraud, anti-manipulation, or false reporting enforcement authorities of the Commodity Futures Trading Com-

mission with respect to a contract of sale of a commodity and persons effecting such contracts.

SEC. 20104. NOTICE OF INTENT TO REGISTER FOR DIGITAL COMMODITY EXCHANGES, BROKERS, AND DEALERS.

(a) IN GENERAL.—

(1) NOTICE OF INTENT TO REGISTER.—Any person may file a notice of intent to register with the Commodity Futures Trading Commission (referred to in this section as the ''Commission'') as a—

(A) digital commodity exchange, for a person intending to register as a digital commodity exchange under section 5i of the Commodity Exchange Act;

(B) digital commodity broker, for a person intending to register as a digital commodity broker under section 4u of that Act; or

(C) digital commodity dealer, for a person intending to register as a digital commodity dealer under section 4u of that Act.

(2) CONDITIONS.—A person filing a notice of intent to register under paragraph (1) shall be in compliance with this section if the person—

(A) submits to the Commission and continues to materially update a statement of the nature of the registrations the filer intends to pursue;

(B) submits to the Commission and continues to materially update the information required by subsections (b) and (c);

(C) complies with subsections (d) and (g);

(D) in the case of a person filing a notice of intent to register as a digital commodity broker or digital commodity dealer, is a member of a futures association registered under section 17 of the Commodity Exchange Act (7 U.S.C. 21), and complies with the rules of the association, including the rules of the association pertaining to conflicts of interest, customer disclosures, financial responsibility, operational resilience, cybersecurity, and protection of customer assets;

(E) in the case of a person filing a notice of intent to register as a digital commodity exchange that does not also file a notice of intent to register as a digital commodity broker, limits direct transactions on the exchange to transactions taking place among digital commodity brokers (acting as agent) and digital commodity dealers and eligible contract participants (acting as principal);

(F) in the case of a person filing a notice of intent to register as a digital commodity exchange that also files a notice of intent to register as a digital commodity broker, intermediates in its capacity as a digital commodity broker all transactions on the exchange not otherwise taking place among digital commodity brokers (acting as agent) and digital commodity dealers and eligible contract participants (acting as principal);

(G) submits to examination and supervision by the Commission and, in the case of a person filing a notice of intent to register as a digital commodity broker or digital commodity dealer, any registered futures association designated by the Commission; and

(H) biannually certifies compliance with all requirements applicable under this section.

(3) REGISTRATION PROCESS.—Within 30 days after the date of enactment of this Act, the Commission shall adopt, by rule, regulation, or order, a

process for the filing of notices of intent to register pursuant to paragraph (1)

(b) DISCLOSURE OF GENERAL INFORMATION.—A person filing a notice of intent to register under subsection (a) shall disclose to the Commission the following:

(1) Information concerning the management of the person, including information describing—

(A) the ownership and management of the person;

(B) the financial condition of the person;

(C) affiliated entities;

(D) potential conflicts of interest;

(E) the address of the person, including—

(i) the place of incorporation;

(ii) principal place of business; and

(iii) an address for service of process; and

(F) a list of the States in which the person has operations.

(2) Information concerning the operations of the person, including—

(A) a general description of the person's business and the terms of service for United States customers;

(B) a description of the person's account approval process;

(C) any rulebook or other customer order fulfilment rules;

(D) risk management procedures;

(E) a description of the product listing process; and

(F) anti-money laundering policies and procedures.

(c) LISTINGS.—

(1) IN GENERAL.—Except as provided in paragraph (2), a person filing a notice of intent to register under subsection (a) may continue to offer, solicit, trade, facilitate, execute, clear, report, or otherwise deal in any digital asset offered on or through the facilities of the person before filing a notice under this section, until the date that is 180 days after the effective date of the final rules of the Commission for the registration of digital commodity exchanges, digital commodity brokers, or digital commodity dealers, as appropriate, subject to the conditions that—

(A) in the case of a digital commodity exchange, the person shall comply with subparagraphs (A) and (C) of section 5i(c)(3) of the

Commodity Exchange Act as though the person was registered with the Commission; and

(B) in the case of a digital commodity broker or digital commodity dealer, the person shall comply with section 4u(d) of the Commodity Exchange Act as though the person was registered with the Commission.

(2) DELISTING.—A person filing a notice of intent to register under subsection (a) shall cease offering, soliciting, trading, facilitating, executing, clearing, reporting, or otherwise dealing in any digital asset required to be delisted pursuant to a joint delisting process established under section 20103(c).

(d) REQUIREMENTS.—A person filing a notice of intent to register under subsection (a) shall comply with the following requirements:

(1) STATUTORY DISQUALIFICATIONS.—Except to the extent otherwise specifically provided by Commission or registered futures association rule, regulation, or order, the person shall not permit an individual who is subject to a statutory disqualification under paragraph (2) or (3) of section 8a of the Commodity Exchange Act (7 U.S.C. 12a) to effect or be involved in effecting transactions on behalf of the person, if the person knew, or in the exercise of

reasonable care should have known, of the statutory disqualification.

(2) BOOKS AND RECORDS.—The person shall keep their books and records open to inspection and examination by the Commission and by any registered futures association of which the person is a member.

(3) CUSTOMER DISCLOSURES.—The person shall disclose to customers—

(A) if the person has filed a notice of registration as is a digital commodity broker or digital commodity dealer, information about—

(i) the material risks and characteristics of the assets listed for trading on the person;

(ii) the material risks and characteristics of the transactions facilitated by the person; and

(iii) the location and manner in which the digital assets of the customer will be and are custodied; and

(B) any material incentives or conflicts of interest that person is unable to resolve; and

(C) in their disclosure documents, offering documents, and promotional material—

(i) in a prominent manner, that they are not registered with or regulated by the Commission; and

(ii) the contact information for the whistleblower, complaint, and reparation programs of the Commission.

(4) COMMUNICATIONS.—The person shall communicate in a fair and balanced manner based on principles of fair dealing and good faith.

(5) FINANCIAL RESPONSIBILITY.—

(A) DIGITAL COMMODITY EXCHANGES.—A person filing a notice of intent to register as a digital commodity exchange shall comply with section 5i(c)(11)(B) of the Commodity Exchange Act as though it was registered with the Commission as a digital commodity exchange.

(B) DIGITAL COMMODITY BROKERS AND DIGITAL COMMODITY DEALERS.—A person filing a notice of intent to register as a digital commodity broker or a digital commodity dealer shall comply with financial responsibility requirements established by a registered futures association that are consistent with the requirements applicable to a futures commission merchant or swap dealer.

(6) OPERATIONAL RESILIENCE AND CYBERSECURITY.—

(A) DIGITAL COMMODITY EXCHANGES.—A person filing a notice of intent to register as a digital commodity exchange shall comply with section 5i(c)(14) of the Commodity Exchange Act as though it was registered with the Commission.

(B) DIGITAL COMMODITY BROKERS AND DIGITAL COMMODITY DEALERS.—A person filing a notice of intent to register as a digital commodity broker or a digital commodity dealer shall comply with operational resilience and cybersecurity requirements established by a registered futures association that are consistent with the requirements applicable to a futures commission merchant or swap dealer.

(7) CUSTOMER ASSETS.—

(A) IN GENERAL.—The person shall—

(i) protect and ensure the safety of the customer money, assets, and property, including to minimize the risk of loss to the customer or unreasonable delay in customer access to money, assets, and property of the customer;

(ii) treat and deal with all money, assets, and property, including any rights associated with any such money, assets, or property, of any customer received as belonging to the customer;

(iii) calculate the total digital asset obligations of the person, and at all times hold money, assets, or property equal to or in excess of the total digital asset obligations;

(iv) not commingle such money, assets, and property held to meet the total commodity obligation with the funds of the person or use the money, assets, or property to margin, secure, or guarantee any trade or contract, or to secure or extend the credit, of any customer or person other than the one for whom the same are held, except that—

(I) the money, assets, and property of any customer may be commingled with that of any other customer, if separately accounted for; and

(II) the share of the money, assets, and property, as in the normal course of business are necessary to margin, guarantee, secure, transfer, adjust, or settle a contract of sale of a commodity asset, may be withdrawn and applied to do so, including the payment of commissions, brokerage, interest, taxes, storage, and other charges lawfully accruing in connection with the contract of sale of a digital commodity;

(v) establish, maintain, and enforce written policies and procedures reasonably designed to ensure the segregation, safeguarding, and prompt return of customer assets; and

(vi) submit such reports regarding customer assets, financial condition, and compliance as the Commission or registered futures association may require.

(B) ADDITIONAL RESOURCES.—

(i) IN GENERAL.—This section shall not prevent or be construed to prevent the person from adding to the customer money, assets, and property required to be segregated under subparagraph (A) additional amounts of money, assets, or property from the account of the person as the person determines necessary to hold money, assets, or property equal to or in excess of the total digital asset obligations of the person.

(ii) TREATMENT AS CUSTOMER FUNDS.—Any money, assets, or property deposited pursuant to clause (i) shall be considered customer property within the meaning of this subsection.

(C) PARTICIPATION IN DISTRIBUTED LEDGER SERVICES.—

(i) USE OF FUNDS.—A person filing a notice of intent to register under subsection (a) (or a designee of such person) may use a unit of a digital commodity belonging to a customer to provide a distributed ledger service for a distributed ledger system to which the unit of the digital commodity relates if, for each use—

(I) the customer expressly permits the use, in writing, to the person; and

(II) the person complies with clause (ii).

(ii) CUSTOMER CHOICE.—The person may not—

(I) require a customer to provide the permission referred to in clause (i) as a condition of doing business with the person; or

(II) penalize a customer for not providing the permission referred to in clause (i).

(e) PAYMENT OF FEES.—A person who has filed a notice of intent to register under subsection (a) shall pay all fees required under section 8e of the Commodity Exchange Act.

(f) COMPLIANCE.—

(1) IN GENERAL.—Beginning on the date that is 90 days after adoption of the rules described in subsection (g), a person who has filed a notice of intent to register under subsection (a) and is in compliance with this section shall be considered to be registered with the Commission for purposes of sections 5i(k) and 4u(m) of the Commodity Exchange Act.

(2) NONCOMPLIANCE.—Paragraph (1) shall not apply if, after notice from the Commission and a reasonable opportunity to correct the deficiency, a person who has submitted a notice of intent to register is not in compliance with this section.

(3) ANTI-FRAUD AND ANTI-MANIPULATION.—Paragraph (1) shall not be construed to limit any anti-fraud, anti-manipulation, or false reporting enforcement authority of the Commission, the Securities and Exchange Commission, a registered futures association, or a national securities association.

(4) DELISTING.—Paragraph (1) shall not be construed to limit the authority of the Commission and the Securities and Exchange Commission to jointly require a person to delist an asset for trading if the Commission and the Securities and Exchange Commission determines that the listing is inconsistent with the Commodity Exchange Act (7 U.S.C. 1 et seq.), the securities laws (including regulations under those laws), or this Act.

(5) STATE ENFORCEMENT BACKSTOP.—A State official authorized to bring a suit in equity or an action at law pursuant to section 6d of the Commodity Exchange Act (7 U.S.C. 13a–2) shall equally be authorized to investigate and bring a suit or action,

consistent with that section, regarding any violation of this section or any rule, regulation, or order issued under this section.

(6) PROVISIONAL REGISTRATION SUNSET.—

(A) IN GENERAL.—Notwithstanding sections 5i(k) and 4u(m) of the Commodity Exchange Act, a State or local agency may adopt and enforce rules regarding—

(i) registration or licensing of digital commodity exchanges, digital commodity brokers, and digital commodity dealers, if the Commission has not adopted rules pursuant to sections 5i(a)(1)(B)(ii) and 4u(b)(2) of the Commodity Exchange Act by the provisional registration sunset date;

(ii) listing of digital assets by a digital commodity exchange, if the Commission has not adopted rules pursuant to section 5i(c)(3) by the provisional registration sunset date;

(iii) customer disclosures and communications, if the Commission has not adopted rules pursuant to sections 5i(d) and 4u(i)(2) of the Commodity Exchange

Act by the provisional registration sunset date;

(iv) financial resources or capital, if the Commission has not adopted rules pursuant to sections 5i(c)(11)(A) and 4u(c) of the Commodity Exchange Act by the provisional registration sunset date;

(v) operational resilience or cybersecurity, if the Commission has not adopted rules pursuant to sections 5i(c)(14) and 4u(i)(1)(B) of the Commodity Exchange Act by the provisional registration sunset date; or

(vi) segregation of customer property, if the Commission has not adopted rules pursuant to sections 5i(f) and 4u(l) of the Commodity Exchange Act by the provisional registration sunset date.

(B) DEFINITION OF PROVISIONAL REGISTRATION SUNSET DATE.—In this paragraph, the term ‘‘provisional registration sunset date’’ means the date that is 2 years after the date of enactment of this Act, unless the Commission determines by order that extraordinary circumstances warrant a single extension not to exceed 1 additional year.

(g) REGISTRATION.—

(1) IN GENERAL.—A person may not file a notice of intent to register under subsection (a) after the Commission has finalized the rules of the Commission for the registration of digital commodity exchanges, digital commodity brokers, or digital commodity dealers, as appropriate.

(2) TRANSITION TO REGISTRATION.—Subsection (f)(1) shall not apply to a person who has submitted a notice of intent to register under subsection (a) if—

(A) the Commission—

(i) determines, after notice from the Commission and a reasonable opportunity for a hearing and to correct the deficiency, that the person has failed to comply with the requirements of this section; or

(ii) denies the application of the person to register; or

(B) the digital commodity exchange, digital commodity broker, or digital commodity dealer that filed a notice of intent to register failed to apply for registration as such with the Commission within 180 days after the effective date of the final rules of the Commission for the registration of digital commodity exchanges, digital commodity brokers, or digital commodity dealers, as appropriate.

(h) RULEMAKING.—

(1) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, a registered futures association shall adopt and enforce rules applicable to persons required by subsection (a)(2) to be members of the association, including rules pertaining to conflicts of interest, customer disclosures, financial responsibility, operational resilience, cybersecurity, and protection of customer assets, subject to the condition that, in the case of a person that has filed a notice of intent to register as a digital commodity exchange in addition to a digital commodity broker or digital commodity dealer, the authority of the registered futures association shall not extend to the business and obligations of the person as a digital commodity exchange.

(2) FEES.—The rules adopted under paragraph (1) may provide for dues in accordance with section 17(b)(6) of the Commodity Exchange Act (7 U.S.C. 21(b)(6)).

(3) EFFECT.—A registered futures association shall submit to the Commission any rule adopted under paragraph (1), which shall take effect pursuant to the requirements of section 17(j) of the Commodity Exchange Act (7 U.S.C. 21(j)).

(i) LIABILITY OF THE FILER.—It shall be unlawful for any person to provide false information in support of a filing under this section if the person knew or reasonably should have known that the information was false.

(j) WHISTLEBLOWER ENFORCEMENT.—For purposes of section 23 of the Commodity Exchange Act (7 U.S.C. 26), the term ''this Act'' includes this section.

(k) EFFECTIVE DATE.—Notwithstanding section 30101, this section and any amendment made by this section, or any provision of the Commodity Exchange Act incorporated by reference into this section, shall take effect on the date of enactment of this Act.

(l) NO LIMIT OF AUTHORITY.—Nothing in this section, or any rule or regulation promulgated under this section, may be construed to limit the authority of the Commodity Futures Trading Commission to grant exemptions pursuant to section 4(c) of the Commodity Exchange Act (7 U.S.C. 6(c)).

(m) EXEMPTIVE AUTHORITY.—In order to promote responsible innovation and fair competition, or protect customers, the Commission may exempt any persons or class of persons who have filed a notice of registration pursuant to subsection (a) from any of the requirements of this section or the Commodity Exchange Act (7 U.S.C. 1 et seq.) or any rules or regulations promulgated under this section or that Act, as applicable.

SEC. 20105. COMMODITY EXCHANGE ACT SAVINGS PROVISIONS.

(a) IN GENERAL.—Except as expressly provided in this Act or an amendment made by this Act, nothing in this Act or any amendment made by this Act shall affect or apply to, or be interpreted to affect or apply to—

(1) any agreement, contract, or transaction that is subject to the Commodity Exchange Act (7 U.S.C. 1a et seq.) as—

(A) a contract of sale of a commodity for future delivery or an option on such a contract (as those terms are defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a));

(B) a swap (as defined in that section);

(C) a security futures product (as defined in that section);

(D) an option authorized under section 4c of that Act (7 U.S.C. 6c);

(E) an agreement, contract, or transaction described in section 2(c)(2)(C)(i) of that Act (7 U.S.C. 2(c)(2)(C)(i)); or

(F) a leverage transaction authorized under section 19 of that Act (7 U.S.C. 23); or

(2) the activities of any person with respect to any agreement, contract, or transaction described in paragraph (1).

(b) PROHIBITIONS ON SPOT DIGITAL COMMODITY ENTITIES.—Nothing in this Act authorizes, or shall be interpreted to authorize, a digital commodity exchange, digital commodity broker, or digital commodity dealer to engage in any activities involving any transaction, contract, or agreement described in subsection (a)(1), solely by virtue of being registered as a digital commodity exchange, digital commodity broker, or digital commodity dealer.

(c) EFFECT.—An agreement, contract, or transaction described in subsection (a)(1) shall not be regulated as a digital commodity agreement, contract, or transaction solely because it is issued, recorded, represented, or transferred on a distributed ledger or other similar technology.

SEC. 20106. ADMINISTRATIVE REQUIREMENTS.

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

(1) in paragraph (3)—

(A) in subparagraph (B), by striking "or" at the end;

(B) in subparagraph (C), by striking the period and inserting "; or"; and

(C) by adding at the end the following:

"(D) a contract of sale of a digital commodity."; and

(2) in paragraph (4)—

(A) in subparagraph (A)—

(i) in clause (ii), by striking "or" at the end;

(ii) in clause (iii), by striking the period and inserting "; or"; and

(iii) by adding at the end the following:

"(iv) a contract of sale of a digital commodity.";

(B) in subparagraph (B)—

(i) in clause (ii), by striking "or" at the end;

(ii) in clause (iii), by striking the period and inserting "; or"; and

(iii) by adding at the end the following:

"(iv) a contract of sale of a digital commodity."; and

(C) in subparagraph (C)—

(i) by redesignating clauses (i) through (iii) as subclauses (I) through (III), respectively, and indenting appropriately;

(ii) in the matter preceding subclause (I) (as so redesignated), by striking "It shall" and inserting the following:

"(i) IN GENERAL.—It shall";

(iii) in clause (i) (as so designated)—

(I) in subclause (II), by striking "or" at the end; and

(II) in subclause (III), by striking "a swap, provided, however, that nothing" and inserting the following: "a swap; or

"(IV) a contract of sale of a digital commodity.

"(ii) EFFECT.—Nothing"; and

(iv) in clause (ii) (as so designated), by striking "clauses (i), (ii), or (iii)" and inserting "any of subclauses (I) through (IV) of clause (i)".

