

AMENDMENT NO. \_\_\_\_\_ Calendar No. \_\_\_\_\_

Purpose: In the nature of a substitute.

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

**H. R. 3633**

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

Referred to the Committee on \_\_\_\_\_ and  
ordered to be printed

Ordered to lie on the table and to be printed

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

Viz:

1 Strike all after the enacting clause and insert the fol-

2 lowing:

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the

5 “Digital Asset Market Clarity Act”.

6 (b) TABLE OF CONTENTS.—The table of contents for

7 this Act is as follows:

Sec. 1. Short title; table of contents.

## 2

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

Sec. 10001. Definitions.

## TITLE I—RESPONSIBLE SECURITIES INNOVATION

Sec. 10101. Short title.

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

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

Sec. 10104. Special disposition restrictions by related persons.

Sec. 10105. Characteristics of network tokens.

Sec. 10106. Exemptive authority.

Sec. 10107. Modernization of recordkeeping requirements.

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

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

Sec. 10110. Securities Investor Protection Corporation applicability.

Sec. 10111. Investor and consumer protection enforcement.

## TITLE II—PROTECTING AGAINST ILLICIT FINANCE

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

Sec. 10202. Digital asset examination standards.

Sec. 10203. Preventing Illicit Finance Through Partnership Act.

Sec. 10204. Financial Technology Protection Act.

Sec. 10205. Digital asset kiosks.

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

TITLE III—RESPONSIBLE INNOVATION IN DECENTRALIZED  
FINANCE

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

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

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

Sec. 10304. Offshore stablecoin report.

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

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

Sec. 10307. Amendments to monetary instrument definition.

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

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

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

Sec. 10311. Studies on foreign adversary activities.

Sec. 10312. Treasury study on cybersecurity standards.

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

## TITLE IV—RESPONSIBLE BANKING INNOVATION

Sec. 10401. Permissibility of digital asset activities.

Sec. 10402. Joint rules for portfolio margining determinations.

Sec. 10403. Capital requirements to address netting agreements.

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

## 3

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

## TITLE V—RESPONSIBLE REGULATORY INNOVATION

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

## TITLE VI—PROTECTING SOFTWARE DEVELOPERS AND SOFTWARE INNOVATION

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

## TITLE VII—PROTECTING CUSTOMER PROPERTY

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

## TITLE VIII—CUSTOMER PROTECTION

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

## TITLE IX—LAW ENFORCEMENT TOOLS

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

## TITLE X—OTHER MATTERS

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

## 4

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

## DIVISION B—DIGITAL COMMODITY INTERMEDIARIES ACT

- Sec. 20001. Short title.

## TITLE XI—DEFINITIONS; RULEMAKING

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

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

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

## DIVISION C—ETHICS REQUIREMENTS

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

## DIVISION D—EFFECTIVE DATE

Sec. 40101. Effective date.

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

4 **SEC. 10001. DEFINITIONS.**

5 In this division:

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

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

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

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

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

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

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

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

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

10              (6) DECENTRALIZED GOVERNANCE SYSTEM.—

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

21                   (B) RELATIONSHIP OF PERSONS TO DE-  
22       CENTRALIZED GOVERNANCE SYSTEMS.—With  
23       respect to a decentralized governance system,  
24       the decentralized governance system and any  
25       persons participating in the decentralized gov-

ernance 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

1 control or acting pursuant to an agree-  
2 ment, arrangement, or understanding to  
3 act in concert.

4 (ii) RULEMAKINGS.—Any rulemaking  
5 establishing whether a group of persons  
6 acts in concert for the purposes of clause  
7 (i) shall assess only those activities rel-  
8 evant to whether that group jointly exer-  
9 cises control over a distributed ledger sys-  
10 tem and not any ancillary activities that do  
11 not implicate control.

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

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

23 (9) DIGITAL COMMODITY.—The term “digital  
24 commodity” has the meaning given the term in sec-

1       tion 1a of the Commodity Exchange Act (7 U.S.C.  
2       1a), as amended by division B.

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

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

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

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

14           (ii) execute other functions.

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

22           (12) DISTRIBUTED LEDGER PROTOCOL.—The  
23      term “distributed ledger protocol” means publicly  
24      available source code of a distributed ledger that is  
25      executed by the network participants of a distributed

1 ledger to facilitate its functioning, or other similar  
2 technology.

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

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

11 (A) means—

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

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

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

22 (ii) any person that is, or in the pre-  
23 ceding 12-month period was, an executive  
24 officer, director, trustee, general partner,  
25 owner of more than 10 percent of any class

1 of equity shares of the ancillary asset origi-  
2 nator, or person serving in a similar capac-  
3 ity with respect to the ancillary asset origi-  
4 nator;

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

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

19 (B) does not include a decentralized gov-  
20 ernance system.

21 (15) SECURITIES LAWS.—The term “securities  
22 laws” has the meaning given the term in section  
23 3(a) of the Securities Exchange Act of 1934 (15  
24 U.S.C. 78c(a)).