SEC. 20107. IMPLEMENTATION.

(a) GLOBAL RULEMAKING TIMEFRAME.—Unless otherwise provided in this division or an amendment made by this division, the Commodity Futures Trading Commission and the Securities and Exchange Commission, or both, shall individually, and jointly where required, promulgate rules and regulations required of each Commission under this division or an amendment made by this division not later than 360 days after the date of enactment of this Act.

(b) RULES AND REGISTRATION BEFORE FINAL EFFECTIVE DATES.—

(1) IN GENERAL.—In order to prepare for the implementation of this division and the amendments made by this division, the Commodity Futures Trading Commission and the Securities and Exchange Commission may, before any effective date provided in this division or an amendment made by this division—

(A) promulgate rules, regulations, or orders permitted or required by this division or the amendments made by this division;

(B) conduct studies and prepare reports and recommendations required by this division or the amendments made by this division;

(C) register persons under this division or the amendments made by this division; and

(D) exempt persons, agreements, contracts, or transactions from provisions of this division or the amendments made by this division, in accordance with this division or those amendments.

(2) LIMITATION ON EFFECTIVENESS.—An action by the Commodity Futures Trading Commission or the Securities and Exchange Commission under paragraph (1) shall not become effective before the effective date otherwise applicable to the action under this division or the amendments made by this division.

(c) SENSE OF CONGRESS.—It is the sense of Congress that prior to implementation of this division, the Commodity Futures Trading Commission—

(1) be fully constituted as described in section 2(a)(2) of the Commodity Exchange Act (7 U.S.C. 2(a)(2)) to carry out all existing responsibilities and those directed by this division, with not fewer than 2 of the Commissioners nominated, prior to such appointments, following consultation and coordination with the ranking minority member of the Committee

on Agriculture, Nutrition, and Forestry of the Senate; and

(2) be appropriately staffed to ensure sufficient regulatory capacity, expertise, and enforcement readiness necessary to implement this division and the amendments made by this division.

SEC. 20108. SENSE OF CONGRESS.

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

SEC. 20109. FEDERAL PREEMPTION.

(a) IN GENERAL.—Notwithstanding any other provision of law, the Commodity Futures Trading Commission shall have exclusive jurisdiction over any person registered under this division with respect to activities and transactions subject to this division.

(b) PRESERVATION OF AUTHORITY.—Nothing in this Act or the amendments made by this Act shall affect the ability of a State or local agency to investigate and bring enforcement actions—

(1) against a person registered with the Commodity Futures Trading Commission regarding fraud, deceit, manipulation, or any other violation of

the Commodity Exchange Act (7 U.S.C. 1 et seq.) or any rule, regulation, or order of the Commodity Futures Trading Commission under that Act, in accordance with section 6d of that Act (7 U.S.C. 13a–2); or

(2) against any unregistered person for a violation of any generally applicable State or local law, including a law relating to fraud, deceit, unfair or deceptive acts or practices, consumer protection, banking, payments, property, contracts, criminal law, or unlawful conduct or practices.

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

SEC. 20201. COMMISSION JURISDICTION OVER DIGITAL COMMODITY TRANSACTIONS.

(a) SAVINGS CLAUSE.—Section 2(a)(1) of the Commodity Exchange Act (7 U.S.C. 2(a)(1)) is amended by adding at the end the following:

"(J)(i) Except as expressly provided in this Act, nothing in the Digital Commodity Intermediaries Act or any amendment made by that

Act shall affect or apply to, or be interpreted to affect or apply to—

"(I) any agreement, contract, or transaction that is subject to this Act as—

"(aa) a contract of sale of a commodity for future delivery or an option on such a contract;

"(bb) a swap;

"(cc) a security futures product;

"(dd) an option authorized under section 4c;

"(ee) an agreement, contract, or transaction described in subparagraph (C)(i) or (D)(i) of subsection (c)(2); or

"(ff) a leverage transaction authorized under section 19; or

"(II) the activities of any person with respect to any such agreement, contract, or transaction.

"(ii) An agreement, contract, or transaction described in clause (i)(I) shall not be regulated as a digital commodity agreement, contract, or transaction solely because it is issued, recorded, represented, or transferred on a distributed ledger or other similar technology.''.

(b) LIMITATION ON AUTHORITY OVER PERMITTED PAYMENT STABLECOINS.—Section 2(c)(1) of the Commodity Exchange Act (7 U.S.C. 2(c)(1)) is amended—

(1) in the matter preceding subparagraph (A), by striking ''section, 5b, or'' and inserting ''section 5b or'';

(2) in subparagraph (F), by striking ''or'' at the end;

(3) in subparagraph (G), by striking the period and inserting ''; or''; and

(4) by adding at the end the following:

''(H) a payment stablecoin (as defined in section 2 of the GENIUS Act (Public Law 119–27; 139 Stat. 419)) that is issued by a permitted payment stablecoin issuer (as defined in that section) (referred to in this subsection as a 'permitted payment stablecoin').''.

(c) COMMISSION JURISDICTION OVER FINANCING AGREEMENTS.—Section 2(c)(2) of the Commodity Exchange Act (7 U.S.C. 2(c)(2)) is amended—

(1) in subparagraph (D)—

(A) in clause (ii)—

(i) in subclause (I), by inserting after ‘‘paragraph (1)’’ the following: ‘‘(other than an agreement, contract, or transaction in a permitted payment stablecoin)’’;

(ii) in subclause (III), in the matter preceding item (aa), by inserting ‘‘of a commodity other than a digital commodity or a permitted payment stablecoin’’ after ‘‘sale’’; and

(iii) by striking subclause (IV) and inserting the following:

‘‘(IV) a contract of sale of a digital commodity or a permitted payment stablecoin that results in actual delivery within 2 days or such other period as the Commission may determine by rule or regulation based upon the typical commercial practice in cash or spot markets for the digital commodity or permitted payment stablecoin involved.’’;

(B) by redesignating clause (iv) as clause (v); and

(C) by inserting after clause (iii) the following:

"(iv) AGREEMENTS FOR MARGIN FINANCING.—Notwithstanding clause (iii), a digital commodity broker or digital commodity dealer may, subject to the requirements of section 4u(c)(2), offer to or enter into an agreement for margin financing with a customer for the purchase or sale of a digital commodity, provided any purchase or sale made pursuant to the agreement shall result in the delivery of the digital commodity into or from an account carried for the customer by the digital commodity broker or digital commodity dealer, respectively, as determined by the Commission by rule or regulation, based on commercial spot market practices."; and

(2) by adding at the end the following:

"(F) COMMISSION JURISDICTION WITH RESPECT TO DIGITAL COMMODITY TRANSACTIONS.—

"(i) IN GENERAL.—Subject to sections 6d and 12(e), the Commission shall have exclusive jurisdiction with respect to any account, agreement, contract, or transaction involving a contract of sale of a digital commodity in interstate commerce, including in a digital commodity cash or spot market, that is offered, solicited, traded, facilitated, executed, cleared, reported, or otherwise dealt in—

"(I) on or subject to the rules of a registered entity or an entity that is required to be registered as a registered entity; or

"(II) by any other entity registered, or required to be registered, with the Commission.

"(ii) LIMITATIONS.—Clause (i) shall not apply with respect to—

"(I) custodial or depository activities for a digital commodity of an entity regulated by—

"(aa) an appropriate Federal banking agency;

"(bb) a State bank supervisor (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)); or "(cc) the Securities and Exchange Commission;

"(II) an offer or sale of an investment contract involving a digital commodity or a securities offer or sale involving a digital commodity; or

"(III) a mixed digital asset transaction.

"(G) AGREEMENTS, CONTRACTS, AND TRANSACTIONS IN STABLECOINS.—

"(i) TREATMENT OF PERMITTED PAYMENT STABLECOINS ON COMMISSION-REGISTERED ENTITIES.—Subject to clauses (ii) and (iii), the Commission shall have jurisdiction over a cash or spot agreement, contract, or transaction in a permitted payment stablecoin that is offered, offered to enter into, entered into, executed, solicited, or accepted, or for which the execution of is confirmed—

"(I) on or subject to the rules of a registered entity; or

"(II) by any other entity registered with the Commission.

"(ii) PERMITTED PAYMENT STABLECOIN TRANSACTION RULES.—This Act shall apply to a transaction described in clause (i) only for the purpose of regulating the offer, execution, solicitation, or acceptance of a cash or spot permitted payment stablecoin transaction on a registered entity or by any other entity registered with the Commission, as if the permitted payment stablecoin were a digital commodity.

"(iii) NO AUTHORITY OVER PERMITTED PAYMENT STABLECOINS.—Notwithstanding clauses (i) and (ii), the Commission shall not make a rule or regulation, impose a requirement or obligation on a registered entity or other entity registered with the Commission, or impose a requirement or obligation on a permitted payment stablecoin issuer regarding the operation of a permitted payment stablecoin issuer or a permitted payment stablecoin.".

(d) SENSE OF CONGRESS.—It is the sense of Congress that the Commission should consider any agreement, contract, or transaction in a digital commodity to be swap for all purposes of this Act if the agreement, contract, or transaction is—

(1) entered into, or offered, between eligible contract participants; and

(2) entered into, or offered, on a leveraged or margined basis or financed by the offeror, the counterparty, or a person acting in concert with the offeror or counterparty.

(e) NETWORK TOKENS AND ANCILLARY ASSETS.—Section 2 of the Commodity Exchange Act (7 U.S.C. 2) is amended by adding at the end the following:

"(k) TREATMENT OF NETWORK TOKENS AND ANCILLARY ASSETS.—

"(1) IN GENERAL.—The offer or sale of a network token, other than the offer or sale of an investment contract pursuant to which an ancillary asset is offered or sold by an ancillary asset originator or an underwriter with respect to an investment contract pursuant to which such ancillary asset was originally sold, shall be considered an offer or sale of a digital commodity.

"(2) LISTING.—Notwithstanding other provision of law, a digital commodity exchange shall not be prohibited from listing a network token and an ancillary asset solely because the digital commodity is a network token or an ancillary asset, respectively, unless with respect to an ancillary asset, the Securities and Exchange Commission has notified the Commission that the digital asset originator of the ancillary asset has failed to comply with the disclosure requirements of section 4B(b) of the Securities Act of 1933 for that ancillary asset.''.

(f) EXEMPTIVE AUTHORITY.—

(1) IN GENERAL.—Section 4(c)(1) of the Commodity Exchange Act (7 U.S.C. 6(c)(1)) is amended by adding after subparagraph (B) the following:

``For purposes of this paragraph, an agreement, contract, or transaction that is subject to the jurisdiction of the Commission under any of the amendments made to this Act by the Digital Commodity Intermediaries Act shall be subject to subsection (a). For purposes of an exemption granted with respect to an agreement, contract, or transaction described in the preceding sentence, the Commission may exercise its authority notwithstanding paragraph (2)(B)(i).''.

(2) NO LIMIT OF AUTHORITY.—Nothing in this Act, any amendment made by this Act, or any rule or regulation promulgated under this Act or any amendment made by this Act may be construed to

limit the authority of the Commodity Futures Trading Commission to grant exemptions pursuant to section 4(c) of the Commodity Exchange Act (7 U.S.C. 6(c)).

(g) CONFORMING AMENDMENTS.—

(1) Paragraph (15) of section 1a of the Commodity Exchange Act (7 U.S.C. 1a) (as amended by section 17(f) of the GENIUS Act (Public Law 119–27; 139 Stat. 463) and as redesignated by section 20101(a)(1)) is amended by striking the second sentence.

(2) Section 2(a)(1)(A) of the Commodity Exchange Act (7 U.S.C. 2(a)(1)(A)) is amended, in the first sentence, by striking ‘‘section 19 of this Act’’ and inserting ‘‘subparagraph (F) or (G) of subsection (c)(2) or section 19’’.

SEC. 20202. REQUIRING FUTURES COMMISSION MERCHANTS TO USE QUALIFIED DIGITAL ASSET CUSTODIANS.

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

(1) in subsection (a)(2)—

(A) in the first proviso, by striking ‘‘any bank or trust company’’ and inserting ‘‘any bank, trust company, or qualified digital asset custodian, as applicable,''; and

(B) by inserting ``: *Provided further*, That any such property that is a digital asset shall be held in a qualified digital asset custodian'' before the period at the end; and

(2) in subsection (f)(3)(A)(i), by striking ``any bank or trust company or with a'' and inserting ``any bank, trust company, qualified digital asset custodian, or''.

SEC. 20203. TRADING CERTIFICATION AND APPROVAL FOR DIGITAL COMMODITIES.

Section 5c of the Commodity Exchange Act (7 U.S.C. 7a–2) is amended—

(1) in subsection (a)(1), by striking ``5(d) and 5b(c)(2)'' and inserting ``5(d), 5b(c)(2), and 5i(c)'';

(2) in subsection (b)—

(A) in each of paragraphs (1) and (2), by inserting ``digital commodity exchange,'' before ``derivatives''; and

(B) in paragraph (3), by inserting ``digital commodity exchange,'' before ``derivatives'' each place it appears;

(3) in subsection (c)—

(A) in paragraph (2), by inserting "or participants" before "(in";

(B) in paragraph (4)(B), by striking "1a(10)" and inserting "1a(16)"; and

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

"(D) SPECIAL RULES FOR DIGITAL COMMODITY CONTRACTS.—In certifying any new rule or rule amendment, or listing any new contract or instrument, in connection with a contract of sale of a commodity for future delivery, option, swap, or other agreement, contract, or transaction, that is based on or references a digital commodity, a registered entity may make or rely on a certification under subsection (d) for the digital commodity."; and

(4) by inserting after subsection (c) the following:

"(d) CERTIFICATIONS FOR DIGITAL COMMODITY TRADING.—

"(1) IN GENERAL.—Notwithstanding subsection (c), for the purposes of listing or offering a digital commodity for trading in a digital commodity cash or spot market, an eligible entity shall submit a written certification to the Commission that the digital commodity meets the requirements of this Act (including the regulations prescribed under this Act).

"(2) CONTENTS OF THE CERTIFICATION.—In making a written certification under this subsection, an eligible entity shall furnish to the Commission a concise explanation and analysis of how the digital commodity meets the requirements of section 5i(c)(3).

"(3) MODIFICATIONS.—

"(A) IN GENERAL.—An eligible entity shall modify a certification made under paragraph (1) to account for material changes in any information provided in connection with the requirements of section 5i(c)(3).

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

"(4) DISAPPROVAL.—

"(A) IN GENERAL.—The written certification described in paragraph (1) shall become effective unless the Commission finds that the listing of the digital commodity is inconsistent with the requirements of this Act or the rules and regulations prescribed under this Act.

"(B) ANALYSIS REQUIRED.—The Commission shall include, with any findings referred to in subparagraph (A), a detailed analysis of the factors on which the decision was based.

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

"(5) REVIEW.—

"(A) IN GENERAL.—Unless the Commission makes a disapproval decision under paragraph (4), the written certification described in paragraph (1) shall become effective, pursuant to the certification by the eligible entity and notice of the certification to the public (in a manner determined by the Commission) on the date that is—

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

"(ii) 1 business day after the date the Commission receives the certification (or such shorter period as determined by the Commission by rule or regulation) for any digital commodity that has been certified under this section.

"(B) EXTENSIONS.—The time for consideration under subparagraph (A) may be extended—

"(i) once, for 30 business days, through written notice to the eligible entity by the Commission—

"(I) that there are novel or complex issues that require additional time to analyze;

"(II) that the explanation by the submitting eligible entity is inadequate; or

"(III) of a potential inconsistency with this Act; and

"(ii) once, for an additional 30 business days, through written notice to the eligible entity from the Commission that includes a description of any issues with the certification, including any—

"(I) novel or complex issues that require additional time to analyze;

"(II) missing information or inadequate explanations; or

"(III) potential inconsistencies with this Act.

"(6) PRIOR APPROVAL BEFORE REGISTRATION.—

"(A) IN GENERAL.—A person applying for registration with the Commission for the purposes of listing or offering a digital commodity for trading in a digital commodity cash or spot market may request that the Commission grant prior approval for the person to list or offer the digital commodity on being registered with the Commission.

"(B) REQUEST FOR PRIOR APPROVAL.—A person seeking prior approval under subparagraph (A) shall furnish the Commission with a written certification that the digital commodity meets the requirements of this Act (including the regulations prescribed under this Act) and the information described in paragraph (2).

"(C) DEADLINE.—The Commission shall take final action on a request for prior approval not later than 90 business days after submission of the request, unless the person submitting the request agrees to an extension of the time limitation established under this subparagraph.

"(D) DISAPPROVAL.—

"(i) IN GENERAL.—The Commission shall approve the listing of the digital commodity requested under subparagraph (A) unless the Commission finds that the listing is inconsistent with this Act or the rules and regulations prescribed under this Act.

"(ii) ANALYSIS REQUIRED.—The Commission shall include, with any findings made under clause (i), a detailed analysis of the factors on which the decision is based.

"(iii) PUBLIC FINDINGS.—The Commission shall make public any disapproval decision, and any related findings and analysis, made under this subparagraph.

"(7) ELIGIBLE ENTITY DEFINED.—In this subsection, the term 'eligible entity' means a registered entity or group of registered entities acting jointly.".

SEC. 20204. REGISTRATION AND REGULATION OF DIGITAL COMMODITY EXCHANGES.

(a) IN GENERAL.—The Commodity Exchange Act is amended by inserting after section 5h (7 U.S.C. 7b–3) the following:

"SEC. 5i. REGISTRATION OF DIGITAL COMMODITY EXCHANGES.

"(a) IN GENERAL.—

"(1) REGISTRATION.—

"(A) IN GENERAL.—A trading facility that offers or seeks to offer a cash or spot market in at least 1 digital commodity shall register with the Commission as a digital commodity exchange.

"(B) APPLICATION.—

"(i) IN GENERAL.—A person desiring to register as a digital commodity exchange shall submit to the Commission an application in such form and containing such information as the Commission shall require for the purpose of making the determinations required for approval.

"(ii) RULEMAKING REQUIRED.—The Commission shall, by rule, prescribe the contents of an application under clause (i), including governance, resources, systems safeguards, surveillance, and conflict management.

"(C) NOTICE FILING.—Notwithstanding subparagraphs (A) and (B), a trading facility that is already registered as a designated contract market shall be registered as a digital commodity exchange, provided that the trading facility shall—

"(i) file written notice with the Commission in such form as the Commission, by rule or regulation, may prescribe, containing such information as the Commission may prescribe as necessary or appropriate in the public interest, and

"(ii) the registration of the trading facility is not suspended pursuant to an order of the Commission.

"(2) ADDITIONAL REGISTRATIONS.—In order to foster the development of fair and orderly markets, protect customers, and promote responsible innovation, the Commission shall—

"(A) prescribe rules to exempt an entity registered with the Commission under more than 1 section of this Act from duplicative, conflicting, or unduly burdensome provisions of this Act and the rules under this Act;

"(B) prescribe rules establishing requirements for the identification, mitigation, and resolution of conflicts of interest among and across affiliated entities or entities with multiple registrations under this Act, including conflicts of interest related to vertically integrated market structures and their varying responsibilities and activities; and

"(C) after an analysis of the risks and benefits, prescribe rules to provide for portfolio margining in accordance with section 10402 of the Digital Asset Market Clarity Act.

"(b) TRADING.—

"(1) PROHIBITION ON CERTAIN TRADING PRACTICES.—

"(A) CONTRACTS DESIGNED TO DEFRAUD OR MISLEAD.—Section 4b shall apply to any agreement, contract, or transaction in a digital commodity as if the agreement, contract, or transaction were a contract of sale of a commodity for future delivery.

"(B) PROHIBITED TRANSACTIONS.—Section 4c shall apply to any agreement, contract, or transaction in a digital commodity as if the agreement, contract, or transaction were a transaction involving the purchase or sale of a commodity for future delivery.

"(C) ENFORCEMENT AUTHORITY.—Section 4b–1 shall apply to any agreement, contract, or transaction in a digital commodity as if the agreement, contract, or transaction were a contract of sale of a commodity for future delivery.

"(2) PROHIBITION ON ACTING AS A COUNTERPARTY.—

"(A) IN GENERAL.—A digital commodity exchange or any affiliate of a digital commodity exchange shall not trade on or subject to the rules of the digital commodity exchange for its own account.

"(B) EXCEPTIONS.—Subject to the limitations described in subparagraph (C), a digital commodity exchange or any affiliate of a digital commodity exchange may trade on the digital commodity exchange for its own account solely in connection with conducting one or more of the following activities in support of the business of the digital commodity exchange and not as an independent, for-profit line of business:

"(i) CUSTOMER DIRECTION.—A transaction for, or entered into at the direction of, or for the benefit of, an unaffiliated customer.

"(ii) LIQUIDITY PROVISION.—A transaction in connection with the provision of liquidity on the digital commodity exchange if conducted pursuant to policies and procedures reasonably designed to limit such activity to the reasonably expected customer demand for liquidity on the digital commodity exchange.

"(iii) RISK-MITIGATING HEDGING.—A transaction in connection with risk-mitigating hedging activities that are designed to reduce specific risks to the digital commodity exchange or its affiliate in connection with and related to its digital commodity activities.

"(iv) OPERATIONAL NEEDS.—A transaction necessary or appropriate to address a failed transaction, erroneous transaction, segregation or capital buffer, or other operational need of the business of the digital commodity exchange or its affiliates.

"(v) FUNCTIONAL USE.—A transaction related to the functional operation of a distributed ledger system.

"(C) RULEMAKING.—The Commission shall adopt rules establishing appropriate conditions, requirements, or other limitations on the use of the exceptions described in subparagraph (B) that are necessary for the protection of customers, the promotion of innovation, or the maintenance of fair, orderly, and efficient markets, which shall require that the digital commodity exchange has put in place adequate protections against conflicts of interest, such as timely and effective disclosure to clients, customers, and counterparties of any material conflicts of interest or information barriers reasonably designed to protect against such conflicts of interest.

"(D) NOTICE REQUIREMENT.—In order for a digital commodity exchange or any affiliate of a digital commodity exchange to engage in trading on the affiliated digital commodity exchange pursuant to subparagraph (B), the digital commodity exchange or affiliate shall provide to the Commission notice that shall enumerate how any proposed activity is consistent with the exceptions described in subparagraph (B) and the purposes of this Act.

"(E) COMMISSION VISIBILITY INTO LIQUIDITY PROVISION.—A digital commodity exchange shall report to the Commission such quantitative metrics as the Commission determines, by rule, to be appropriate to provide the Commission with sufficient visibility into the activities of the digital commodity exchange or its affiliates in reliance on subparagraph (B)(ii).

"(c) CORE PRINCIPLES FOR DIGITAL COMMODITY EXCHANGES.—

"(1) COMPLIANCE WITH CORE PRINCIPLES.—

"(A) IN GENERAL.—To be registered, and maintain registration, as a digital commodity exchange, a digital commodity exchange shall comply with—

"(i) the core principles described in this subsection; and "(ii) any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5).

"(B) REASONABLE DISCRETION OF A DIGITAL COMMODITY EXCHANGE.—Unless otherwise determined by the Commission by rule or regulation, a digital commodity exchange shall have reasonable discretion in establishing the manner in which the digital commodity exchange complies with the core principles described in this subsection.

"(2) COMPLIANCE WITH RULES.—A digital commodity exchange shall—

"(A) establish and enforce compliance with any rule of the digital commodity exchange, including—

"(i) the terms and conditions of the trades traded or processed on or through the digital commodity exchange; and

"(ii) any limitation on access to the digital commodity exchange;

"(B) establish and enforce trading, trade processing, and participation rules that will deter abuses and have the capacity to detect, investigate, and enforce those rules, including means—

“(i) to provide market participants with impartial access to the market; and

“(ii) to capture information that may be used in establishing whether rule violations have occurred; and

“(C) establish rules governing the operation of the exchange, including rules specifying trading procedures to be used in entering and executing orders traded or posted on the exchange.

“(3) LISTING STANDARDS FOR DIGITAL COMMODITIES.—

“(A) NOT READILY SUSCEPTIBLE TO MANIPULATION.—A digital commodity exchange shall permit trading only in a digital commodity that is not readily susceptible to manipulation.

“(B) DISCLOSURES TO THE SECURITIES AND EXCHANGE COMMISSION.—A digital commodity exchange shall establish policies and procedures to permit trading in a digital commodity only if—

“(i) disclosures with respect to the digital commodity required under, as applicable, section 4B of the Securities Act of 1933 have been furnished with the Securities and Exchange Commission; or

"(ii) such other similar information that is related to the ongoing development plan of the distributed ledger system and is able to be publicly ascertained, as the Commission may, by rule or regulation, require, has been provided to the public.

"(C) PUBLIC INFORMATION REQUIREMENTS.—

"(i) IN GENERAL.—A digital commodity exchange shall—

"(I) permit trading in a digital commodity only if the digital commodity exchange reasonably determines that the information required by clause (ii) is correct, current, and available to the public;

"(II) establish policies and procedures reasonably designed to determine that the information provided pursuant to clause (ii) is correct, current, and available to the public; and

"(III) communicate in a fair and balanced manner based on principles of fair dealing and good faith.

"(ii) REQUIRED INFORMATION.—With respect to a digital commodity and each distributed ledger system to which the digital commodity relates for which the digital commodity exchange will make the digital commodity available to the customers of the digital commodity exchange, the information required by this clause is the following:

"(I) TECHNOLOGY.—The underlying technology of the digital commodity, which may include the source code for any distributed ledger system to which the digital commodity relates.

"(II) TRANSACTION HISTORY.—A description of the steps necessary to independently access, search, and verify the transaction history of any distributed ledger system to which the digital commodity relates, to the extent any such independent access, search, and verification activities are technically feasible with respect to such distributed ledger system.

"(III) DIGITAL COMMODITY ECONOMICS.—A narrative description of the purpose of any distributed ledger system to which the digital commodity relates and the operation of any such distributed ledger system, including—

"(aa) information explaining the launch and supply process, including the number of digital assets to be issued in an initial allocation, the total number of digital commodities to be created, the release schedule for the digital commodities, and the total number of digital commodities then outstanding;

"(bb) information detailing any applicable consensus mechanism or process for validating transactions, method of generating or mining digital commodities, and any process for burning or destroying digital commodities on the distributed ledger system;

"(cc) an explanation of governance mechanisms for implementing changes to the distributed ledger system or forming consensus among holders of the digital commodities; and

"(dd) sufficient information for a third party to create a tool for verifying the transaction history of the digital commodity.

"(IV) TRADING VOLUME AND VOLATILITY.—The trading volume and volatility of the digital commodity on the exchange.

"(V) CUSTOMER PROTECTIONS.—

"(aa) Information about the material risks and characteristics of the digital commodity.

"(bb) Any material incentives or conflicts of interest that the digital commodity exchange may have in connection with the listing of the digital commodity.

"(cc) Information required by the Commission by rule or regulation pertaining to marketing and advertising, including testimonials and endorsements.

"(VI) ADDITIONAL INFORMATION.—Such additional information as the Commission shall determine by rule or regulation to be necessary for a customer to understand the financial and operational risks of a digital commodity, and to be practically feasible to provide.

"(4) MONITORING OF TRADING AND TRADE PROCESSING.—

"(A) IN GENERAL.—A digital commodity exchange shall provide a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process of trading on the exchange.

"(B) PROTECTION OF MARKETS AND MARKET PARTICIPANTS.—A digital commodity exchange shall establish and enforce rules—

"(i) to protect markets and market participants from abusive practices committed by any party, including abusive practices committed by a party acting as an agent for a participant; and

"(ii) to promote fair and equitable trading on the exchange.

"(C) TRADING PROCEDURES.—A digital commodity exchange shall—

"(i) establish and enforce rules or terms and conditions defining, or specifications detailing—

"(I) trading procedures to be used in entering and executing orders traded on or through the facilities of the digital commodity exchange; and

"(II) procedures for trade processing of digital commodities on or through the facilities of the digital commodity exchange; and

"(ii) monitor trading in digital commodities to prevent manipulation, price distortion, and disruptions, through surveillance, compliance, and disciplinary practices and procedures, including methods for conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions.

"(5) ABILITY TO OBTAIN INFORMATION.—A digital commodity exchange shall—

"(A) establish and enforce rules that will allow the exchange to obtain any necessary information to perform any of the functions described in this section;

"(B) provide the information to the Commission on request; and

"(C) have the capacity to carry out such international information-sharing agreements as the Commission may require.

"(6) EMERGENCY AUTHORITY.—A digital commodity exchange shall adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the Commission or a registered entity, as is necessary and appropriate, including the authority to facilitate the liquidation or transfer of open positions in any digital commodity or to suspend or curtail trading in a digital commodity.

"(7) TIMELY PUBLICATION OF TRADING INFORMATION.—

"(A) IN GENERAL.—A digital commodity exchange shall make public on its website timely information on price, trading volume, and other trading data on digital commodities to the extent prescribed by the Commission by rule or regulation.

"(B) CAPACITY OF DIGITAL COMMODITY EXCHANGE.—A digital commodity exchange shall have the capacity to electronically capture and transmit trade information with respect to transactions executed on the exchange.

"(8) RECORDKEEPING AND REPORTING.—

"(A) IN GENERAL.—A digital commodity exchange shall—

"(i) maintain records relating to the business of the digital commodity exchange, including a complete audit trail, in a form and manner acceptable to the Commission for a period of 5 years;

"(ii) report to the Commission, in a form and manner acceptable to the Commission, such information as the Commission determines to be necessary or appropriate for the Commission to perform the duties of the Commission under this Act;

"(iii) keep any such records of digital commodities that relate to a security open to inspection and examination by the Securities and Exchange Commission; and

"(iv) provide to the Commission an annual financial statement certified by an independent public accountant.

"(B) PROVIDING INFORMATION.—A digital commodity exchange shall provide to the Commission (including any designee of the Commission) information under subparagraph (A) in such form and at such frequency as is required by the Commission.

"(9) ANTITRUST CONSIDERATIONS.—Unless necessary or appropriate to achieve the purposes of this Act, a digital commodity exchange shall not—

"(A) adopt any rules or take any actions that result in any unreasonable restraint of trade; or

"(B) impose any material anticompetitive burden on trading.

"(10) CONFLICTS OF INTEREST.—

"(A) IN GENERAL.—A digital commodity exchange shall establish and enforce rules—

"(i) to minimize conflicts of interest in the decision-making processes of the digital commodity exchange, including conflicts of interest that might potentially bias the judgement or supervision of the digital commodity exchange and contravene the principles of fair and equitable trading;

"(ii) to minimize conflicts of interest that might arise—

"(I) out of transactions or arrangements with affiliates (including affiliates engaging in digital commodity activities); or

"(II) as a result of multiple registrations under this Act;

"(iii) to establish a process for resolving conflicts of interest referred to in clauses (i) and (ii);

"(iv) to require disclosure by the digital commodity exchange of any material incentives or conflicts of interest that the digital commodity exchange is unable to resolve; and

"(v) relating to such additional matters as the Commission shall determine by rule or regulation to be necessary in the public interest.

"(B) AFFILIATES.—

"(i) IN GENERAL.—A digital commodity exchange may permit an affiliated digital commodity broker or digital commodity dealer to facilitate impartial access to the digital commodity exchange, subject to the rules prescribed by the Commission with respect to conflicts of interest regarding transactions or arrangements with affiliates.

"(ii) AFFILIATED DIGITAL COMMODITY BROKERS AND DIGITAL COMMODITY DEALERS.—In this subparagraph, the term 'affiliated digital commodity broker or digital commodity dealer' includes the digital commodity exchange acting in the capacity of a digital commodity broker or digital commodity dealer if the digital commodity exchange is dually registered in such capacity.

"(11) FINANCIAL RESOURCES.—

"(A) IN GENERAL.—A digital commodity exchange shall have adequate financial, operational, and managerial resources, as shall be determined by the Commission by rule or regulation, to discharge each responsibility of the digital commodity exchange.

"(B) MINIMUM AMOUNT OF FINANCIAL RESOURCES.—A digital commodity exchange shall possess financial resources that, at a minimum, exceed the sum of—

"(i) the total amount that would enable the digital commodity exchange to cover the operating costs of the digital commodity exchange for a 1-year period, as calculated on a rolling basis; and

"(ii) the total amount necessary to meet the financial obligations of the digital commodity exchange to all customers of the digital commodity exchange.

"(C) PROHIBITION.—The resources used to meet the requirements under subparagraph (B) shall not include digital commodities originated by the digital commodity exchange or affiliates of the digital commodity exchange.

"(12) DISCIPLINARY PROCEDURES.—A digital commodity exchange shall establish and enforce disciplinary procedures that authorize the digital commodity exchange to discipline, suspend, or expel members or market participants that violate the rules of the digital commodity exchange, or similar methods for performing the same functions, including delegation of the functions to third parties.

"(13) GOVERNANCE FITNESS STANDARDS.—

"(A) GOVERNANCE ARRANGEMENTS.—A digital commodity exchange shall establish governance arrangements that are transparent to fulfill public interest requirements.

"(B) FITNESS STANDARDS.—A digital commodity exchange shall establish and enforce appropriate fitness standards for—

"(i) officers and directors;

"(ii) any individual or entity with direct access to, or control of, customer assets; and

"(iii) other persons, as determined by the Commission by rule or regulation.

"(C) BOARD OF DIRECTORS.—Except as otherwise provided by the Commission by rule, regulation, or order, a digital commodity exchange shall be governed by a board of directors, subject to the following requirements:

"(i) The composition of the board of directors shall be sufficient to maintain appropriate independence, as determined by the Commission.

"(ii) A digital commodity exchange shall endeavor to recruit individuals to serve on the board of directors from among, and to have the composition of the board reflect, a broad and culturally diverse pool of qualified candidates.

"(14) SYSTEM SAFEGUARDS.—A digital commodity exchange shall—

"(A) establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational and security risks (including cybersecurity risks), through the development of appropriate controls and procedures, and automated systems that—

"(i) are reliable and secure; and

"(ii) have adequate scalable capacity;

"(B) establish and maintain emergency procedures, backup resources, and a plan for disaster recovery that allow for—

"(i) the timely recovery and resumption of operations;

"(ii) the fulfillment of the responsibilities and obligations of the digital commodity exchange; and

"(iii) the appropriate safeguarding and ability to access the private keys or other credentials necessary to transmit digital commodities in the possession, custody, or control of the digital commodity exchange; and

"(C) periodically conduct tests to verify that the backup resources of the digital commodity exchange are sufficient to ensure continued—

"(i) order processing and trade matching;

"(ii) price reporting;

"(iii) market surveillance;

"(iv) maintenance of a comprehensive and accurate audit trail; and

"(v) access and ability to transfer digital commodities in the possession, custody, or control of the digital commodity exchange.

"(15) RISK MANAGEMENT PROCEDURES.—A digital commodity exchange shall establish robust and professional risk management systems adequate for managing the day-to-day business of the digital commodity exchange.

"(d) CONSUMER PROTECTION.—The Commission shall adopt rules or regulations imposing customer protection requirements that—

"(1) require disclosure by a digital commodity exchange to a customer (other than another digital commodity exchange registered under this section), which shall be updated in a timely manner to reflect material changes, and in accordance with paragraph (5), of—

"(A) the underlying technology of any digital commodity that is listed on the digital commodity exchange;

"(B) the functionality and utility of any digital commodity that is listed on the digital commodity exchange;

"(C) the governance structure of any digital commodity that is listed on the digital commodity exchange;

"(D) the trading volume and volatility of any digital commodity that is listed on the digital commodity exchange;

“(E) information about the material risks and characteristics of any applicable digital commodities; and

“(F) any material incentives or conflicts of interest that the digital commodity exchange may have in connection with the listing of any applicable digital commodities;

“(2) establish a duty for a digital commodity exchange to communicate in a fair and balanced manner based on principles of fair dealing and good faith;

“(3) establish standards governing digital commodity exchange marketing and advertising, including testimonials and endorsements;

“(4) establish such other standards and requirements as the Commission may determine are—

“(A) appropriate for the protection of customers; or

“(B) otherwise in furtherance of the purposes of this Act; and

“(5) standardize and simplify disclosures under paragraph (1), including requiring that disclosures—

“(A) be conspicuous;

“(B) use plain language comprehensible to customers; and

"(C) succinctly explain the information that is required to be communicated to the customer.

"(e) INFORMATION SHARING.—

"(1) IN GENERAL.—Subject to section 8, and on request, the Commission shall share information collected under subsection (c)(8)(A) with—

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

"(B) the Securities and Exchange Commission;

"(C) each appropriate Federal banking agency;

"(D) each appropriate State bank supervisor (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813));

"(E) the Financial Stability Oversight Council;

"(F) the Department of Justice;

"(G) State securities regulators; and

"(H) any other person that the Commission determines to be appropriate, including—

"(i) foreign financial supervisors (including foreign futures authorities);

"(ii) foreign central banks; and

"(iii) foreign ministries.

"(2) CONFIDENTIALITY AGREEMENT.—Before the Commission may share information with any entity described in paragraph (1), the Commission shall receive a written agreement from the entity stating that the entity shall abide by the confidentiality requirements described in section 8 relating to the information on digital commodities that is provided.

"(f) HOLDING OF CUSTOMER ASSETS.—

"(1) IN GENERAL.—The Commission shall prescribe, by rule or regulation, policies and procedures to be established by a digital commodity exchange that are designed to protect and ensure the safety of customer money, assets, and property, including to minimize the risk of loss to the customer or unreasonable delay in customer access to the money, assets, and property of the customer.

"(2) QUALIFIED DIGITAL ASSET CUSTODIAN.—Each digital commodity exchange shall hold in a qualified digital asset custodian each unit of a digital asset that is—

"(A) the property of a customer of the digital commodity exchange;

"(B) required to be held by the digital commodity exchange under subsection (c)(11); or

"(C) otherwise so required by the Commission to reasonably protect customers and customer assets or promote the public interest.