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

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

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

12                   **TITLE I—RESPONSIBLE**  
13                   **SECURITIES INNOVATION**

14   **SEC. 10101. SHORT TITLE.**

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

17   **SEC. 10102. DISCLOSURE REQUIREMENTS FOR CERTAIN**  
18                   **TRANSACTIONS INVOLVING ANCILLARY AS-**  
19                   **SETS.**

20       (a) IN GENERAL.—The Securities Act of 1933 (15  
21   U.S.C. 77a et seq.) is amended by inserting after section  
22   4A (15 U.S.C. 77d–1) the following:

1 **“SEC. 4B. DISCLOSURE REQUIREMENTS FOR CERTAIN**  
2 **TRANSACTIONS INVOLVING ANCILLARY AS-**  
3 **SETS.**

4 “(a) DEFINITIONS.—In this section:

5 “(1) ANCILLARY ASSET.—

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

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

18 “(2) ANCILLARY ASSET ORIGINATOR.—

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

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

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

6                   “(B) JOINT AND SEVERAL LIABILITY.—

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

25                   “(i) in an intermediary capacity;

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

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

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

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

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

23 “(A) an ancillary asset originator;

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

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

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

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

14                  “(5) GRATUITOUS DISTRIBUTION.—

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

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

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

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

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

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

ing 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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 “(7) NETWORK TOKEN.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 “(A) section 2(a)(1);

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

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

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

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

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

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

19 “(ii) inconsistent with this section.

20 “(3) SECONDARY MARKET TREATMENT.—

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

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

4 “(i) section 2(a)(1);

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

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

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

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

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

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

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

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

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

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

19 “(i) section 2(a)(1);

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

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

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

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

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

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

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

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

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

4 “(5) PRIOR CERTIFICATION.—

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

7 “(i) IN GENERAL.—

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

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

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

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

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

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

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

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

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

5 “(C) COMMISSION DENIAL.—

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

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

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

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

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

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

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

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

24 “(BB) includes any dis-  
25 qualifying financial right de-

1 described in subsection  
2 (a)(7)(B).

3 “(iii) REQUIREMENTS AFTER NOTICE  
4 OF INTENT.—After the 10-day period de-  
5 scribed in clause (ii)(II), the Commission  
6 shall—

7 “(I) upon request of the applica-  
8 ble originator or digital asset inter-  
9 mediary, provide an opportunity for  
10 the oral presentation of data, views,  
11 and arguments by certification cov-  
12 ered parties;

“(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—

21 “(aa) is an ancillary asset;  
22 or

23 “(bb) includes any disquali-  
24 fying financial right described in  
25 subsection (a)(7)(B); and

1 “(III) notify the Commodity Fu-  
2 tures Trading Commission of each de-  
3 nial made under subclause (II).

4 “(iv) INTERESTED PERSON.—For  
5 purposes of this subparagraph, the term  
6 ‘interested person’ means, with respect to  
7 a network token—

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

12 “(II) a subsidiary of the origi-  
13 nator;

14 “(III) a related person of the  
15 originator;

16 “(IV) any entity that directly or  
17 indirectly controls or is controlled by  
18 a common entity with the originator;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 preparing and submitting those certifi-  
2 cations; and

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

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

18 “(J) COMMISSION REVIEW.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 “(i) before—

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

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

17 “(ii) semiannually thereafter.

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

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

3 “(3) TRANSITION RULE.—

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

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

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

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

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

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

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

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

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

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

12 “(ii) COMMISSION DETERMINATION.—

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

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

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

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

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

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

12 “(1) IN GENERAL.—

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

1 the ancillary asset originator or digital asset  
2 intermediary.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

er system to which the ancillary asset re-  
lates, detailing if, how, and when the dis-  
tributed ledger system and the related an-  
cillary 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 Innova-  
tion 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—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24                  “(3) TERMINATION OF REQUIREMENTS.—

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

7           “(B) CERTIFICATION.—

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

14               “(I) that—

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

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

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

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

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

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

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

6 “(ii) CHANGE IN CIRCUMSTANCES.—

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

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

1 “(III) PERIODIC DISCLOSURES.—

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

6 “(IV) PRIOR CERTIFICATIONS.—

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

12 “(iii) COMMISSION DENIAL.—

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

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

1 submission of the certification;  
2 and

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

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

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

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

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

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

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

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

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

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

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

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

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

11 “(vii) ADVANCE REVIEW.—

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

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

1                   originator for the purposes of this  
2                   subparagraph.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 “(k) TRANSACTIONS BEFORE EFFECTIVE DATE.—

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

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

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

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

9 “(A) section 2(a)(1);

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

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

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

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

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

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

6 “(ii) inconsistent with this section.