"(3) SEGREGATION OF FUNDS.—

"(A) IN GENERAL.—A digital commodity exchange shall treat and deal with all money, assets, and property that is received by the digital commodity exchange, or accrues to a customer as the result of trading in digital commodities, as belonging to the customer.

"(B) COMMINGLING PROHIBITED.—Money, assets, and property described in subparagraph (A) shall be separately accounted for and shall not be commingled with the funds of the digital commodity exchange or be used to margin, secure, or guarantee any trades or accounts of any customer or person other than the person for whom the same are held.

"(C) EXCEPTIONS.—

"(i) USE OF FUNDS.—

"(I) IN GENERAL.—Notwithstanding subparagraph (A), money, assets, and property described in subparagraph (A) may, for convenience, be commingled and deposited in the same account or accounts with any bank, trust company, derivatives clearing organization, or qualified digital asset custodian.

"(II) WITHDRAWAL.—Notwithstanding subparagraph (A), such share of the money, assets, and property described in subparagraph (A) as in the normal course of business shall be necessary to margin, guarantee, secure, transfer, adjust, or settle a contract of sale of a digital commodity with the digital commodity exchange or participant thereof may be withdrawn and applied to such purposes, including the payment of commissions, brokerage, interest, taxes, storage, and other charges, lawfully accruing in connection with the contract of sale.

"(ii) COMMISSION ACTION.—Notwithstanding subparagraph (A), in accordance with such terms and conditions as the Commission may prescribe by rule, regulation, or order, any money, assets, or property of the customers of a digital commodity exchange may be commingled and deposited in customer accounts with any other money, assets, or property received by the digital commodity exchange and required by the Commission to be separately accounted for and treated and dealt with as belonging to the customer of the digital commodity exchange.

"(4) PERMITTED INVESTMENTS.—Money described in paragraph (3) may be invested in obligations of the United States, in general obligations of any State or of any political subdivision of a State, and in obligations fully guaranteed as to principal and interest by the United States, or in any high-quality liquid asset that the Commission may by rule or regulation prescribe, and such investments shall be made in accordance with such rules and regulations and subject to such conditions as the Commission shall prescribe.

"(5) CUSTOMER PROTECTION DURING BANKRUPTCY.—

"(A) CUSTOMER PROPERTY.—

"(i) IN GENERAL.—All assets held on behalf of a customer by a digital commodity exchange, and all money, assets, and property of any customer received by a digital commodity exchange for trading or custody, or to facilitate, margin, guarantee, or secure contracts of sale of a digital commodity (including money, assets, or property accruing to the customer as the result of the transactions), shall be considered customer property for purposes of section 761 of title 11, United States Code.

"(ii) CUSTOMERS.—For purposes of this subparagraph, the term 'customer' does not include any person, to the extent that such person has a claim based on any open repurchase agreement, open reverse repurchase agreement, or digital commodity borrowed agreement, except to the extent of any margin delivered to or by the customer with respect to which there is a segregation requirement.

"(B) TRANSACTIONS.—A purchase, sale, or loan of, margin loan or other extension of credit on, or repurchase, reverse repurchase, or other transaction involving the sale of a digital commodity occurring on or subject to the rules of a digital commodity exchange shall be considered—

"(i) a contract for the purchase or sale of a commodity for future delivery, on or subject to the rules of, a contract market or board of trade for purposes of the definition of 'commodity contract' in section 761 of title 11, United States Code, section 11 of the Federal Deposit Insurance Act (12 U.S.C. 1821), and section 210 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5390); and

"(ii) a 'commodity contract' for purposes of section 5(b)(2)(C) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78eee(b)(2)(C)).

"(C) EXCHANGES.—A digital commodity exchange shall be considered a futures commission merchant for purposes of section 761 of title 11, United States Code, section 11 of the Federal Deposit Insurance Act (12 U.S.C.

1821), and section 210 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5390).

“(D) BANKRUPTCY TREATMENT OF DIGITAL COMMODITIES.—A purchase, sale, or loan of, margin loan or other extension of credit on, or repurchase, reverse repurchase, or other transaction involving a digital commodity occurring with a commodity broker, stockbroker, financial institution, financial participant, or securities clearing agency (as those terms are defined in section 101 of title 11, United States Code) shall be subject to sections 362(b)(6), 362(o), 546(e), 548(d)(2)(B), 553, 556, 561, and 562 of title 11, United States Code, to section 11 of the Federal Deposit Insurance Act (12 U.S.C. 1821), and to section 210 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5390) as though it was a ‘contract for the purchase or sale of a commodity for future delivery on, or subject to the rules of, a contract market or board of trade’ with a ‘futures commission merchant’ as those terms are used in section 761 of title 11, United States Code, and considered a ‘commodity contract' for purposes of section 5(b)(2)(C) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78eee(b)(2)(C)).

"(E) ASSETS USED IN DISTRIBUTED LEDGER SERVICES.—

"(i) INTERPRETATION AND GUIDANCE.—Not later than 90 days after the date of enactment of this Act, the Commission shall—

"(I) issue an interpretation as to whether customer digital commodities used in distributed ledger services due to a customer election under paragraph (7) and section 4u(l)(6) or section 20104 of the Digital Commodity Intermediaries Act are customer property and to be included in the calculation of net equity for purposes of section 761 of title 11, United States Code; and

"(II) issue guidance for digital commodity exchanges, digital commodity brokers, and digital commodity dealers with respect to disclosures they should provide to customers regarding the interpretation.

"(ii) RULEMAKING.—Not later than 180 days following publication of the Commission's interpretation under clause (i), the Commission shall issue regulations and recommendations to Congress, as appropriate, to address issues identified in the interpretation, including requiring a digital commodity exchange, digital commodity broker, or digital commodity dealer to disclose such issues to customers.

"(6) MISUSE OF CUSTOMER PROPERTY.—

"(A) IN GENERAL.—It shall be unlawful—

"(i) for any digital commodity exchange that has received any customer money, assets, or property for custody to dispose of, or use any such money, assets, or property as belonging to the digital commodity exchange or any person other than a customer of the digital commodity exchange; or

"(ii) for any other person, including any depository, other digital commodity exchange, or digital asset custodian that has received any customer money, assets, or property for deposit, to hold, dispose of, or use any such money, assets, or property as belonging to the depositing digital commodity exchange or any person other than the customers of the digital commodity exchange.

"(B) USE FURTHER DEFINED.—For purposes of this paragraph, the term 'use' with respect to a digital commodity, includes utilizing any unit of a digital asset to participate in a distributed ledger service (as defined in paragraph (7)(D)) or a decentralized governance system associated with the digital commodity or the distributed ledger system to which the digital commodity relates in any manner other than that expressly directed by the customer from whom the unit of a digital commodity was received.

"(7) PARTICIPATION IN DISTRIBUTED LEDGER SERVICES.—

"(A) USE OF FUNDS.—A digital commodity exchange (or a designee of a digital commodity exchange) may use a unit of a digital commodity belonging to a customer to provide a distributed ledger service for a distributed ledger system to which the unit of the digital commodity relates if for each use—

"(i) the customer expressly permits the use, in writing, to the digital commodity exchange; and

"(ii) the digital commodity exchange complies with subparagraph (B).

"(B) LIMITATIONS.—

"(i) IN GENERAL.—The Commission shall, by rule, establish notice and written disclosure requirements and any other limitations and rules related to a permission provided under subparagraph (A) or the treatment of customer assets in the event of an insolvency, resolution, or liquidation proceeding, including a description of the manner in which any digital commodity would be treated in an insolvency, resolution, or liquidation proceeding, and how the treatment of digital commodities differs from the treatment of any other assets in the event of an insolvency, resolution, or liquidation proceeding, that are reasonably necessary to protect customers, including eligible contract participants, non-eligible contract participants, and any other class of customers.

"(ii) CUSTOMER CHOICE.—A digital commodity exchange may not—

"(I) require a customer to provide the permission referred to in subparagraph (A) as a condition of doing business on the exchange; or

"(II) penalize a customer for not providing the permission referred to in subparagraph (A).

"(C) REQUIREMENTS.—The Commission may, by rule, modify the requirements of paragraph (2) or (3) and adopt rules pursuant to section 20(a) to facilitate the use of a unit of a digital commodity belonging to a customer to provide a distributed ledger service and address the treatment of customer assets in the event of an insolvency, resolution, or liquidation proceeding of a digital commodity exchange that engages in such use.

"(g) MARKET ACCESS REQUIREMENTS.—

"(1) AFFILIATED DIGITAL COMMODITY BROKERS.—

"(A) IN GENERAL.—A registered digital commodity exchange may permit an affiliated digital commodity broker to facilitate impartial access to the digital commodity exchange.

"(B) DEFINITION OF AFFILIATED DIGITAL COMMODITY BROKERS.—In this paragraph, the term 'affiliated digital commodity broker' includes the digital commodity exchange acting in the capacity of a digital commodity broker if the digital commodity exchange is dually registered in such capacity.

"(2) ADDITIONAL REQUIREMENTS.—The Commission may, by rule, impose additional requirements related to the operations and activities of a digital commodity exchange and an affiliated digital commodity broker to protect market participants, promote fair and equitable trading on the digital commodity exchange, and promote responsible innovation.

"(h) DESIGNATION OF CHIEF COMPLIANCE OFFICER.—

"(1) IN GENERAL.—A digital commodity exchange shall designate an individual to serve as a chief compliance officer.

"(2) DUTIES.—The chief compliance officer of a digital commodity exchange shall—

"(A) report directly to the board or to the senior officer of the exchange;

"(B) review compliance with the core principles in this section;

"(C) in consultation with the board of the exchange, a body performing a function similar to that of a board, or the senior officer of the exchange, resolve any conflicts of interest that may arise;

"(D) establish and administer the policies and procedures required to be established pursuant to this section;

"(E) ensure compliance with this Act and the rules and regulations issued under this Act, including rules prescribed by the Commission pursuant to this section; and

"(F) establish procedures for the remediation of noncompliance issues found during compliance office reviews, look-backs, internal or external audit findings, self-reported errors, or through validated complaints.

"(3) REQUIREMENTS FOR PROCEDURES.—In establishing procedures under paragraph (2)(F), the chief compliance officer shall design the procedures to establish the handling, management response, remediation, retesting, and closing of noncompliance issues.

"(4) ANNUAL REPORTS.—

"(A) IN GENERAL.—In accordance with rules that shall be prescribed by the Commission, the chief compliance officer of a digital commodity exchange shall annually prepare and sign a report that contains a description of—

"(i) the compliance of the digital commodity exchange with this Act; and

"(ii) the policies and procedures, including the code of ethics and conflicts of interest policies, of the digital commodity exchange.

"(B) REQUIREMENTS.—The chief compliance officer shall—

"(i) submit each report described in subparagraph (A) with the appropriate financial report of the digital commodity exchange that is required to be submitted to the Commission pursuant to this section; and "(ii) include in the report a certification that, under penalty of law, the report is accurate and complete.

"(i) APPOINTMENT OF TRUSTEE.—

"(1) IN GENERAL.—If a proceeding under section 5e results in the suspension or revocation of the registration of a digital commodity exchange, or if a digital commodity exchange withdraws from registration, the Commission, on notice to the digital commodity exchange, may apply to the appropriate United States district court for the judicial district in which the digital commodity exchange is located for the appointment of a trustee.

"(2) ASSUMPTION OF JURISDICTION.—If the Commission applies for appointment of a trustee under paragraph (1)—

"(A) the court may take exclusive jurisdiction over the digital commodity exchange and the records and assets of the digital commodity exchange, wherever located; and

"(B) if the court takes jurisdiction under subparagraph (A), the court shall appoint the Commission, or a person designated by the Commission, as trustee with power to take possession and continue to operate or terminate the operations of the digital commodity exchange in an orderly manner for the protection of customers, subject to such terms and conditions as the court may prescribe.

"(j) EXEMPTIONS.—

"(1) IN GENERAL.—In order to promote responsible innovation and fair competition, or protect customers, the Commission may (on its own initiative or on application of the digital commodity exchange) exempt, either unconditionally or on stated terms or conditions or for stated periods and either retroactively or prospectively, or both, a digital commodity exchange from the requirements of this Act, if the Commission determines that—

"(A) the exemption would be consistent with the public interest and the purposes of this Act; and

"(B) the exemption will not have a material adverse effect on the ability of the Commission or the digital commodity exchange to discharge regulatory or self-regulatory duties under this Act.

"(2) FOREIGN EXCHANGES.—

"(A) IN GENERAL.—The Commission may exempt, conditionally or unconditionally, a digital commodity exchange from registration under this section if the Commission finds that the digital commodity exchange is subject to comparable, comprehensive supervision and regulation on a consolidated basis by the appropriate governmental authorities in the home country of the digital commodity exchange.

"(B) TRANSITION PERIOD.—Until the Commission has issued its final rules under this section, the Commission may exempt a foreign digital commodity exchange from registration under this section if—

"(i) the foreign digital commodity exchange—

"(I) keeps the books and records of the foreign digital commodity exchange open to inspection and examination by any representative of the Commission upon reasonable request; and

"(II) reports to the Commission, in a form and manner acceptable to the Commission, such information as the Commission determines to be reasonably necessary or appropriate for the Commission to perform the duties of the Commission under this Act; and

“(ii) the appropriate government authorities in the home country of the foreign digital commodity exchange—

“(I) certify that the foreign digital commodity exchange—

“(aa) is subject to—

“(AA) supervision and regulation on a consolidated basis by a governmental authority in its home country, including requirements relating to beneficial ownership, control persons, governance, risk management, financial reporting, and market integrity; and

“(BB) clear and enforceable managerial and supervisory responsibility at the consolidated level; and

“(bb) is in good standing and not subject to unresolved, material enforcement actions relating to market integrity, customer protection, or financial crime; and

"(II) enter into a memorandum of understanding with the Commission in which those appropriate government authorities agree to provide to the Commission information regarding the foreign digital commodity exchange that the Commission requests.

"(C) SUSPENSION OR REVOCATION.—The Commission may suspend or revoke an exemption under subparagraph (B) if the Commission determines that the foreign digital commodity exchange or the appropriate government authority in the home country of the foreign digital commodity exchange fails to substantially comply with the requirements described in subparagraph (B).

"(k) FEDERAL PREEMPTION.—

"(1) IN GENERAL.—Notwithstanding any other provision of law, the Commission shall have exclusive jurisdiction over any digital commodity exchange registered under this section with respect to activities and transactions subject to this Act.

"(2) PRESERVATION OF AUTHORITY.—Nothing in this Act shall affect the ability of a State or local agency to investigate and bring enforcement actions—

"(A) against a person registered with the Commission regarding fraud, deceit, manipulation, or any other violation of this Act or any rule, regulation, or order of the Commission under this Act, in accordance with section 6d; or

"(B) against any unregistered person for violation of any generally applicable State or local law, including a law relating to fraud, deceit, unfair or deceptive acts or practices, consumer protection, banking, payments, property, contracts, criminal law, or unlawful conduct or practices.

"(l) REGULATIONS.—The Commission shall prescribe such rules and regulations as are appropriate for the implementation of this section.

"(m) CUSTOMER DEFINED.—In this section, the term 'customer' means any person that maintains an account for the trading of digital commodities directly with a digital commodity exchange (other than a person that is owned or controlled, directly or indirectly, by the digital commodity exchange) for its own behalf or on behalf of any other person.''.

(b) JURISDICTION OF STATES.—Section 6d(1) of the Commodity Exchange Act (7 U.S.C. 13a–2(1)) is amended by inserting ''digital commodity exchange, digital commodity broker, digital commodity dealer'' before ''contract market''.

(c) PRIVATE RIGHTS OF ACTION.—Section 22 of the Commodity Exchange Act (7 U.S.C. 25) is amended—

(1) in subsection (a)—

(A) in paragraph (1)—

(i) in subparagraph (B)—

(I) by striking ''commodity) or any swap;'' and inserting ''commodity), any swap, or any digital commodity transaction;''; and

(II) by striking ''to make such contract'' and all that follows through the semicolon at the end and inserting ''to make such contract, any swap, or any digital commodity transaction;'';

(ii) in subparagraph (C), by conforming the margin of clause (iv) to the margin of clauses (i) through (iii); and

(iii) in subparagraph (D)—

(I) in the matter preceding clause (i), by striking ''subparagraph (B) hereof or swap'' and inserting ''subparagraph (B), a swap, or a digital commodity''; and

(II) in clause (ii), by striking ''any such contract or swap'' and inserting ''any such contract, swap, or digital commodity''; and

(B) in paragraph (2), in the second sentence, by striking ''advance of''; and

(2) in subsection (b)(1)(A), by inserting ''5i,'' after ''5h,''.

(d) SUSPENSION OR REVOCATION OF DESIGNATION AS REGISTERED ENTITY.—Section 6(b) of the Commodity Exchange Act (7 U.S.C. 8(b)) is amended—

(1) by striking ''or derivatives transaction execution facility'' the first 2 places it appears and inserting '', derivatives transaction execution facility, or digital commodity exchange''; and

(2) by striking ‘‘or derivatives transaction execution facility or’’ each place it appears and inserting ‘‘, derivatives transaction execution facility, digital commodity exchange, or’’.

SEC. 20205. REGISTRATION AND REGULATION OF QUALIFIED DIGITAL ASSET CUSTODIANS.

The Commodity Exchange Act (7 U.S.C. 1 et seq.) is amended by inserting after section 5i (as added by section 20204(a)) the following:

‘‘SEC. 5j. QUALIFIED DIGITAL ASSET CUSTODIANS.

‘‘(a) IN GENERAL.—A person shall be considered a qualified digital asset custodian if the person—

‘‘(1) holds digital assets on behalf of a person registered under this Act or a customer of a person registered under this Act; and

‘‘(2) is in compliance with subsections (b) and (c).

‘‘(b) SUPERVISION REQUIREMENT.—A person is in compliance with this subsection if the digital asset custodian is subject to—

‘‘(1) supervision and examination for custody and safekeeping of digital assets by an appropriate Federal banking agency, the National Credit Union Administration, the Commission, or the Securities and Exchange Commission; or

"(2) adequate supervision and appropriate regulation for custody and safekeeping of digital assets by—

"(A) a State bank supervisor (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813));

"(B) a State credit union supervisor (as defined in section 6003 of the Anti-Money Laundering Act of 2020 (31 U.S.C. 5311 note; division F of Public Law 116–283)); or

"(C) an appropriate foreign governmental authority in the home country of the person, if it provides comparable, comprehensive supervision and regulation of the person.

"(c) OTHER REQUIREMENTS.—A person is in compliance with this subsection if the following requirements are met:

"(1) NOT OTHERWISE PROHIBITED.—The person has not been prohibited by the applicable supervisor described in subsection (b) from engaging in an activity with respect to the custody and safekeeping of digital assets.

"(2) INFORMATION SHARING.—

"(A) IN GENERAL.—The person shares information with the Commission on request and complies with such requirements for periodic sharing of information regarding customer accounts that the digital asset custodian holds on behalf of an entity registered with the Commission as the Commission determines by rule are reasonably necessary to effectuate any of the provisions, or to accomplish any of the purposes, of this Act.

"(B) PROVISION OF INFORMATION.—If the person is subject to regulation and examination by an appropriate Federal banking agency, the digital asset custodian may satisfy any information request described in subparagraph (A) by providing the Commission with a detailed listing, in writing, of the digital assets of a customer in the custody of, or use by, the digital asset custodian.

"(3) RULEMAKING.—

"(A) IN GENERAL.—The Commission shall prescribe rules for a person registered with the Commission to also be registered with the Commission as a qualified digital asset custodian.

"(B) CONTENT.—In prescribing the rules under subparagraph (A), the Commission shall require a person registered with the Commission as a qualified digital asset custodian—

"(i) to implement requirements consistent with the requirements described in subsection (d)(1);

"(ii) to establish sufficient system safeguards;

"(iii) to prevent or mitigate conflicts of interest, as appropriate; and

"(iv) to establish separate governance arrangements for the custodial function of the entity.

"(d) ADEQUATE SUPERVISION AND APPROPRIATE REGULATION.—

"(1) IN GENERAL.—For purposes of subsection (b), the terms 'adequate supervision' and 'appropriate regulation' mean such minimum standards for supervision and regulation as are reasonably necessary to protect the digital assets held by a person registered under this Act, including standards relating to the licensing, examination, and supervisory processes that require the person to, at a minimum—

"(A) receive a review and evaluation of ownership, character and fitness, conflicts of interest, business model, financial statements, funding resources, and policies and procedures of the digital asset custodian;

"(B) hold capital sufficient to conduct an orderly wind-down and resolution of the digital asset custodian;

"(C) protect customer assets;

"(D) establish and maintain books and records regarding the business of the digital asset custodian;

"(E) submit financial statements and audited financial statements to the applicable supervisor described in subsection (b);

"(F) provide disclosures to the applicable supervisor described in subsection (b) regarding actions, proceedings, and other items as determined by the supervisor;

"(G) maintain and enforce policies and procedures for compliance with applicable State and Federal laws, including those related to anti-money laundering and cybersecurity;

"(H) establish a business continuity plan to ensure functionality in cases of disruption; and

"(I) establish policies and procedures to resolve complaints.

"(2) RULEMAKING WITH RESPECT TO DEFINITIONS.—

"(A) IN GENERAL.—For purposes of this section, the Commission shall, by rule, further define the terms 'adequate supervision' and 'appropriate regulation' as necessary and appropriate for the protection of customers, and consistent with the purposes of this Act.

"(B) EXISTING DIGITAL ASSET CUSTODIANS.—A State depository institution or a trust company operating as a digital asset custodian before the effective date of a rulemaking under subparagraph (A) is deemed subject to adequate supervision and appropriate regulation if—

"(i) the State depository institution or trust company is expressly permitted by a State bank supervisor to engage in the custody and safekeeping of digital assets;

"(ii) the State bank supervisor has established licensing, examination, and supervisory processes that require the State depository institution or trust company to, at a minimum, meet the conditions described in subparagraphs (A) through (I) of paragraph (1); and

"(iii) the State depository institution or trust company is in good standing with its State bank supervisor.

"(C) TRANSITION PERIOD FOR CERTAIN CUSTODIANS.—In implementing the rulemaking under subparagraph (A), the Commission shall provide a transition period of not less than 2 years for any State depository institution or trust company that is deemed subject to adequate supervision and appropriate regulation under subparagraph (B) on the effective date of the rulemaking.

"(e) AUTHORITY TO TEMPORARILY SUSPEND STANDARDS.—The Commission may, by rule or order, temporarily suspend, in whole or in part, any requirement imposed under, or any standard referred to in, this section, or any requirement to utilize a qualified digital asset custodian, if the Commission determines that the suspension would be consistent with the public interest and the purposes of this Act.

"(f) FEDERAL PREEMPTION.—

"(1) IN GENERAL.—Notwithstanding any other provision of law, the Commission shall have exclusive jurisdiction over any qualified digital asset custodian registered under this section with respect to activities and transactions subject to this Act.

"(2) PRESERVATION OF AUTHORITY.—Nothing in this Act shall affect the ability of a State or local agency to investigate and bring enforcement actions—

"(A) against a person registered with the Commission regarding fraud, deceit, manipulation, or any other violation of this Act or any rule, regulation, or order of the Commission under this Act, in accordance with section 6d of this Act; or

"(B) against any unregistered person for violation of any generally applicable State or local law, including a law relating to fraud, deceit, unfair or deceptive acts or practices, consumer protection, banking, payments, property, contracts, criminal law, or unlawful conduct or practices.".

SEC. 20206. REGISTRATION AND REGULATION OF DIGITAL COMMODITY BROKERS AND DEALERS.

(a) IN GENERAL.—The Commodity Exchange Act is amended by inserting after section 4t (7 U.S.C. 6t) the following:

"SEC. 4u. REGISTRATION AND REGULATION OF DIGITAL COMMODITY BROKERS AND DEALERS.

''(a) REGISTRATION.—

''(1) REQUIREMENT.—It shall be unlawful for any person to act as a digital commodity broker or digital commodity dealer unless the person is registered as such with the Commission.

''(2) NOTICE FILING.—A person that is already registered as a futures commission merchant or a swap dealer shall be registered as a digital commodity broker or a digital commodity dealer, subject to the conditions that—

''(A) the person shall file written notice with the Commission and any registered futures association of which it is a member of its intention to register as a digital commodity broker or a digital commodity dealer, in such form as the Commission, by rule or regulation, may prescribe, and containing such information as the Commission, by rule or regulation, may prescribe as necessary or appropriate in the public interest; and

"(B) the registration of the futures commission merchant or swap dealer is not suspended pursuant to an order of the Commission.

"(3) DE MINIMIS.—A person acting as a digital commodity broker or digital commodity dealer shall not be required to register under this section if the person engages in no more than a de minimis amount of brokering or dealing activity in a digital commodity, as the Commission may determine by rule or regulation.

"(4) ADDITIONAL REGISTRATION.—

"(A) RULES.—In order to foster the development of fair and orderly markets, protect customers, and promote responsible innovation, the Commission shall—

"(i) prescribe rules to exempt an entity registered with the Commission under more than 1 section of this Act from duplicative, conflicting, or unduly burdensome provisions of this Act and the rules under this Act;

"(ii) prescribe rules establishing requirements for the identification, mitigation, and resolution of conflicts of interest among and across affiliated entities or entities with multiple registrations under this Act, including conflicts of interest related to vertically integrated market structures and their varying responsibilities and activities; and

"(iii) after an analysis of the risks and benefits, prescribe rules to provide for portfolio margining in accordance with section 10402 of the Digital Asset Market Clarity Act.

"(B) MEMBERSHIP IN A REGISTERED FUTURES ASSOCIATION.—

"(i) IN GENERAL.—Any person required to be registered as a digital commodity broker or digital commodity dealer under this section shall become and remain a member of a registered futures association.

"(ii) DIGITAL COMMODITY EXCHANGES.—If the person described in clause (i) is also registered as a digital commodity exchange, the authority of the registered futures association shall not extend to the business and obligations of the person as a digital commodity exchange.

"(C) HARMONIZATION.—In prescribing rules for digital commodity brokers or digital commodity dealers, the Commission shall, to the greatest extent feasible, seek to avoid duplication, inconsistencies, or burdens for a person registered in multiple capacities.

"(b) REQUIREMENTS.—

"(1) IN GENERAL.—A person shall register as a digital commodity broker or digital commodity dealer by filing a registration application with the Commission.

"(2) CONTENTS.—

"(A) IN GENERAL.—The application under paragraph (1) shall be made in such form and manner as is prescribed by the Commission, and shall contain such information as the Commission considers necessary concerning the business in which the applicant is or will be engaged.

"(B) CONTINUAL REPORTING.—A person that is registered as a digital commodity broker or digital commodity dealer shall continue to submit to the Commission reports that contain such information pertaining to the business of the person as the Commission may require.

"(3) STATUTORY DISQUALIFICATION.—Except to the extent otherwise specifically provided by rule, regulation, or order, it shall be unlawful for a digital commodity broker or digital commodity dealer to permit any person who is associated with a digital commodity broker or a digital commodity dealer and who is subject to a statutory disqualification to effect or be involved in effecting a contract of sale of a digital commodity on behalf of the digital commodity broker or the digital commodity dealer, respectively, if the digital commodity broker or digital commodity dealer, respectively, knew, or in the exercise of reasonable care should have known, of the statutory disqualification.

"(c) RULEMAKING.—

"(1) IN GENERAL.—The Commission shall prescribe such rules applicable to registered digital commodity brokers and registered digital commodity dealers as are appropriate to carry out this section, including rules in the public interest that limit the activities of digital commodity brokers and digital commodity dealers.

"(2) FINANCING AGREEMENTS.—

"(A) IN GENERAL.—The Commission shall prescribe rules and regulations applicable to digital commodity brokers or digital commodity dealers that shall set forth minimum requirements related to disclosure, recordkeeping, margin financing arrangements, rehypothecation, capital, reporting, business conduct, documentation, and supervision of employees and agents, in connection with—

"(i) an agreement described in section 2(c)(2)(D)(iv); or

"(ii) any other margined, leveraged, or financing arrangement for the purchase or sale of a digital commodity with an eligible contract participant.

"(B) SPECIFIC AUTHORITY.—Except as prohibited by section 2(c)(2)(G)(iii), the Commission may also make, promulgate, and enforce such rules and regulations as, in the judgment of the Commission, are reasonably necessary to effectuate any of the provisions of, or to accomplish any of the purposes of, this Act in connection with an agreement referred to in subparagraph (A).

"(d) CAPITAL REQUIREMENTS.—

"(1) IN GENERAL.—Each digital commodity broker and digital commodity dealer shall meet such minimum capital requirements as the Commission may prescribe to address the risks associated with digital commodity trading and to ensure that the digital commodity broker or digital commodity dealer, respectively, is able, at all times, to meet and continue to meet the obligations of such a registrant.

"(2) FUTURES COMMISSION MERCHANTS AND OTHER DEALERS.—Each futures commission merchant, introducing broker, digital commodity broker, digital commodity dealer, broker, and dealer shall maintain sufficient capital to comply with the stricter of any applicable capital requirements to which the futures commission merchant, introducing broker, digital commodity broker, digital commodity dealer, broker, or dealer, respectively, is subject under this Act or the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

"(e) DIGITAL COMMODITY TRADING NOT READILY SUSCEPTIBLE TO MANIPULATION.—A digital commodity broker or digital commodity dealer may only offer trades in digital commodities that are not readily susceptible to manipulation.

“(f) EXECUTION.—The Commission shall prescribe rules and regulations regarding the execution of digital commodity transactions by a digital commodity broker or a digital commodity dealer with or on behalf of customers, which shall address—

“(1) fair and objective pricing;

“(2) the recording, maintaining, and disclosure of information;

“(3) the protection of the price discovery process; and

“(4) requirements specific to digital commodity transactions with or on behalf of a customer who is not an eligible contract participant.

“(g) REPORTING AND RECORDKEEPING.—

“(1) IN GENERAL.—Each digital commodity broker and digital commodity dealer shall—

“(A) make such reports as are required by the Commission by rule or regulation regarding the transactions, positions, and financial condition of the digital commodity broker or digital commodity dealer, respectively;

“(B) keep books and records in such form and manner and for such period as shall be prescribed by the Commission by rule or regulation; and

"(C) keep the books and records open to inspection and examination by any representative of the Commission.

"(2) EXEMPTION FOR CERTAIN PERMITTED PAYMENT STABLECOIN TRANSACTIONS.—The requirements of this subsection shall not apply to permitted payment stablecoin transactions unrelated to the trading of a digital commodity.

"(h) DAILY TRADING RECORDS.—

"(1) IN GENERAL.—Each digital commodity broker and digital commodity dealer shall maintain daily trading records of the transactions of the digital commodity broker or digital commodity dealer, respectively, and all related records (including related forward or derivatives transactions) and recorded communications, including electronic mail, instant messages, and recordings of telephone calls, for such period as the Commission shall require by rule or regulation.

"(2) INFORMATION REQUIREMENTS.—The daily trading records described in paragraph (1) shall include such information as the Commission shall require by rule or regulation.

"(3) COUNTERPARTY RECORDS.—Each digital commodity broker and digital commodity dealer shall maintain daily trading records for each customer or counterparty in a manner and form that is identifiable with each digital commodity transaction.

"(4) AUDIT TRAIL.—Each digital commodity broker and digital commodity dealer shall maintain a complete audit trail for conducting comprehensive and accurate trade reconstructions.

"(5) EXEMPTION FOR CERTAIN PERMITTED PAYMENT STABLECOINS TRANSACTIONS.—The requirements of this subsection shall not apply to permitted payment stablecoin transactions unrelated to the trading of a digital commodity.

"(i) BUSINESS CONDUCT STANDARDS.—

"(1) IN GENERAL.—Each digital commodity broker and digital commodity dealer shall conform with such business conduct standards as the Commission, by rule or regulation, shall prescribe related to—

"(A) fraud, manipulation, and other abusive practices involving spot digital commodity transactions (including transactions that are offered but not entered into);

“(B) diligent supervision of the business of the registered digital commodity broker or digital commodity dealer, respectively; and

“(C) such other matters as the Commission determines appropriate.

“(2) BUSINESS CONDUCT REQUIREMENTS.—The Commission shall, by rule, prescribe business conduct requirements that—

“(A) require disclosure by a registered digital commodity broker and registered digital commodity dealer to any counterparty to the transaction (other than an eligible contract participant) of—

“(i) information about the material risks and characteristics of the digital commodity;

“(ii) information about the material risks and characteristics of the transaction; and

“(iii) information consistent with the requirements imposed on a digital commodity exchange by subparagraphs (B) and (C)(ii) of section 5i(c)(3), for a trade in a digital commodity that has not been certified by a digital commodity exchange or approved by the Commission under section 5c(d) and that is not being executed on a digital commodity exchange;

"(B) establish a duty for such a digital commodity broker and such a digital commodity dealer to communicate in a fair and balanced manner based on principles of fair dealing and good faith;

"(C) establish standards governing digital commodity broker and digital commodity dealer marketing and advertising, including testimonials and endorsements;

"(D) establish a duty for digital commodity brokers and digital commodity dealers to provide fair, transparent, and objective pricing; and

"(E) establish such other standards and requirements as the Commission may determine are appropriate for the protection of customers.

"(3) PROHIBITION ON FRAUDULENT PRACTICES.—It shall be unlawful for a digital commodity broker or digital commodity dealer to—

"(A) employ any device, scheme, or artifice to defraud any customer or counterparty;

"(B) engage in any transaction, practice, or course of business that operates as a fraud or deceit on any customer or counterparty; or

"(C) engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative.

"(j) DUTIES.—

"(1) RISK MANAGEMENT PROCEDURES.—Each digital commodity broker and digital commodity dealer shall establish robust and professional risk management systems adequate for managing the day-to-day business of the digital commodity broker or digital commodity dealer, respectively.

"(2) DISCLOSURE OF GENERAL INFORMATION.—Each digital commodity broker and digital commodity dealer shall disclose to the Commission information concerning—

"(A) the terms and conditions of the transactions of the digital commodity broker or digital commodity dealer, respectively;

"(B) the trading operations, mechanisms, and practices of the digital commodity broker or digital commodity dealer, respectively;

"(C) financial integrity protections relating to the activities of the digital commodity broker or digital commodity dealer, respectively; and

"(D) other information relevant to trading in digital commodities by the digital commodity broker or digital commodity dealer, respectively.

"(3) ABILITY TO OBTAIN INFORMATION.—Each digital commodity broker and digital commodity dealer shall—

"(A) establish and enforce internal systems and procedures to obtain any necessary information to perform any of the functions described in this section; and

"(B) provide the information to the Commission, on request.

"(4) CONFLICTS OF INTEREST.—Each digital commodity broker and digital commodity dealer shall establish, maintain, and enforce written policies and procedures—

"(A) reasonably designed, taking into consideration the nature of the business of the person—

"(i) to minimize any conflicts of interest in the decision-making process, including conflicts arising—

"(I) out of transactions or arrangements with affiliates (including affiliates engaging in digital commodity activities); or

"(II) as a result of multiple registrations under this Act;

"(ii) to establish a process for resolving conflicts of interest described in clause (i); and

"(iii) to require disclosure by a digital commodity broker or digital commodity dealer of any material incentives or conflicts of interest that the digital commodity broker or digital commodity dealer is unable to resolve; and

"(B) relating to such additional matters as the Commission determines by rule or regulation to be necessary or appropriate in the public interest.

"(5) ANTITRUST CONSIDERATIONS.—Unless necessary or appropriate to achieve the purposes of this Act, a digital commodity broker or digital commodity dealer shall not—

"(A) adopt any process or take any action that results in any unreasonable restraint of trade; or

"(B) impose any material anticompetitive burden on trading or clearing.

"(k) DESIGNATION OF CHIEF COMPLIANCE OFFICER.—

"(1) IN GENERAL.—Each digital commodity broker and digital commodity dealer shall designate an individual to serve as a chief compliance officer.

"(2) DUTIES.—The chief compliance officer of a registered digital commodity broker or a registered digital commodity dealer shall—

"(A) report directly to the board or to the senior officer of the registered digital commodity broker or registered digital commodity dealer;

"(B) review the compliance of the registered digital commodity broker or registered digital commodity dealer with respect to the registered digital commodity broker and registered digital commodity dealer requirements described in this section;

"(C) in consultation with the board of directors, a body performing a function similar to the board, or the senior officer of the organization, resolve any conflicts of interest that may arise;

“(D) be responsible for administering each policy and procedure that is required to be established pursuant to this section;

“(E) ensure compliance with this Act (including regulations), including each rule prescribed by the Commission under this section;

“(F) establish procedures for the remediation of noncompliance issues identified by the chief compliance officer through any—

“(i) compliance office review;

“(ii) look-back;

“(iii) internal or external audit finding;

“(iv) self-reported error; or

“(v) validated complaint; and

“(G) establish and follow appropriate procedures for the handling, management response, remediation, retesting, and closing of noncompliance issues.

“(3) ANNUAL REPORTS.—

“(A) IN GENERAL.—In accordance with rules that shall be prescribed by the Commission-sion, the chief compliance officer of a registered digital commodity broker or a registered digital commodity dealer shall annually prepare and sign a report that contains a description of—

"(i) the compliance of the registered digital commodity broker or registered digital commodity dealer with this Act (including regulations); and

"(ii) each policy and procedure of the registered digital commodity broker or registered digital commodity dealer followed by the chief compliance officer (including the code of ethics and conflicts of interest policies).