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

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

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

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

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

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

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

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

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

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

21           “(m) ANTI-EVASION.—

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

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

3 “(A) this section;

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

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

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

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

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

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

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

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

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

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

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

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

9 “(n) FIDUCIARY OBLIGATIONS.—

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

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

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

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

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

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

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

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

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

24 (1) EXEMPTION.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (d) STATUS UNDER SECURITIES LAWS.—

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

22 (A) a “prospectus” solely—

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

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

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

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

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

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

14 (2) REGISTRATION STATEMENT.—

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

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

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

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

8 (A) identified as forward-looking; and

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

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

14 (a) DEFINITIONS.—In this section:

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

18 (A) the ancillary asset originator;

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

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

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

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

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

17          (b) COORDINATED CONTROL.—

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

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

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

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

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

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

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

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

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

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

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

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

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

9           (C) DISTRIBUTED DIGITAL NETWORK.—

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

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

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

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

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

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

10 (3) SAFE HARBORS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18          (D) that control person has satisfied such  
19          other requirements applicable to that control  
20          person that may be established by the Commis-  
21          sion to prevent manipulation or distortion of  
22          the value of the ancillary asset, including resale  
23          restrictions consistent with those applied to re-  
24          lated persons that are not control persons.

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

3 (1) SUBMISSION.—With respect to an ancillary  
4 asset, a certification covered party may furnish to  
5 the Commission a written certification, in such form  
6 and manner as the Commission may specify by rule  
7 consistent with subsection (b), stating that the dis-  
8 tributed ledger system is not under coordinated con-  
9 trol.

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

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

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

24 (3) DENIAL.—

1 (A) IN GENERAL.—The Commission may  
2 deny a certification furnished under paragraph  
3 (1)—

4 (i) only during the 90-day period be-  
5 ginning on the date on which the certifi-  
6 cation is furnished, or such shorter period  
7 as the Commission may determine by rule,  
8 or upon determining, based on reasonable  
9 evidence, that a material change in cir-  
10 cumstances has occurred after the fur-  
11 nishing of the certification; and

12 (ii) by providing to the certification  
13 covered party 10 days notice of the intent  
14 of the Commission to deny that certifi-  
15 cation.

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

19 (i) conduct a hearing; and

20 (ii) vote to deny the certification if  
21 there is a finding that the applicable ancil-  
22 lary asset does not meet the standard for  
23 certification that the operations of the dis-  
24 tributed ledger system are not under such  
25 coordinated control.

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

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

7 (e) DISGORGEMENT.—

8 (1) IN GENERAL.—Any profit realized by a re-  
9 lated person from the sale of an ancillary asset in  
10 violation of the restrictions under subsection (c)  
11 shall inure to, and be recoverable by, the holders of  
12 the ancillary asset, irrespective of any intention of  
13 holding the asset.

14 (2) ENFORCEMENT.—An action to recover prof-  
15 it described in paragraph (1)—

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

19 (i) the applicable ancillary asset origi-  
20 nator;

21 (ii) the owner of any units of the ap-  
22 plicable ancillary asset; or

23 (iii) the owner of any units of the ap-  
24 plicable ancillary asset, in the name and on

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

3                   (I) fails or refuses to bring the  
4                   action within 60 days after a written  
5                   request by any owner of not less than  
6                   5 percent of the total amount of out-  
7                   standing units of that ancillary asset;  
8                   or

9                   (II) fails to diligently prosecute  
10                  the action; and

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

13           (f) EXEMPTION FROM DISPOSITION RESTRIC-  
14   TIONS.—The Commission shall adopt rules that provide  
15   for the following exemptions from, or waivers to, disposi-  
16   tion restrictions described in subsection (c):

17           (1) MATERIAL HARDSHIP EXEMPTION.—

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

1 person with respect to the ancillary asset or the  
2 ancillary asset originator:

3 (i) The death of the related person.

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

6 (iii) The dissolution, merger, or acqui-  
7 sition of a corporate person.

8 (iv) Tax liability relating to the re-  
9 ceipt of the applicable ancillary asset.

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

12 (B) REQUIREMENTS.—The rules and pro-  
13 cedures adopted under subparagraph (A) shall  
14 be designed to mitigate the risk that parties  
15 may seek to structure holdings to evade resale  
16 restrictions and exempt or waive the application  
17 of resale restrictions only to the extent nec-  
18 essary to address the identified material hard-  
19 ship.

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

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

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

10 (4) EXCHANGE-TRADED PRODUCT AND PASSIVE  
11 FUND EXEMPTION.—The Commission shall adopt  
12 rules to exempt from disposition restrictions, as ap-  
13 propriate—

14 (A) exchange-traded products, the shares  
15 of which are created and redeemed by author-  
16 ized participants and registered with the Com-  
17 mission; and

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

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

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

3 (1) DISCLOSURE REPORTS.—

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

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

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

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

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

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

19 (3) GOOD-FAITH FURNISHING STANDARD.—

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

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

5 (C) LIABILITY.—Furnishing in good faith  
6 pursuant to this section shall not create liability  
7 for information outside the furnisher's posses-  
8 sion, custody, or control, or for omissions of in-  
9 formation the furnisher could not reasonably  
10 obtain without breaching legal privilege, con-  
11 tractual confidentiality, or other applicable law.