"(B) REQUIREMENTS.—The chief compliance officer shall ensure that a compliance report under subparagraph (A)—

"(i) accompanies each appropriate financial report of the registered digital commodity broker or registered digital commodity dealer that is required to be furnished to the Commission pursuant to this section; and

"(ii) includes a certification that, under penalty of law, the compliance report is accurate and complete.
"(l) SEGREGATION OF DIGITAL COMMODITIES.—
"(1) HOLDING OF CUSTOMER ASSETS.—
"(A) IN GENERAL.—Each digital commodity broker and digital commodity dealer shall hold customer money, assets, and property in a manner to minimize the risk of loss to the customer or unreasonable delay in customer access to the money, assets, and property of the customer.
"(B) QUALIFIED DIGITAL ASSET CUSTODIAN.—Each digital commodity broker and digital commodity dealer shall hold in a qualified digital asset custodian each unit of a digital asset that is—
"(i) the property of a customer or counterparty of the digital commodity broker or digital commodity dealer, respectively;
"(ii) required to be held by the digital commodity broker or digital commodity dealer under subsection (c); or

"(iii) otherwise so required by the Commission to reasonably protect customers and customer assets or promote the public interest.

"(C) NON-CUSTODIAL INTERMEDIARY.—This subsection shall not apply with respect to digital commodities when the digital commodity broker or digital commodity dealer does not maintain control over the private keys or other credentials necessary to exclusively possess and transfer any unit of a digital commodity belonging to the customer.

"(2) SEGREGATION OF FUNDS.—

"(A) IN GENERAL.—Each digital commodity broker and digital commodity dealer shall treat and deal with all money, assets, and property that is received by the digital commodity broker or digital commodity dealer, or accrues to a customer as the result of trading in digital commodities, as belonging to the customer.

"(B) COMMINGLING PROHIBITED.—

"(i) IN GENERAL.—Except as provided in clause (ii), each digital commodity broker and digital commodity dealer shall separately account for money, assets, and property of a digital commodity customer, and shall not commingle any such money, assets, or property with the funds of the digital commodity broker or digital commodity dealer, respectively, or use any such money, assets, or property to margin, secure, or guarantee any trades or accounts of any customer or person other than the person for whom the money, assets, or property are held.

"(ii) EXCEPTIONS.—

"(I) USE OF FUNDS.—

"(aa) IN GENERAL.—A digital commodity broker or digital commodity dealer may, for convenience, commingle and deposit in the same account or accounts with any bank, trust company, derivatives clearing organization, or qualified digital asset custodian money, assets, and property of customers.

"(bb) WITHDRAWAL.—The share of the money, assets, and property described in item (aa) as in the normal course of business shall be necessary to margin, guarantee, secure, transfer, adjust, or settle a contract of sale of a digital commodity with a registered entity may be withdrawn and applied to such purposes, including the payment of commissions, brokerage, interest, taxes, storage, and other charges, lawfully accruing in connection with the contract.

"(II) COMMISSION ACTION.—In accordance with such terms and conditions as the Commission may prescribe by rule, regulation, or order, any money, assets, or property of the customers of a digital commodity broker or digital commodity dealer may be commingled and deposited in customer accounts with any other money, assets, or property received by the digital commodity broker or digital commodity dealer, respectively, and required by the Commission to be separately accounted for and treated and dealt with as belonging to the customer of the digital commodity broker or digital commodity dealer, respectively.

"(3) PERMITTED INVESTMENTS.—Money described in paragraph (2) may be invested in obligations of the United States, in general obligations of any State or of any political subdivision of a State, in obligations fully guaranteed as to principal and interest by the United States, or in any high-quality liquid asset that the Commission may by rule or regulation allow.

"(4) CUSTOMER PROTECTION DURING BANKRUPTCY.—

"(A) CUSTOMER PROPERTY.—

"(i) IN GENERAL.—All assets held on behalf of a customer by a digital commodity broker or digital commodity dealer, and all money, assets, and property of any customer received by a digital commodity broker or digital commodity dealer for trading or custody, or to facilitate, margin, guarantee, or secure contracts of sale of a digital commodity (including money, assets, or property accruing to the customer as the result of the transactions), shall be considered customer property for purposes of section 761 of title 11, United States Code.

"(ii) CUSTOMERS.—For purposes of this subparagraph, the term 'customer' shall not include any person, to the extent that such person has a claim based on any open repurchase agreement, open reverse repurchase agreement, or digital commodity borrowed agreement, except to the extent of any margin delivered to or by the customer with respect to which there is a segregation requirement.

"(B) TRANSACTIONS.—A purchase, sale, or loan of, margin loan or other extension of credit on, or repurchase, reverse repurchase, or other transaction involving a unit of a digital commodity occurring with a digital commodity broker or digital commodity dealer shall be considered—

"(i) a 'contract for the purchase or sale of a commodity for future delivery on, or subject to the rules of, a contract market or board of trade' for purposes of the definition of a 'commodity contract' in section 761 of title 11, United States Code, section 11 of the Federal Deposit Insurance Act (12 U.S.C. 1821), and section 210 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5390); and

"(ii) a 'commodity contract' for purposes of section 5(b)(2)(C) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78eee(b)(2)(C)).

"(C) BROKERS AND DEALERS.—A digital commodity broker and a digital commodity dealer shall be considered a futures commission merchant for purposes of section 761 of title 11, United States Code, section 11 of the Federal Deposit Insurance Act (12 U.S.C. 1821), and section 210 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5390).

"(5) MISUSE OF CUSTOMER PROPERTY.—

"(A) IN GENERAL.—It shall be unlawful—

"(i) for any digital commodity broker or digital commodity dealer that has received any customer money, assets, or property for custody to dispose of, or use any such money, assets, or property as belonging to the digital commodity broker or digital commodity dealer, respectively, or any person other than a customer of the digital commodity broker or digital commodity dealer, respectively; or

"(ii) for any other person, including any depository, digital commodity exchange, other digital commodity broker, other digital commodity dealer, or digital asset custodian that has received any customer money, assets, or property for deposit, to hold, dispose of, or use any such money, assets, or property, as belonging to the depositing digital commodity broker or digital commodity dealer or any person other than the customers of the digital commodity broker or digital commodity dealer, respectively.

"(B) USE FURTHER DEFINED.—For purposes of this section, 'use' of a digital commodity includes utilizing any unit of a digital asset to participate in a distributed ledger service or a decentralized governance system associated with the digital commodity or the distributed ledger system to which the digital commodity relates in any manner other than that expressly directed by the customer from whom the unit of a digital commodity was received.

"(6) PARTICIPATION IN DISTRIBUTED LEDGER SERVICES.—

"(A) USE OF FUNDS.—A digital commodity broker or digital commodity dealer (or a designee of a digital commodity broker or digital commodity dealer) may use a unit of a digital commodity belonging to a customer to provide a distributed ledger service for a distributed ledger system to which the unit of the digital commodity relates if—

"(i) the customer expressly permits the use, in writing, to the digital commodity broker or digital commodity dealer, as the case may be; and

"(ii) the digital commodity broker or digital commodity dealer, as the case may be, complies with subparagraph (B).

"(B) LIMITATIONS.—

"(i) IN GENERAL.—The Commission shall, by rule, establish notice and written disclosure requirements and any other limitations and rules related to a permission provided under subparagraph (A) or the treatment of customer assets in the event of an insolvency, resolution, or liquidation proceeding, including a description of the manner in which any digital commodity would be treated in an insolvency, resolution, or liquidation proceeding, and how the treatment of digital commodities differs from the treatment of any other assets in the event of an insolvency, resolution, or liquidation proceeding, that are reasonably necessary to protect customers, including eligible contract participants, non-eligible contract participants, and any other class of customers.

"(ii) CUSTOMER CHOICE.—A digital commodity broker or digital commodity dealer may not—

"(I) require a customer to provide the permission referred to in subparagraph (A) as a condition of doing business with the digital commodity broker or digital commodity dealer; or

"(II) penalize a customer for not providing the permission referred to in subparagraph (A).

"(C) REQUIREMENTS.—The Commission may, by rule, modify the requirements of paragraph (2) or subsection (g) and adopt rules pursuant to section 20(a) to facilitate the use of a unit of a digital commodity belonging to a customer to provide a distributed ledger service and address the treatment of customer assets in the event of an insolvency, resolution, or liquidation proceeding of a digital commodity broker or digital commodity dealer that engages in such use.

"(7) PROPERTY HELD IN PORTFOLIO MARGIN ACCOUNTS.—

"(A) IN GENERAL.—Notwithstanding paragraph (2), and the rules and regulations thereunder, and pursuant to an exemption granted by the Commission under section 4(c) or pursuant to a rule or regulation—

"(i) a digital commodity broker or digital commodity dealer registered under subsection (b)(1) and also registered as a futures commission merchant pursuant to section 4f(a)(1) may, pursuant to a portfolio margining program approved by the Commission, hold digital commodity customer money, assets, and property in a portfolio margining account carried as a futures account or cleared swaps account; and

"(ii) a digital commodity broker or digital commodity dealer registered under subsection (b)(1) and also registered as a broker or dealer pursuant to section 15(b)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(b)(1)) may, pursuant to a portfolio margining program approved by the Securities and Exchange Commission pursuant to section 19(b) of that Act (15 U.S.C. 78s(b)), hold digital commodity customer money, assets, and property in a portfolio margining account carried as a securities account subject to section

15(c)(3) of that Act (15 U.S.C. 78o(c)(3)) and the rules and regulations thereunder.

''(B) CONSULTATION.—The Commission shall consult with the Securities and Exchange Commission to adopt rules to ensure that such transactions and accounts are subject to comparable requirements to the extent practical for similar products.

''(m) FEDERAL PREEMPTION.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, the Commission shall have exclusive jurisdiction over any digital commodity broker or digital commodity dealer registered under this section with respect to activities subject to this Act.

''(2) PRESERVATION OF AUTHORITY.—Nothing in this Act shall affect the ability of a State or local agency to investigate and bring enforcement actions—

''(A) against a person registered with the Commission regarding fraud, deceit, manipulation, or any other violation of this Act or any rule, regulation, or order of the Commission under this Act, in accordance with section 6d; or

"(B) against any unregistered person for violation of any generally applicable State or local law, including a law relating to fraud, deceit, unfair or deceptive acts or practices, consumer protection, banking, payments, property, contracts, criminal law, or unlawful conduct or practices.

"(n) EXEMPTIONS.—In order to promote responsible innovation and fair competition, or protect customers, the Commission may (on its own initiative or on application of the digital commodity broker or digital commodity dealer) exempt, unconditionally or on stated terms or conditions, or for stated periods, and retroactively or prospectively, or both, a digital commodity broker or digital commodity dealer from the requirements of this Act, if the Commission determines that—

"(1) the exemption—

"(A) would be consistent with the public interest and the purposes of this Act; and

"(B) will not have a material adverse effect on the ability of the Commission to discharge regulatory duties under this Act; or

"(2) the digital commodity broker or digital commodity dealer is subject to comparable, comprehensive supervision and regulation by the appropriate government authorities in the home country of the digital commodity broker or digital commodity dealer, respectively.

"(o) SCOPE OF APPLICATION.—A person registered as a digital commodity broker or digital commodity dealer shall be subject to the requirements of this section and section 8a only with respect to activities that constitute acting as a digital commodity broker or digital commodity dealer as defined in section 1a. Activities that do not independently meet those definitions shall not be subject to the requirements of this section or section 8a.".

(b) SUSPENSION OR REVOCATION OF REGISTRATION.—Section 8a of the Commodity Exchange Act (7 U.S.C. 12a) is amended—

(1) in paragraph (1), by inserting "digital commodity brokers, associated persons of digital commodity brokers, digital commodity dealers, associated persons of digital commodity dealers, digital commodity pool operators, associated persons of digital commodity pool operators, digital commodity trading advisors, associated persons of digital commodity trading advisors," after "to register";

(2) in paragraphs (2) and (3)—

(A) by inserting "a cash or spot digital commodity or" before "a commodity for future delivery" each place it appears; and

(B) by inserting "digital commodity broker, digital commodity dealer, digital commodity pool operator, digital commodity trading advisor," before "futures commission merchant" each place it appears;

(3) in paragraph (4)—

(A) by striking "futures commission merchant or" and inserting "digital commodity broker, digital commodity dealer, futures commission merchant, or"; and

(B) by inserting "cash or spot digital commodity or" before "commodity for future delivery"; and

(4) in paragraph (7)—

(A) in the matter preceding subparagraph (A), by inserting "cash or spot digital commodities or" before "commodities traded for future delivery"; and

(B) in subparagraph (B), by inserting "and for cash or spot digital commodities" after "future delivery".

SEC. 20207. REGISTRATION AND REGULATION OF ASSOCIATED PERSONS.

(a) IN GENERAL.—Section 4k of the Commodity Exchange Act (7 U.S.C. 6k) is amended by adding at the end the following:

"(7) ASSOCIATED PERSONS OF DIGITAL COMMODITY BROKERS AND DIGITAL COMMODITY DEALERS.—

"(A) IN GENERAL.—It shall be unlawful for any person to act as an associated person of a digital commodity broker or an associated person of a digital commodity dealer unless the person is registered with the Commission under this Act and such registration shall not have expired, been suspended (and the period of suspension has not expired), or been revoked.

"(B) DUTY OF DIGITAL COMMODITY BROKERS AND DEALERS.—It shall be unlawful for a digital commodity broker or a digital commodity dealer to permit a person described in subparagraph (A) to become or remain associated with the digital commodity broker or digital commodity dealer if the digital commodity broker or digital commodity dealer knew or should have known that the person was not so registered or that the registration had expired, been suspended (and the period of suspension has not expired), or been revoked.

"(C) FEDERAL PREEMPTION.—Notwithstanding any other provision of law, the Commission shall have exclusive jurisdiction over any associated person of a digital commodity broker or any associated person of a digital commodity dealer registered under this section with respect to activities and transactions subject to this Act.

"(8) ASSOCIATED PERSONS OF DIGITAL COMMODITY POOL OPERATORS AND DIGITAL COMMODITY TRADING ADVISORS.—

"(A) IN GENERAL.—It shall be unlawful for any person to act as an associated person of a digital commodity pool operator or an associated person of a digital commodity trading advisor unless the person is registered with the Commission under this Act and such registration shall not have expired, been suspended (and the period of suspension has not expired), or been revoked.

"(B) DUTY OF DIGITAL COMMODITY POOL OPERATORS AND DIGITAL COMMODITY TRADING ADVISORS.—It shall be unlawful for a digital commodity pool operator or a digital commodity trading advisor to permit a person described in subparagraph (A) to become or remain associated with the digital commodity pool operator or digital commodity trading advisor if the digital commodity pool operator or digital commodity trading advisor knew or should have known that the person was not so registered or that the registration had expired, been suspended (and the period of suspension has not expired), or been revoked.

"(C) FEDERAL PREEMPTION.—Notwithstanding any other provision of law, the Commission shall have exclusive jurisdiction over any associated person of a digital commodity pool operator or any associated person of a digital commodity trading advisor registered under this section with respect to activities and transactions subject to this Act.".

(b) APPLICATION.—Section 4k(4) of the Commodity Exchange Act (7 U.S.C. 6k(4)) is amended, in the first sentence, by striking "or of a commodity trading advisor" and inserting "of a commodity trading advisor, of a digital commodity pool operator, of a digital commodity trading advisor, of a digital commodity broker, or of a digital commodity dealer''.

SEC. 20208. REGISTRATION AND REGULATION OF DIGITAL COMMODITY POOL OPERATORS AND DIGITAL COMMODITY TRADING ADVISORS.

(a) DEFINITION OF ELIGIBLE CONTRACT PARTICIPANT.—Section 1a of the Commodity Exchange Act (7 U.S.C. 1a) is amended, in paragraph (41)(A)(iv) (as redesignated by section 20101(a)), by inserting ''or digital commodity pool'' after ''commodity pool'' each place it appears.

(b) COMMODITY TRADING ADVISORS AND COMMODITY POOL OPERATORS.—Section 4l of the Commodity Exchange Act (7 U.S.C. 6l) is amended—

(1) in the matter preceding paragraph (1), by striking ''commodity trading advisors'' and inserting ''digital commodity trading advisors, digital commodity pool operators, commodity trading advisors,''; and

(2) in paragraph (2), inserting ''with respect to commodity trading advisors and commodity pool operators, and digital commodities on or subject to the rules of digital commodity exchanges with respect to digital commodity trading advisors and digital commodity pool operators'' before ''; and''.

(c) INTERSTATE COMMERCE.—Section 4m of the Commodity Exchange Act (7 U.S.C. 6m) is amended—

(1) in paragraph (1), in the first sentence—

(A) by striking ‘‘commodity trading advisor or commodity pool operator’’ each place it appears and inserting ‘‘digital commodity trading advisor, digital commodity pool operator, commodity trading advisor, or commodity pool operator’’;

(B) by inserting ‘‘digital commodity trading advisor or’’ before ‘‘commodity trading advisor who’’;

(C) by striking ‘‘commodity trading advice’’ and inserting ‘‘digital commodity trading advice or commodity trading advice, respectively,’’; and

(D) by striking ‘‘as a commodity trading advisor’’ and inserting ‘‘as a digital commodity trading advisor or a commodity trading advisor, respectively’’;

(2) in paragraph (2), by inserting ‘‘digital commodity pool or’’ before ‘‘commodity pool’’ each place it appears;

(3) in paragraph (3)—

(A) in subparagraph (A), by striking "not apply to" and all that follows through the period at the end and inserting the following: "not apply to—

"(i) any commodity trading advisor that is registered with the Securities and Exchange Commission as an investment adviser whose business does not consist primarily of acting as a commodity trading advisor, as defined in section 1a, and that does not act as a commodity trading advisor to any commodity pool that is engaged primarily in trading commodity interests; or

"(ii) any digital commodity trading advisor that is registered with the Securities and Exchange Commission as an investment adviser whose business does not consist primarily of acting as a digital commodity trading advisor, as defined in section 1a, and that does not act as a digital commodity trading advisor to any digital commodity pool that is engaged primarily in trading digital commodities."; and

(B) in subparagraph (B), by striking ''subparagraph (A),'' and all that follows through the period at the end and inserting the following: ''subparagraph (A)—

''(i) a commodity trading advisor or a commodity pool shall be considered to be 'engaged primarily' in the business of being a commodity trading advisor or commodity pool if it is or holds itself out to the public as being engaged primarily, or proposes to engage primarily, in the business of advising on commodity interests or investing, reinvesting, owning, holding, or trading in commodity interests, respectively; and

''(ii) a digital commodity trading advisor or a digital commodity pool shall be considered to be 'engaged primarily' in the business of being a digital commodity trading advisor or digital commodity pool if it is or holds itself out to the public as being engaged primarily, or proposes to engage primarily, in the business of advising on digital commodities or investing, reinvesting, owning, holding, or trading in digital commodities, respectively.''; and

(4) by adding at the end the following:

''(4) EXEMPTIVE AUTHORITY.—

''(A) IN GENERAL.—The Commission shall promulgate rules to provide appropriate exemptions for digital commodity pool operators and digital commodity trading advisors to provide relief from duplicative, conflicting, or unduly burdensome requirements or to promote responsible innovation, to the extent the exemptions—

''(i) foster the development of fair and orderly cash or spot digital commodity markets;

''(ii) are necessary or appropriate in the public interest; and

''(iii) are consistent with the protection of customers.