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

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

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

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

3 (B) CESSATION OF WORK.—The cessation  
4 or suspension of ongoing disclosure obligations  
5 under this section where the ancillary asset  
6 originator or related person no longer engages,  
7 and does not reasonably expect to engage, in  
8 entrepreneurial or managerial efforts with re-  
9 spect to the ancillary asset or its associated dis-  
10 tributed ledger system, including a notice of  
11 cessation of work.

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

20 (h) RULE OF CONSTRUCTION.—Nothing in this sec-  
21 tion may be construed to—

22 (1) limit or impair the anti-fraud or anti-ma-  
23 nipulation authorities of the Commission; or

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

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

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

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

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

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

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

23 (C) the value of the network token appre-  
24 ciates or depreciates due to the use of, or in re-  
25 sponse to the efforts, operations, or financial

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

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

9 (2) participants in offers or sales of network to-  
10 kens providing financial interests described in para-  
11 graph (1) shall not be precluded from relying on the  
12 exemption from registration under section 4B(b) of  
13 the Securities Act of 1933, as added by this division.

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

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

1           (2) NETWORK TOKENS.—A network token shall  
2       not be considered to be an ancillary asset, and shall  
3       not be considered to be a security under any provi-  
4       sion of law described in subsection (b)(2) of section  
5       4B of the Securities Act of 1933, as added by this  
6       division, if, on January 1, 2026, any units of that  
7       network token were the principal asset of an ex-  
8       change-traded product—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9               (B) transfer agent rules;

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

12              (D) clearance and settlement rules;

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

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

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

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

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

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

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

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

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

5           (1) in subsection (b)—

6           (A) in paragraph (3)—

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

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

13           (iii) in the second sentence—

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

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

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

1 (B) in paragraph (4)—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 (c) RULEMAKING.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 (b) LIMITATIONS AND RULES OF CONSTRUCTION.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (b) BANK SECRECY ACT REQUIREMENTS.—

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

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

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

6 (i) an appropriate risk assessment;

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

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

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

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

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

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

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

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

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

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

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

10       (a) DEFINITIONS.—In this section:

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

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

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

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

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

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

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

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

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

19 (B) is—

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

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

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

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

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

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

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

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

1           (4) DESIGNATED PRIVATE SECTOR ENTITY.—

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

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

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

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

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

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

7       (d) DESIGNATION OF PRIVATE SECTOR ENTITIES.—

8           (1) REQUIRED ACTION.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (b) DEFINITIONS.—In this section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 (i) The Department of the Treasury.

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

6 (iii) The Internal Revenue Service.

7 (iv) The Department of Justice.

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

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

12 (vii) The Department of Homeland  
13 Security.

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

16 (ix) The Department of State.

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

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

22 (i) Digital asset companies.

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

25 (iii) Financial institutions.

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

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

6 (vi) State financial regulators.

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

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

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

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

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

24 (3) REPORTS.—

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

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

21          (4) SUNSET.—

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

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

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

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

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

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

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

19 (1) in subsection (d)—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23               “(a) DEFINITIONS.—In this section:

1           “(1) CUSTOMER.—The term ‘customer’ means  
2           any person that purchases or sells digital assets  
3           through a digital asset kiosk.

4           “(2) DISTRIBUTED LEDGER ANALYTICS.—The  
5           term ‘distributed ledger analytics’ means the anal-  
6           ysis of data from public distributed ledgers, and as-  
7           sociated transaction information, to provide risk-spe-  
8           cific information about digital asset transactions and  
9           digital asset addresses.

10          “(3) DIGITAL ASSET.—The term ‘digital asset’  
11          has the meaning given the term in section 2 of the  
12          GENIUS Act (12 U.S.C. 5901).

13          “(4) DIGITAL ASSET ADDRESS.—The term ‘dig-  
14          ital asset address’ means an alphanumeric identifier  
15          associated with a digital asset wallet identifying the  
16          location to which a digital asset purchased through  
17          a digital asset kiosk can be sent or from which a  
18          digital asset sold through a digital asset kiosk can  
19          be accessed.

20          “(5) DIGITAL ASSET KIOSK.—The term ‘digital  
21          asset kiosk’ means a stand-alone machine that is ca-  
22          pable of accepting or dispensing legal tender in ex-  
23          change for digital assets.

24          “(6) DIGITAL ASSET KIOSK OPERATOR.—The  
25          term ‘digital asset kiosk operator’ means a person

1       who owns, operates, or manages a digital asset kiosk  
2       located in the United States or its territories.

3               “(7) DIGITAL ASSET KIOSK TRANSACTION.—  
4       The term ‘digital asset kiosk transaction’ means the  
5       purchase or sale of digital assets via a digital asset  
6       kiosk.

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

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

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

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

25              “(b) DISCLOSURES.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 “(2) The name of the customer.

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

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

16 “(5) All fees charged.

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

22 “(7) The exchange rate applied.