''(B) EXEMPTIONS.—Notwithstanding subparagraph (A), the Commission shall promulgate rules to provide exemptions from registration for digital commodity pools operators and digital commodity trading advisers for the following categories:

"(i) Operators of, and advisers to, digital commodity pools that are excluded from the definition of 'investment company' by section 3(c) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)).

"(ii) Operators of, and advisers to, digital commodity pools that do not invest more than 40 percent of their total assets in digital commodities.".

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

(1) by striking "commodity trading advisor" each place it appears and inserting "digital commodity trading advisor, digital commodity pool operator, commodity trading advisor,";

(2) in paragraph (3)(B)—

(A) by striking "commodity trading advisors" and inserting "digital commodity trading advisors, digital commodity pool operators, commodity trading advisors," and

(B) by inserting "digital commodity or" before "futures market positions";

(3) in paragraph (4)—

(A) in the first sentence, by inserting ‘‘digital commodity pool operator or’’ before ‘‘commodity pool operator’’; and

(B) by inserting ‘‘client or’’ before ‘‘participant’’ each place it appears; and

(4) by adding at the end the following:

‘‘(5) FEDERAL PREEMPTION.—Notwithstanding any other provision of law, the Commission shall have exclusive jurisdiction over any digital commodity pool operator or digital commodity trading advisor registered under this section with respect to activities and transactions subject to this Act.’’.

(e) FRAUD AND MISREPRESENTATION.—Section 4o of the Commodity Exchange Act (7 U.S.C. 6o) is amended by inserting ‘‘digital commodity trading advisor, associated person of a digital commodity trading advisor, digital commodity pool operator, associated person of a digital commodity pool operator,’’ before ‘‘commodity trading advisor, associated person of a commodity trading advisor,’’ each place it appears.

(f) TECHNICAL AMENDMENTS.—

(1) Section 5g(a) of the Commodity Exchange Act (7 U.S.C. 7b–2(a)) is amended by inserting ‘‘digital commodity pool operator, digital commodity trading advisor,’’ before ‘‘or introducing broker’’.

(2) Section 4(c)(3)(G) of the Commodity Exchange Act (7 U.S.C. 6(c)(3)(G)) is amended by striking ''or a commodity'' and inserting ''digital commodity trading advisor, or commodity''.

SEC. 20209. SOFTWARE DEVELOPER PROTECTIONS.

The Commodity Exchange Act (7 U.S.C. 1 et seq.) is amended by inserting after section 4u (as added by section 20205(a)) the following:

''SEC. 4v. APPLICATION TO SOFTWARE DEVELOPERS.

''(a) IN GENERAL.—Notwithstanding any other provision of this Act, except as provided in subsection (b), a person shall not be subject to this Act and the regulations promulgated under this Act based on the person directly or indirectly engaging in any of the following activities, whether singly or in combination, in relation to the operation of a blockchain system or in relation to a decentralized finance trading protocol:

''(1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity.

''(2) Providing computational work, operating a node or oracle service, procuring, offering, or utilizing network bandwidth, or providing other similar incidental services.

"(3) Providing a user-interface that enables a user to read and access data about a blockchain system.

"(4) Developing, publishing, or otherwise distributing a blockchain system or a decentralized finance messaging system.

"(5) Constituting, administering, or maintaining a decentralized finance messaging system or decentralized finance trading protocol, or operating or participating in a liquidity pool with respect thereto, for the purpose of executing a spot transaction for the purchase or sale of a digital commodity.

"(6) Developing, publishing, constituting, administering, maintaining, or otherwise distributing software or systems that create or deploy hardware or software, including wallets or other systems, facilitating an individual user's own personal ability to keep, safeguard, or custody the user's digital assets or related private keys.

"(b) EXCEPTIONS.—Subsection (a) shall not be interpreted to apply to the anti-fraud, anti-manipulation, or false reporting enforcement authorities of the Commission.".

SEC. 20210. RESOURCES FOR IMPLEMENTATION.

The Commodity Exchange Act is amended by inserting after section 8d (7 U.S.C. 12d) the following:

"SEC. 8e. RESOURCES FOR IMPLEMENTATION REGARDING DIGITAL COMMODITY EXCHANGES, BROKERS, AND DEALERS.

"(a) COLLECTION OF FEES.—

"(1) IN GENERAL.—The Commission shall, in accordance with this subsection, assess and collect fees from digital commodity brokers, digital commodity dealers, digital commodity exchanges, and qualified digital asset custodians—

"(A) on the filing of a notice of intent to register under section 20104 of the Digital Commodity Intermediaries Act, or if the person has not filed such a notice of intent to register, on the filing of the person's initial application for registration; and

"(B) on an annual basis thereafter.

"(2) PURPOSE.—The fees under paragraph (1) shall be used to recover the annual costs of—

"(A) registering digital commodity exchanges, digital commodity brokers, digital commodity dealers, and qualified digital asset custodians;

"(B) conducting oversight of digital commodity exchanges, digital commodity brokers, digital commodity dealers, qualified digital asset custodians, and digital commodity transactions;

"(C) carrying out education and outreach under subsection (b); and

"(D) carrying out such other activities as are required by the Digital Commodity Intermediaries Act and the amendments made by that Act.

"(3) DETERMINATION OF FEE RATES.—In determining fee rates under paragraph (1), the Commission shall consider—

"(A) the volume of business of the digital commodity exchange, digital commodity broker, digital commodity dealer, or qualified digital asset custodian; and

"(B) the registration category of the digital commodity exchange, digital commodity broker, digital commodity dealer, or qualified digital asset custodian.

"(4) PROHIBITION.—The Commission shall not require a digital commodity exchange, digital commodity broker, digital commodity dealer, or qualified digital asset custodian to collect directly from customers a transaction-based fee for each digital commodity transaction.

"(5) PUBLICATION.—

"(A) 1ST FISCAL YEAR.—Not later than 30 days after the date of enactment of this section, the Commission shall publish the fee rates determined pursuant to this subsection for the fiscal year in which this section is enacted.

"(B) SUBSEQUENT FISCAL YEARS.—Not later than 60 days after the date of enactment of an Act making a regular appropriation to the Commission for a fiscal year, the Commission shall publish in the Federal Register a notice of—

"(i) the fee rates determined pursuant to this subsection for that fiscal year; and

"(ii) any estimates or projections on which those fee rates are based.

"(6) RECORDS AND DISCLOSURE.—In carrying out this subsection, the Commission shall not be required to comply with section 553 of title 5, United States Code.

"(7) NO JUDICIAL REVIEW.—A fee rate prescribed under this subsection shall not be subject to judicial review.

"(8) DEPOSIT OF FEES.—Fees collected pursuant to this subsection for any fiscal year shall be deposited and credited as offsetting collections to the account providing appropriations to the Commission.

"(9) ANNUAL ADJUSTMENT.—For each fiscal year, the Commission shall, by order, determine fee rates pursuant to this subsection that are reasonably likely to produce aggregate fee collections that are equal to the annual appropriation to the Commission by Congress for the activities described in paragraph (2).

"(10) LAPSE OF APPROPRIATION.—If, on the first day of a fiscal year, a regular appropriation to the Commission has not been enacted, the Commission shall continue to collect (as offsetting collections) fees pursuant to this subsection at each of the rates in effect during the preceding fiscal year.

"(11) BUDGET REQUESTS.—The Commissions shall itemize in each budget submitted to the President or the Office of Management and Budget the estimated annual costs of—

"(A) registering digital commodity exchanges, digital commodity brokers, digital commodity dealers, and qualified digital asset custodians;

"(B) conducting oversight of digital commodity exchanges, digital commodity brokers, digital commodity dealers, qualified digital asset custodians, and digital commodity transactions;

"(C) carrying out education and outreach under subsection (b); and

"(D) carrying out such other activities as are required by the Digital Commodity Intermediaries Act and the amendments made by that Act.

"(12) LIMITATIONS.—

"(A) IN GENERAL.—Fees may only be assessed and imposed pursuant to this subsection on digital commodity exchanges, digital commodity brokers, digital commodity dealers, and qualified digital asset custodians regulated by the Commission pursuant to the Digital Commodity Intermediaries Act and the amendments made by that Act.

"(B) USE OF FEES.—Fees authorized under this subsection are prohibited from funding any Commission activity not directly related to the activities described in paragraph (2).

"(b) CUSTOMER EDUCATION AND OUTREACH.—The Commission shall provide education and outreach to customers participating in digital commodity markets.

"(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out the Digital Commodity Intermediaries Act and the amendments made by that Act $150,000,000, to remain available until expended, until the Commission has established and is collecting registration fees pursuant to subsection (a).

"(d) EXPEDITED HIRING AUTHORITY.—

"(1) APPOINTMENT AUTHORITY.—The Chairman of the Commission may appoint individuals to a position described in paragraph (2)—

"(A) in accordance with the statutes, rules, and regulations governing appointments to positions in the excepted service (as defined in section 2103 of title 5, United States Code); and

"(B) without regard to any statute, rule, or regulation governing appointments to positions in the competitive service (as defined in section 2102 of such title).

"(2) POSITION DESCRIBED.—A position referred to in paragraph (1) is a position at the Commission that—

"(A) is in the competitive service (as defined in section 2102 of title 5, United States Code); and

"(B) requires specialized knowledge of digital commodities markets, financial and capital market formation or regulation, financial market structures or surveillance, data collection or analysis, or information technology, cybersecurity, or system safeguards.

"(3) RULE OF CONSTRUCTION.—The appointment of a candidate to a position under this subsection shall not be considered to cause the position to be converted from the competitive service (as defined in section 2102 of title 5, United States Code) to the excepted service (as defined in section 2103 of such title).".

SEC. 20211. PORTFOLIO MARGINING.

(a) IN GENERAL.—Section 4d(h) of the Commodity Exchange Act (7 U.S.C. 6d(h)) is amended in the first sentence—

(1) by inserting "or subsection (f)(2)" after "subsection (a)(2)"; and

(2) by inserting "or a cleared swap" after "an option on such a contract".

(b) COMMODITY BROKER DEBTORS.—Section 20(c) of the Commodity Exchange Act (7 U.S.C. 24(c)) is amended—

(1) by inserting "and digital commodities" after "securities"; and

(2) by inserting "or cleared swaps account" after "futures account".

SEC. 20212. CLARIFICATION ON CUSTOMER PROPERTY.

Section 20(a) of the Commodity Exchange Act (7 U.S.C. 24(a)) is amended—

(1) in paragraph (4), by striking "and" at the end;

(2) in paragraph (5), by striking the period at the end and inserting "; and"; and

(3) by adding at the end the following:

"(6) that cash, securities, or other property of the estate of a commodity broker, including the trading or operating accounts of the commodity broker and commodities held in inventory by the commodity broker, shall, subject to any otherwise unavoidable security interest, or otherwise unavoidable contractual offset or netting rights of creditors (including rights set forth in a rule or bylaw of a derivatives clearing organization or a clearing agency) in respect of such property, be included in customer property, but only to the extent that the property that is otherwise customer property is insufficient to satisfy the net equity claims of public customers (as such term may be defined by the Commission by rule or regulation) of the commodity broker.''.

SEC. 20213. DIGITAL COMMODITY RETAIL ADVOCATE.

The Commodity Exchange Act (7 U.S.C. 1 et seq.) is amended by adding at the end the following:

''SEC. 24. OFFICE OF THE DIGITAL COMMODITY RETAIL ADVOCATE.

''(a) DEFINITIONS.—In this section:

''(1) CHAIRMAN.—The term 'Chairman' means the Chairman of the Commission.

''(2) OFFICE.—The term 'Office' means the Office of the Digital Commodity Retail Advocate established by subsection (b).

''(3) RETAIL PARTICIPANT.—The term 'retail participant' means a person that—

''(A) is not an eligible contract participant;

''(B) is participating in a spot or cash digital commodity market; and

''(C) has engaged or is engaging in a digital commodity transaction with a person registered with the Commission.

"(b) OFFICE ESTABLISHED.—There is established within the Commission the Office of the Digital Commodity Retail Advocate.

"(c) DIGITAL COMMODITY RETAIL ADVOCATE.—

"(1) IN GENERAL.—The Digital Commodity Retail Advocate shall—

"(A) report directly to the Chairman; and

"(B) be appointed by the Chairman from among individuals with experience in advocating for the interests of digital commodity market retail participants.

"(2) COMPENSATION.—The annual rate of pay for the Digital Commodity Retail Advocate shall be equal to the highest rate of annual pay for other senior executives who report to the Chairman.

"(3) LIMITATION ON SERVICE.—An individual who serves as the Digital Commodity Retail Advocate may not be employed by the Commission—

"(A) during the 2-year period ending on the date of appointment as Digital Commodity Retail Advocate; or

"(B) during the 5-year period beginning on the date on which the person ceases to serve as the Digital Commodity Retail Advocate.

"(d) FUNCTIONS OF THE DIGITAL COMMODITY RETAIL ADVOCATE.—The Digital Commodity Retail Advocate shall—

"(1) assist retail participants in resolving significant problems they may have with the Commission or a registered futures association;

"(2) identify areas in which retail participants would benefit from changes in the regulations of the Commission or the rules of registered futures associations;

"(3) identify problems that retail participants have with persons registered with the Commission;

"(4) analyze the potential impact on retail participants of—

"(A) proposed regulations of the Commission; and

"(B) proposed rules of registered futures associations;

"(5) to the extent practicable, propose to the Commission changes in the regulations or orders of the Commission, and to Congress any legislative, administrative, or personnel changes, that may be appropriate—

"(A) to mitigate problems identified under this subsection; and

"(B) to promote the interests of retail participants;

"(6) conduct research to identify and understand issues that affect retail participants; and

"(7) cooperate with and provide assistance to the Office of Customer Education and Outreach to conduct initiatives and outreach for retail participants.

"(e) ACCESS TO DOCUMENTS.—

"(1) IN GENERAL.—At the discretion of the Chairman, the Digital Commodity Retail Advocate shall have full access to the documents of the Commission and registered futures associations as necessary to carry out the functions of the Office.

"(2) EFFECT.—Nothing in the subsection authorizes the Digital Commodity Retail Advocate, or staff of the Office, to have access to, or to release publicly or internally within the Commission, proprietary or sensitive market data.

"(3) POLICIES AND PROCEDURES.—The Office shall establish and make public on the website of the Commission policies and procedures in place to safeguard the confidentiality of any documents the Digital Commodity Retail Advocate or staff of the Office has access to.

"(f) ANNUAL REPORTS.—

"(1) REPORT ON OBJECTIVES.—

"(A) IN GENERAL.—Not later than June 30 of each year, the Digital Commodity Retail Advocate shall submit to the Committee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Agriculture of the House of Representatives a report describing the objectives of the Digital Commodity Retail Advocate for the following fiscal year.

"(B) CONTENTS.—Each report required under subparagraph (A) shall contain full and substantive analysis and explanation.

"(2) REPORT ON ACTIVITIES.—

"(A) IN GENERAL.—Not later than December 31 of each year, the Digital Commodity Retail Advocate shall submit to the Committee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Agriculture of the House of Representatives a report describing the activities of the Digital Commodity Retail Advocate during the immediately preceding fiscal year.

"(B) CONTENTS.—Each report required under subparagraph (A) shall include—

"(i) appropriate statistical information and full and substantive analysis;

"(ii) information on steps that the Digital Commodity Retail Advocate has taken during the reporting period to improve—

"(I) services to and communication with retail participants; and

"(II) the responsiveness of the Commission and registered futures associations to retail participant concerns;

"(iii) a summary of the most serious problems reported to the Office or the Commission by retail participants during the reporting period;

"(iv) an inventory of the items described in clause (iii) that includes—

"(I) identification of any action taken by the Commission or a registered futures association and the result of that action;

"(II) the period of time that each item has remained on the inventory; and

"(III) for items with respect to which no action has been taken, the reasons for inaction, and an identification of any official who is responsible for the action;

"(v) recommendations for such administrative and legislative actions as may be appropriate to resolve problems encountered by retail participants; and

"(vi) any other information, as determined appropriate by the Digital Commodity Retail Advocate.

"(C) INDEPENDENCE.—Each report required under subparagraph (A) shall be provided directly to the committees described in that subparagraph without any prior review or comment from the Commission, any Commissioner, any other officer or employee of the Commission, or the Office of Management and Budget.

"(D) CONFIDENTIALITY.—No report required under subparagraph (A) may contain confidential information.

"(g) OMBUDSMAN.—

"(1) APPOINTMENT.—Not later than 180 days after the date on which the first Digital Commodity Retail Advocate is appointed under subsection (c)(1)(B), the Digital Commodity Retail Advocate shall appoint an Ombudsman, who shall report directly to the Digital Commodity Retail Advocate.

"(2) DUTIES.—The Ombudsman appointed under paragraph (1) shall—

"(A) act as a liaison between the Commission and any retail participant in resolving problems the retail participant may have with the Commission or a registered futures association;

"(B) review and make recommendations regarding policies and procedures to encourage persons to present questions to the Digital Commodity Retail Advocate regarding compliance with this Act; and

"(C) establish safeguards to maintain the confidentiality of communications between the persons described in subparagraph (B) and the Ombudsman.

"(3) LIMITATION.—

"(A) PERSONNEL.—In carrying out the duties of the Ombudsman under paragraph (2), the Ombudsman shall utilize personnel of the Commission, to the extent practicable.

''(B) EFFECT.—Nothing in this paragraph shall be construed as replacing, altering, or diminishing the activities of any ombudsman or similar office of any other agency.

''(4) REPORT.—

''(A) REPORT ON ACTIVITIES.—The Ombudsman shall submit to the Digital Commodity Retail Advocate an annual report that describes the activities and evaluates the effectiveness of the Ombudsman during the preceding 1-year period.

''(B) SUBMISSION.—The Digital Commodity Retail Advocate shall include the reports required under subparagraph (A) in the reports required to be submitted by the Digital Commodity Retail Advocate under subsection (f).''.

SEC. 20214. STUDY ON DIGITAL COMMODITY PARTICIPANTS.

Not later than 180 days after the date of enactment of this Act, the Commodity Futures Trading Commission (referred to in this section as the ''Commission'') shall—

(1) examine the racial, ethnic, age, gender, income, and education demographics of customers participating in digital commodity markets;

(2) submit to the Committee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Agriculture of the House of Representatives a report—

(A) describing how those demographics will inform the rules and regulations of the Commission relating to customer protection;

(B) proposing ways in which the Commission can provide outreach to historically underserved customers participating in digital commodity markets; and

(C) containing policy recommendations relating to any other activities the Commission determines to be necessary to provide appropriate protection, outreach, or other similar activities relating to historically underserved customers participating in digital commodity markets; and

(3) in preparing the report under this subsection, seek and consider information and input from a broad range of stakeholders, including mar-

ket participants, customers, and consumer advocates.