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

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

6       “(f) ANTI-FRAUD POLICY.—

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

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

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

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

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

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

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

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

11                  “(2) is employed full-time by the digital asset  
12                  kiosk operator;

13                  “(3) is not the chief executive officer of the dig-  
14                  ital asset kiosk operator; and

15                  “(4) does not own or control more than 10 per-  
16                  cent of any interest in the digital asset kiosk oper-  
17                  ator.

18           “(h) USE OF DISTRIBUTED LEDGER ANALYTICS AND  
19 WALLET PINNING.—

20                  “(1) IN GENERAL.—Each digital asset kiosk op-  
21                  erator shall use distributed ledger analytics to pre-  
22                  vent sending a digital asset to a digital asset wallet  
23                  known to be affiliated with fraudulent activity at the  
24                  time of a digital asset kiosk transaction and to de-

1       tect transaction patterns indicative of fraud or other  
2       illicit activities.

3               “(2) WALLET PINNING.—Each digital asset  
4       kiosk operator shall maintain restrictions that pre-  
5       vent more than 1 customer of the digital asset kiosk  
6       operator from using the same digital wallet address.

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

10              “(i) CONFIRMATION REQUIRED BEFORE NEW CUS-  
11       TOMER TRANSACTIONS.—Before entering into a digital  
12       asset kiosk transaction valued at \$500 or more with a new  
13       customer, the digital asset kiosk operator shall obtain con-  
14       firmation from the new customer that—

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

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

19              “(j) HOLDING PERIOD.—

20              “(1) IN GENERAL.—No digital asset kiosk oper-  
21       ator shall execute a transaction on behalf of a new  
22       customer that sends digital assets to a specific wallet  
23       address unless at least 72 hours have elapsed since  
24       the initiation of the transaction by the new cus-  
25       tomer.

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

5                   “(A) shall have the right, at any time be-  
6                   fore the expiration of the 72-hour period de-  
7                   scribed in that paragraph, to cancel that trans-  
8                   action and receive a full refund of the amount  
9                   paid by the customer in connection with that  
10                  transaction, including any fees; and

11                   “(B) if the new customer seeks to exercise  
12                   the right under subparagraph (A) during the  
13                   72-hour period described in that subparagraph  
14                   and is unable to contact the applicable digital  
15                   asset kiosk operator during that period, that  
16                   digital asset kiosk operator shall—

17                           “(i) treat that transaction as canceled;  
18                           and

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

22           “(k) TRANSACTION LIMITS WITH RESPECT TO NEW  
23 CUSTOMERS.—The Secretary of the Treasury shall pre-  
24 scribe by regulation the threshold amounts for reporting  
25 or limiting digital asset kiosk transactions, including ag-

1 gregate or single-day deposit and withdrawal limits, as the  
2 Secretary determines are reasonably necessary to deter  
3 fraud and illicit finance. Such regulations shall consider  
4 the unique risks and functionalities of digital asset kiosks  
5 and may provide for exceptions, adjustments, or exclusions  
6 as deemed appropriate by the Secretary.

7 “(l) INTERIM TRANSACTION LIMITS.—Until the ef-  
8 fective date of regulations prescribed under subsection (k),  
9 a digital asset kiosk operator shall not permit a new cus-  
10 tomer to conduct transactions exceeding \$3,500 in the ag-  
11 gregate within any 24-hour period.

12 “(m) REFUNDS.—A digital asset kiosk operator shall  
13 issue a refund for a customer’s transaction fees within 30  
14 days if—

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

17 “(2) the customer files a complaint to the dig-  
18 ital asset kiosk operator, which includes—

19 “(A) the name, address, and phone num-  
20 ber of the customer;

21 “(B) the transaction hash of the digital  
22 asset kiosk transaction or information sufficient  
23 to establish the type, value, date, and time of  
24 the digital asset kiosk transaction; and

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

5           “(n) CUSTOMER SERVICE HELPLINE.—Each digital  
6   asset kiosk operator shall provide live customer service  
7   during business hours, the phone number for which is reg-  
8   ularly monitored and displayed in a clear, conspicuous,  
9   and easily readable manner upon each digital asset kiosk.  
10   During non-business hours, the digital asset kiosk oper-  
11   ator shall maintain an alternative customer service system  
12   that may include an automated chatbot, an online com-  
13   plaint reporting portal, or other customer service mecha-  
14   nism.

15           “(o) COMMUNICATIONS WITH LAW ENFORCE-  
16   MENT.—Each digital asset kiosk operator performing  
17   business in the United States shall have a dedicated meth-  
18   od of contact, such as a phone number, email address, or  
19   other contact method, for law enforcement and regulatory  
20   agencies to contact the digital asset kiosk operator. This  
21   contact method shall be displayed and available on the dig-  
22   ital asset kiosk operator’s website.

23           “(p) CIVIL PENALTIES AND STATE ENFORCE-  
24   MENT.—Any State regulator may bring a civil action or  
25   other appropriate proceeding to enforce the provisions of

1 this section and may assess or collect civil penalties or  
2 other remedies for violations of this section, as provided  
3 under applicable State law.

4 “(q) RULE OF CONSTRUCTION.—Nothing in this sec-  
5 tion may be construed to prohibit a State from enacting  
6 a law, rule, or regulation that provides greater protection  
7 to customers.”.

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

“5337. Digital asset kiosk fraud prevention.”.

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

13 (a) DEFINITIONS.—In this section:

14 (1) FOREIGN TERRORIST ORGANIZATION.—The  
15 term “foreign terrorist organization” means an or-  
16 ganization that is designated as a foreign terrorist  
17 organization under section 219 of the Immigration  
18 and Nationality Act (8 U.S.C. 1189).

19 (2) TRANSNATIONAL ORGANIZED CRIMINAL.—  
20 The term “transnational organized criminal” means  
21 an individual who participates in transnational orga-  
22 nized crime, as defined in section 284(i) of title 10,  
23 United States Code.

24 (b) REVIEW.—Not later than 1 year after the date  
25 of enactment of this Act, the Secretary of the Treasury,

1 in consultation with the Attorney General, shall conduct  
2 a comprehensive review of how foreign terrorist organiza-  
3 tions and transnational organized criminals utilize digital  
4 assets in connection with illicit activities.

5 (c) REPORT.—Not later than 180 days after com-  
6 pleting the review under subsection (b), the Secretary of  
7 the Treasury shall submit to the Committee on Agri-  
8 culture, Nutrition, and Forestry and the Committee on  
9 Banking, Housing, and Urban Affairs of the Senate and  
10 the Committee on Agriculture and the Committee on Fi-  
11 nancial Services of the House of Representatives a report  
12 on the findings of the Secretary, including—

13 (1) an assessment of how foreign terrorist orga-  
14 nizations and transnational organized criminals uti-  
15 lize digital assets in connection with illicit activities;  
16 and

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

22 (d) ADDITIONAL AGENCIES.—The Secretary of the  
23 Treasury may, in the sole discretion of the Secretary of  
24 the Treasury, solicit input for the report required under  
25 subsection (c) from any or all of the Federal functional

1 regulators, as defined in section 509 of the Gramm-Leach-  
2 Bliley Act (15 U.S.C. 6809), and the Commodity Futures  
3 Trading Commission.

4 (e) CLASSIFIED ANNEX.—The report required under  
5 subsection (c) may include a classified annex, as appro-  
6 priate.

7 **TITLE III—RESPONSIBLE INNO-**  
8 **VATION IN DECENTRALIZED**  
9 **FINANCE**

10 **SEC. 10301. RULEMAKING ON APPLICATION OF EXISTING**  
11 **SECURITIES INTERMEDIARY REQUIREMENTS**  
12 **AND EXISTING BANK SECRECY ACT REQUIRE-**  
13 **MENTS TO NON-DECENTRALIZED FINANCE**  
14 **TRADING PROTOCOLS.**

15 (a) DEFINITIONS.—In this section:

16 (1) DECENTRALIZED FINANCE TRADING PRO-  
17 TOCOL.—The term “decentralized finance trading  
18 protocol” means a distributed ledger system through  
19 which multiple participants can execute a financial  
20 transaction—

21 (A) in accordance with an automated rule  
22 or algorithm that is predetermined and non-dis-  
23 cretionary; and

24 (B) without reliance on a person other  
25 than the user to maintain custody or control of

1 any digital assets subject to the financial trans-  
2 action.

3 (2) NON-DECENTRALIZED FINANCE TRADING  
4 PROTOCOL.—

5 (A) IN GENERAL.—The term “non-decen-  
6 tralized finance trading protocol” means a de-  
7 centralized finance trading protocol that meets  
8 1 or more of the following:

9 (i) A person or group of persons  
10 under common control, or acting pursuant  
11 to an agreement, arrangement, or under-  
12 standing to act in concert, has the author-  
13 ity, directly or indirectly, through any con-  
14 tract, arrangement, understanding, rela-  
15 tionship, or otherwise, to control or materi-  
16 ally alter the functionality, operation, or  
17 rules of consensus or agreement of the de-  
18 centralized finance trading protocol.

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

1 (iii) A person or group of persons  
2 under common control, or acting pursuant  
3 to an agreement, arrangement, or under-  
4 standing to act in concert, has the author-  
5 ity, via operation of the decentralized fi-  
6 nance trading protocol, to restrict, censor,  
7 or prohibit the use of the decentralized fi-  
8 nance trading protocol, including any ap-  
9 plicable system-based user activity.

10 (B) SPECIAL RULE.—For purposes of sub-  
11 paragraph (A), a decentralized governance sys-  
12 tem, solely by virtue of the operation of the de-  
13 centralized governance system, shall not be con-  
14 sidered to be a person or a group of persons  
15 under common control or acting pursuant to an  
16 agreement, arrangement, or understanding to  
17 act in concert.