SEC. 20215. DIGITAL COMMODITY TRADING REPORTS.

The Commodity Exchange Act (7 U.S.C. 1 et seq.) is amended by inserting after section 4v (as added by section 20209) the following:

"SEC. 4w. DIGITAL COMMODITY TRADING REPORTS.

"(a) IN GENERAL.—A digital commodity exchange, digital commodity dealer, or digital commodity broker shall file periodic reports with the Commission concerning a customer's reportable position in a digital commodity over a threshold set by the Commission, as the Commission may prescribe by rule or regulation.

"(b) RECORDS.—A digital commodity exchange, digital commodity broker, or digital commodity dealer with a customer who owns, holds, or controls a reportable position in a digital commodity subject to oversight under this section shall keep books and records showing details of the customer's positions and transactions in such digital commodity.

"(c) REPORTABLE POSITIONS.—

"(1) IN GENERAL.—The Commission, by rule or regulation, shall establish a reportable position, if any, for a digital commodity as the Commission determines is necessary to carry out its responsibilities under this Act.

"(2) CONSIDERATION.—In making the determination under this subsection, the Commission shall consider the factors described in section 4a(a)(3).

"(d) REPORTING AND RECORDKEEPING REQUIREMENTS.—

"(1) IN GENERAL.—The Commission, by rule or regulation, shall issue reporting and recordkeeping requirements to implement subsections (b) and (c).

"(2) STANDARDIZED AND AUTOMATABLE ELEMENTS.—Rules or regulations adopted under this section shall, to the extent practicable, be implemented through standardized and automatable elements, including, as applicable—

"(A) standardized data fields and definitions;

"(B) reporting formats, taxonomies, and schemas;

"(C) submission methods, including automated electronic submission;

"(D) reporting frequency and deadlines; and

"(E) validation standards and error-correction procedures.".

SEC. 20216. PROTECTION OF SELF-CUSTODIED DIGITAL ASSETS.

(a) DEFINITION OF SELF-CUSTODIED DIGITAL ASSET.—In this section, the term "self-custodied digital asset" means 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.

(b) PRESERVATION OF SELF-CUSTODIED OWNERSHIP RIGHTS.—

(1) IN GENERAL.—No digital asset lawfully held in self-custody shall be deemed abandoned, unclaimed, or subject to forfeiture, escheat, adverse possession, finder's title, or any similar property claim under any Federal, State, or local law solely due to inactivity, dormancy, or lack of an indication of interest by the owner.

(2) PREEMPTION.—This section shall supersede any law or regulation of a State or political subdivision thereof that treats a self-custodied digital asset as abandoned or subject to escheat, forfeiture, or any claim of title based on inactivity or dormancy.

(3) PRESERVATION OF CUSTODIAL LAW.—Nothing in this section shall be construed to affect or limit the application of any Federal or State unclaimed property, escheat, or abandoned property law to a digital asset held by a digital asset custodian, digital commodity exchange, digital commodity broker, or digital commodity dealer on behalf of a customer.

(4) PRESERVATION OF ENFORCEMENT AUTHORITY.—Nothing in this section shall be construed to limit the authority of any Federal, State, or local agency to investigate or bring enforcement actions with respect to fraud, theft, money laundering, sanctions violations, or other unlawful conduct involving a self-custodied digital asset.

SEC. 20217. DISCLOSURE REQUIREMENTS CONSULTATION.

In prescribing rules to implement the disclosure requirements under section 4B(d) of the Securities Act of 1933, section 4u(i)(2) of the Commodity Exchange Act, and subparagraphs (B)(ii) and (C)(ii) of section 5i(c)(3) of the Commodity Exchange Act, the Securities and Exchange Commission and the Commodity Futures Trading Commission shall consult with one another and, to the extent practicable, avoid inconsistent or duplicative disclosure or public information obligations.

SEC. 20218. ADDITIONAL REGISTRATIONS.

Section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 78o) is amended by adding at the end the following:

"(p) ADDITIONAL REGISTRATIONS WITH THE COMMODITY FUTURES TRADING COMMISSION.—

"(1) REGISTERED BROKERS AND DEALERS.—A registered broker or registered dealer shall be permitted to maintain a registration with the Commodity Futures Trading Commission as a digital commodity broker or digital commodity dealer.

"(2) NATIONAL SECURITIES EXCHANGES.—A national securities exchange, or an affiliate of a national securities exchange, shall be permitted to maintain a registration with the Commodity Futures Trading Commission as a digital commodity exchange.

"(3) ALTERNATIVE TRADING SYSTEMS.—An alternative trading system, and the operator of an alternative trading system, shall be permitted to maintain a registration with the Commodity Futures Trading Commission as a digital commodity exchange.

"(4) NOTICE OF APPLICATION.—Any person or entity described in any of paragraphs (1) through (3) shall provide to the Commission, at such time and in such form and manner as the Commission shall prescribe, notice of any application to register with the Commodity Futures Trading Commission as a digital commodity broker, digital commodity dealer, or digital commodity exchange.''.

SEC. 20219. ELIGIBILITY OF ALTERNATIVE TRADING SYSTEMS.

(a) IN GENERAL.—Section 5 of the Securities Exchange Act of 1934 (15 U.S.C. 78e) is amended—

(1) by striking ''It'' and inserting the following: ''(a) IN GENERAL.—It''; and

(2) by adding at the end the following:

''(b) DIGITAL COMMODITY PROTECTIONS.—

''(1) IN GENERAL.—The Commission may not preclude a trading platform from operating pursuant to a covered exemption to exchange registration under section 6 on the basis that the assets traded or to be traded on that platform include—

''(A) digital commodities or permitted payment stablecoins; and

''(B) securities.

''(2) COVERED EXEMPTION.—In this subsection, the term 'covered exemption' means an exemption—

''(A) described in subsection (a)(2); or

"(B) with respect to any other rule of the Commission relating to the definition of 'exchange'.".

(b) FACILITIES.—Section 3(a)(2) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(2)) is amended by adding at the end the following: "Neither an alternative trading system predominantly facilitating the trading of digital commodities, permitted payment stablecoins, or both, relative to its securities traded, nor a digital commodity exchange, is a 'facility' of an exchange.".

(c) RULE OF CONSTRUCTION.—Nothing in this section, the amendments made by this section, or section 20103(h) may be construed to—

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

(2) create a presumption that any other type of alternative trading system owned or operated by a national securities exchange is a facility of that exchange.

DIVISION C—ETHICS REQUIREMENTS

SEC. 30101. BAN ON CERTAIN DIGITAL ASSET TRANSACTIONS.

(a) IN GENERAL.—Chapter 131 of title 5, United States Code, is amended by adding at the end the following:

"SUBCHAPTER IV—ETHICS REQUIREMENTS FOR DIGITAL ASSETS

"§ 13151. Definitions

"In this subchapter:

"(1) APPLICABLE ETHICS AGENCY.—The term 'applicable ethics agency' means, as appropriate, based on the covered individual—

"(A) the Office of Government Ethics, or designated agency ethics official;

"(B) the Select Committee on Ethics of the Senate or the Committee on Ethics of the House of Representatives; or

"(C) the Judicial Conference of the United States, or any committee thereof designated by the Chief Justice of the United States.

"(2) COVERED INDIVIDUAL.—The term 'covered individual' means—

"(A) a public official or employee; or

"(B) the spouse of a public official or employee.

"(3) DIGITAL ASSET; DIGITAL ASSET INTERMEDIARY.—The terms 'digital asset' and 'digital asset intermediary' have the meanings given those terms in section 10001 of the Digital Asset Market Clarity Act.

"(4) ISSUE.—The term 'issue' means to—

"(A) create, mint, or launch a specific digital asset; or

"(B) direct, or exercise control over, the initial offer, sale, or distribution of a specific digital asset to any person.

"(5) PUBLIC OFFICIAL OR EMPLOYEE.—The term 'public official or employee' means an individual described in section 13103(f).

"(6) SPONSOR.—

"(A) IN GENERAL.—The term 'sponsor' means to enter into an agreement to—

"(i) fund, organize, or publicly endorse or advocate for the creation, launch, or express promotion of a specific digital asset; or

"(ii) permit the use of one's name, image, likeness, office, or official position in connection with the creation, launch, or express promotion of a specific digital asset.

"(B) RULE OF CONSTRUCTION.—For purposes of this section, appearing at an event paid for or organized by a person that issues or sponsors a digital asset or encouraging the use of digital assets generally shall not be deemed sponsorship.

"§ 13152. Ban on certain digital asset transactions

"(a) BAN.—A covered individual shall not, in exchange for consideration—

"(1) issue a digital asset; or

"(2) sponsor a digital asset.

"(b) APPLICABLE PERIOD.—The prohibitions set forth in subsection (a) shall apply—

"(1) in the case of a covered individual who is a public official or employee, during the term of service of that public official or employee; and

"(2) in the case of a covered individual who is the spouse of a public official or employee, during the term of service of that public official or employee.

"(c) BAN ON LISTING.—A digital asset that is found to be issued or sponsored by a covered individual in violation of paragraph (1) or (2), respectively, of subsection (a) shall not be listed for trading on a digital asset intermediary.

"(d) UNAUTHORIZED THIRD-PARTY USE.—A covered individual shall not be deemed to have violated this section solely due to any action of a third party if the covered individual did not authorize, direct, coerce, exercise control over, or coordinate with the third party.

"(e) SAFE HARBOR.—

"(1) QUALIFIED BLIND TRUSTS; DIVESTMENT.—

"(A) IN GENERAL.—A covered individual shall not be deemed to violate subsection (a) if the covered individual places any direct interest in a digital asset issued or sponsored before the beginning of the applicable period under subsection (b) in a qualified blind trust, divests the direct interest, or both.

"(B) REQUIREMENTS.—Placement in a qualified blind trust, divestment, or both, shall be consistent with sections 13101 and 13104 of this title, in accordance with the same procedures, deadlines, and requirements applicable to ethics agreements executed pursuant to section 208 of title 18, and the regulations issued thereunder, or the laws and regulations governing qualified blind trusts for covered individuals in the legislative and judicial branches, which shall include—

"(i) a timeline set by the applicable ethics agency;

"(ii) eligibility for a certificate of divestiture under section 1043 of the Internal Revenue Code of 1986, to the same extent and in the same manner as any other property divested to comply with this chapter, or any ethics agreement thereunder; and

"(iii) certification of compliance requirements administered by the applicable ethics agency.

"(2) CONTINUED USE OF NAME, IMAGE, OR LIKENESS.—A covered individual shall not be deemed to violate this section if the issuer or sponsor of a digital asset, or a digital asset intermediary, that used the name, image, or likeness of a covered individual before the date on which the covered individual became a covered individual, continues to use the name image, or likeness of the covered individual, including through the minting, sale, or distribution of additional digital assets, following divestment or placement in a qualified blind trust of any direct interest of the covered individual pursuant to paragraph (1).

"(3) DEFINITION OF DIRECT INTEREST.—For purposes of this subsection, the term 'direct interest in a digital asset' means—

"(A) holding a digital asset; or

"(B) owning, controlling, or holding not less than 20 percent, by vote or value, of the outstanding amount of any class of equity interest in a business entity, or subsidiary thereof, that obtains greater than 50 percent of the revenues of the business entity or subsidiary, as applicable, from the issuance or sponsorship of digital assets in a calendar year.

"(f) RULES OF CONSTRUCTION.—

"(1) ACTS AFFECTING A PERSONAL FINANCIAL INTEREST.—Nothing in this section may be construed to limit the application of section 208 of title 18 or of any other law or regulation aimed at preventing conflicts of interest.

"(2) CONSTITUTIONAL RIGHTS.—Nothing in this section or section 13153 may be construed or applied in a manner that infringes the Constitution of the United States, including the First Amendment to the Constitution of the United States or article I, section 6, clause 1 of the Constitution of the United States (commonly known as the 'Speech or Debate Clause').

"(3) PROHIBITION REGARDING MANIPULATION AND FALSE INFORMATION.—Nothing in this section may be construed as limiting the application of section 6(c) of the Commodity Exchange Act (7 U.S.C. 9) with respect to fraud and manipulation, including criminal penalties.

"(4) FRAUDULENT INTERSTATE TRANSACTIONS.—Nothing in this section may be construed as limiting the application of section 17(a) of the Securities Act of 1933 (15 U.S.C. 77q(a)), including any criminal penalty that may be available with respect to a violation of such section 17(a).

"(5) REGULATION OF THE USE OF MANIPULATIVE AND DECEPTIVE DEVICES.—Nothing in this section may be construed as limiting the application of section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)), including any criminal penalty that may be available with respect to a violation of such section 10(b).

"(6) FEDERAL CAMPAIGN FINANCE LAWS.—Nothing in this section may be construed to supersede or modify any Federal campaign finance law, or any regulation promulgated thereunder, or to prohibit any contribution or expenditure (as those terms are defined in section 301 of the Federal Election Campaign Act of 1971 (52 U.S.C. 30101)) that is otherwise lawful.

"(7) OFFICIAL ACTIONS AND DUTIES.—Nothing in this section shall prohibit a covered individual from making any statement or taking an official governmental action on digital asset policy, digital asset legislation, or digital asset regulation in the exercise of official duties, or with respect to making any statement regarding digital assets that is not made in expectation of receiving consideration.

"(8) INVESTMENTS.—Nothing in this section shall prohibit a covered individual from holding any digital asset as an investment, subject to applicable financial disclosure and conflict-of-interest requirements as otherwise provided by law.

"(9) FEDERAL AGENCY AUTHORITY.—Nothing in this section shall limit the authority of any Federal agency to regulate digital assets as otherwise provided by law.

"§ 13153. Penalties

"(a) ENFORCEMENT BY THE ATTORNEY GENERAL OF THE UNITED STATES.—The Attorney General shall bring a civil action in an appropriate district court of the United States against—

"(1) a covered individual who knowingly and willfully violates section 13152(a); or

"(2) a digital asset intermediary that knowingly and willfully violates section 13152(c).

"(b) NO ENFORCEMENT BY STATE ATTORNEYS GENERAL AND NO PRIVATE RIGHT OF ACTION.—For avoidance of doubt, no action, public or private, may be brought under this section by any State attorney general or any person other than the Attorney General under subsection (a).

"(c) PENALTIES FOR COVERED INDIVIDUALS.—A covered individual who knowingly and willfully violates section 13152(a) shall—

"(1) disgorge to the Treasury of the United States all profit from the prohibited conduct; and

"(2) pay a civil monetary penalty equal to 10 percent of the consideration received in the transaction or $500,000, whichever is less.

"(d) PENALTY FOR DIGITAL ASSET INTERMEDIARIES.—A digital asset intermediary that knowingly and willfully violates the prohibition on listing under section 13152(c) shall be subject to a civil monetary penalty of not more than $250,000 per violation, per day.

"§ 13154. Interpretive guidance

"Not later than the effective date of division C of the Digital Asset Market Clarity Act under section 30104 of that division, each applicable ethics agency shall issue such interpretive guidance as necessary to clarify the terms and provisions under this subchapter.".

(b) TECHNICAL AND CONFORMING.—The table of sections for chapter 131 of title 5, United States Code, is amended by adding at the end the following:

"SUBCHAPTER IV—ETHICS REQUIREMENTS FOR DIGITAL ASSETS

"13151. Definitions.
"13152. Ban on certain digital asset transactions.
"13153. Penalties.
"13154. Interpretive guidance.".

SEC. 30102. ETHICS REQUIREMENTS RELATING TO DIGITAL ASSETS.

Section 13104 of title 5, United States Code, is amended—

(1) in subsection (a)—

(A) in paragraph (5)(B), by inserting "digital assets that are sold for remuneration," after "commodities futures,"; and

(B) by adding at the end the following:

"(9) DIGITAL ASSETS.—The identity and category of value of any other digital asset (as defined in section 10001 of the Digital Asset Market Clarity Act) that is sold for remuneration that has a fair market value that exceeds $1,000 as of the close of the preceding calendar year held by the reporting individual during the preceding calendar year.'';

(2) in subsection (b)(1)(B), by striking ''(3) and (4)'' and inserting ''(3), (4), and (9)''; and

(3) in subsection (d)(1)—

(A) in the paragraph heading, by striking ''(3), (4), (5), AND (8)'' and inserting ''(3), (4), (5), (8), AND (9)''; and

(B) in the matter preceding subparagraph (A), by striking ''(3), (4), (5), and (8)'' and inserting ''(3), (4), (5), (8), and (9)''.

SEC. 30103. GAO REPORT TO CONGRESS.

(a) DEFINITION.—In this section, the term ''relevant congressional committees'' means—

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

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

(3) the Committee on Homeland Security and Governmental Affairs of the Senate;

(4) the Committee on Financial Services of the House of Representatives;

(5) the Committee on Agriculture of the House of Representatives; and

(6) the Committee on Oversight and Government Reform of the House of Representatives.

(b) REPORT.—Not later than 360 days after the date of enactment of this Act, the Comptroller General of the United States shall submit to the relevant congressional committees a report that contains recommendations to update Federal laws relating to ethics and enforcement procedures relating to ethics in order to incorporate any regulatory frameworks relating to digital assets adopted on or after the date of enactment of this Act.

SEC. 30104. EFFECTIVE DATE.

(a) EFFECTIVE DATE.—This division, and the amendments made by this division, shall take effect on the date that is the earlier of the following:

(1) The date that is 360 days after the date of enactment of this Act.

(2) The date that is 60 days after the publication in the Federal Register of the final rule promulgated pursuant to section 10102(b).

(b) APPLICATION.—This division, and the amendments made by this division, shall apply only to conduct that occurs on or after the effective date of this division under subsection (a).

SEC. 30105. SUNSET.

(a) SUNSET.—Section 30101, and the amendments made by section 30101, shall have no force and effect on and after noon on January 20, 2029.

(b) TREATMENT OF PRE-SUNSET CONDUCT.—Notwithstanding section 109 of title 1, United States Code, after the sunset date described in subsection (a) of this section, no person shall be subject to any penalty, forfeiture, or liability under section 30101 of this Act, or any amendment made by section 30101 of this Act, for conduct that occurs on or before that sunset date.

SEC. 30106. SEVERABILITY.

If any provision of this division or any amendment made by this division, or the application of a provision of this division or an amendment made by this division to any person or circumstance, is held to be unconstitutional, the remainder of this division, and the application of the provision or amendment to any other person or circumstance, shall not be affected thereby.

DIVISION D—EFFECTIVE DATE

SEC. 40101. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), or as otherwise provided in this Act (or an amendment made by this Act), this Act, and the amendments made by this Act, shall take effect on the date that is 360 days after the date of enactment of this Act.

(b) RULEMAKING PROVISIONS.—If a provision of this Act, or an amendment made by this Act, requires a rulemaking, that provision shall take effect on the later of—

(1) the date that is 360 days after the date of enactment of this Act; or

(2) the date that is 60 days after the date on which the final rule implementing that provision is published in the Federal Register.