18 (C) EXCLUSIONS.—For purposes of this  
19 section, participation in an incident-response or  
20 security council, as described in subsection (f),  
21 shall not, by itself, be deemed to constitute con-  
22 trol of a non-decentralized finance trading pro-  
23 tocol.

24 (D) SCOPING.—In implementing this sec-  
25 tion, the Commission and the Department of

1           the Treasury shall construe the term “non-de-  
2           centralized finance trading protocol” in a man-  
3           ner consistent with section 15H of the Securi-  
4           ties Exchange Act of 1934, as added by section  
5           10601.

6           (b) RULES.—

7           (1) IN GENERAL.—The Commission, in con-  
8           sultation with the Department of the Treasury, shall  
9           adopt tailored, clear, and specific rules, after notice  
10          and comment, that clarify how a person, or group of  
11          persons under common control, or acting pursuant  
12          to an agreement, arrangement, or understanding to  
13          act in concert, that controls a non-decentralized fi-  
14          nance trading protocol and is subject to the Securi-  
15          ties Exchange Act of 1934 (15 U.S.C. 78a et seq.),  
16          as amended by this division, shall comply with appli-  
17          cable requirements under that Act, including with  
18          respect to registration, conduct, disclosure, record-  
19          keeping, supervision, and other requirements under  
20          the securities laws.

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

23                 (A) ensure that the rules adopted pursuant  
24                 to that rulemaking are consistent with the pur-  
25                 poses of the securities laws, including the public

1 interest, the protection of investors, and the  
2 maintenance of fair and orderly markets;

3 (B) protect the rights of software devel-  
4 opers, publishers, and users to create, publish,  
5 and use code and software in a manner con-  
6 sistent with the First Amendment to the Con-  
7 stitution of the United States;

8 (C) provide legal clarity for the develop-  
9 ment, publication, and operation of distributed  
10 ledger systems and the components therein in a  
11 manner consistent with the purposes of this sec-  
12 tion; and

13 (D) result in, by operation of law, the ap-  
14 plication and enforcement by the Department of  
15 the Treasury, where applicable and pursuant to  
16 existing law, as in effect on the day before the  
17 date of enactment of this Act, of anti-money  
18 laundering and countering the financing of ter-  
19 rorism requirements under the Bank Secrecy  
20 Act and other Federal law with respect to any  
21 person or group of persons that the Commission  
22 determines, through that rulemaking, is re-  
23 quired to register, or comply as a registrant,  
24 under the Securities Exchange Act of 1934 (15  
25 U.S.C. 78a et seq.).

1 (3) APPLICATION.—

2 (A) IN GENERAL.—Any person or group of  
3 persons determined under this subsection to be  
4 required to register, or comply as a registrant,  
5 under the Securities Exchange Act of 1934 (15  
6 U.S.C. 78a et seq.) (referred to in this para-  
7 graph as the “Exchange Act”) shall be subject  
8 to that Act and the Bank Secrecy Act to the ex-  
9 tent applicable under existing law, as in effect  
10 on the day before the date of enactment of this  
11 Act, consistent with the treatment of similarly  
12 situated participants under the Exchange Act.

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

1 (i) controls the operation of a non-de-  
2 centralized finance trading protocol identi-  
3 fied in the rulemaking conducted under  
4 paragraph (1);

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

9 (iii) is caused to be treated as a finan-  
10 cial institution under the Bank Secrecy Act  
11 pursuant to existing law, as in effect on  
12 the day before the date of enactment of  
13 this Act, as a result of registration or com-  
14 pliance described in clause (ii).

15 (c) ACTIVITY-BASED APPLICATION.—Rules adopted  
16 under subsection (b)(1) shall require the Commission to  
17 determine the applicable requirements only with respect  
18 to securities-related activities, based on the functions per-  
19 formed by the controlling person or group of persons, in-  
20 cluding brokerage, dealing, trading, execution, clearing, or  
21 custody of securities, without regard to technological form,  
22 distributed architecture, or purportedly decentralized  
23 characterization.

24 (d) RULES OF CONSTRUCTION.—

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

4                (A) require a distributed ledger system or  
5       any software code to register with the Commis-  
6       sion in its own capacity; or

7                (B) prohibit the launch, deployment, or op-  
8       eration of a distributed ledger system.

9           (2) NO EXPANSION OF STATUTORY AUTHOR-  
10       ITY.—Notwithstanding any rulemaking required  
11       under subsection (b), and notwithstanding any ac-  
12       tion the Commission or the Secretary of the Treas-  
13       ury may take under that subsection, nothing in this  
14       section, including any such rulemaking, may be con-  
15       strued to—

16               (A) expand or contract the statutory au-  
17       thority of the Commission or the Department of  
18       the Treasury, as in effect on the day before the  
19       date of enactment of this Act, under the Bank  
20       Secrecy Act; or

21               (B) limit the use of the authority described  
22       in subparagraph (A) to determine, pursuant to  
23       that rulemaking, the applicability of existing  
24       statutory requirements, as in effect on the day

1           before the date of enactment of this Act, to per-  
2           sons or activities described in this section.

3           (3) NO PRESUMPTION OF APPLICABILITY.—

4           Nothing in this section may be construed to create  
5           a presumption that any person or activity described  
6           in this section is or is not subject to the Securities  
7           Exchange Act of 1934 (15 U.S.C. 78a et seq.) or  
8           the Bank Secrecy Act absent a determination made  
9           pursuant to a rulemaking required under this sec-  
10          tion.

11          (e) PRESERVATION OF EXISTING AUTHORITIES.—

12         Nothing in this section may be construed to—

13                 (1) limit the authority of the Commission under  
14                 the securities laws to investigate violations, bring ac-  
15                 tions, or issue subpoenas with respect to persons de-  
16                 termined, pursuant to rulemaking, to be subject to  
17                 the securities laws under this section; or

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

23          (f) NON-DECENTRALIZED FINANCE TRADING PRO-  
24         TOCOLS.—

1           (1) IN GENERAL.—In adopting rules under sub-  
2           section (b), the Commission shall treat a decentral-  
3           ized governance system and any person participating  
4           in the decentralized governance system as separate  
5           persons unless such persons are under common con-  
6           trol or acting pursuant to an agreement, arrange-  
7           ment, or understanding to act in concert.

8           (2) EMERGENCY MEASURES.—

9           (A) IN GENERAL.—Pre-defined, temporary  
10          rules-based cybersecurity emergency measures  
11          exercised by an incident-response or security  
12          council exclusively in response to a specific and  
13          documented cybersecurity incident or imminent  
14          threat and pursuant to publicly disclosed, on-  
15          chain authorization mechanisms, strictly limited  
16          in scope and duration solely to address such  
17          specific and documented cybersecurity incident  
18          or imminent threat, and without unilateral con-  
19          trol by any single person, shall not, by them-  
20          selves, constitute common control or an agree-  
21          ment, arrangement, or understanding to act in  
22          concert, provided that such rules and authori-  
23          ties, including the procedures and operational  
24          limits governing such emergency measures, are  
25          disclosed in publicly available written docu-

1           mentation reasonably available to the applicable  
2           Federal regulator, by a decentralized govern-  
3           ance system or similar legal entity sufficiently  
4           in advance of any exercise of such emergency  
5           powers.

6                   (B) PROHIBITION.—The emergency meas-  
7           ures described in subparagraph (A) may not be  
8           used to implement protocol upgrades, govern-  
9           ance decisions, or economic changes that are  
10          unrelated to the mitigation of the applicable cy-  
11          bersecurity incident or imminent threat, as de-  
12          scribed in that subparagraph.

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

17   **SEC. 10302. ILLICIT FINANCE OBLIGATIONS FOR DISTRIB-**  
18                   **UTED LEDGER MESSAGING SYSTEMS.**

19          (a) DEFINITIONS.—In this section:

20                  (1) DISTRIBUTED LEDGER MESSAGING SYS-  
21          TEM.—The term “distributed ledger messaging sys-  
22          tem”—

23                          (A) means a web-hosted software applica-  
24          tion that provides a user with the ability to cre-  
25          ate or submit an instruction, communication, or

1 message to a distributed ledger application or  
2 decentralized finance trading protocol for the  
3 purpose of executing a transaction by the user;  
4 and

5 (B) does not include—

6 (i) a distributed ledger application;

7 (ii) a distributed ledger protocol;

8 (iii) a distributed ledger system;

9 (iv) a decentralized finance trading  
10 protocol;

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

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

18 (2) UNITED STATES SANCTION LAW.—The  
19 term “United States sanction law” means any Fed-  
20 eral law imposing, or authorizing the imposition of,  
21 economic sanctions.

22 (b) GUIDANCE.—Not later than 360 days after the  
23 date of enactment of this Act, the Secretary of the Treas-  
24 ury shall issue guidance with respect to the economic sanc-  
25 tions and anti-money laundering and countering the fi-

1 nancing of terrorism obligations, risk management prac-  
2 tices, or compliance considerations, applicable to a distrib-  
3 uted ledger messaging system that is owned or operated  
4 by a United States person, as defined in any law imposing  
5 or authorizing the imposition of economic sanctions, which  
6 may include—

7           (1) the use of commercially reasonable distrib-  
8 uted ledger-analytics screening measures, through  
9 industry-standard distributed ledger-analytics tools,  
10 to identify wallet addresses that are owned by sanc-  
11 tioned persons, involve jurisdictions or financial in-  
12 stitutions subject to United States sanctions, or ac-  
13 tivity prohibited by United States sanctions;

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

17           (3) blocking or restricting transactions that ex-  
18 hibit indicators of ransomware activity, illicit finance  
19 typologies, or any other pattern that presents a sig-  
20 nificant and identifiable illicit finance risk based on  
21 a commercially reasonable distributed ledger-ana-  
22 lytics assessment to identify transactions that in-  
23 volve ransomware activity and other illicit finance  
24 activity; and

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

6                   (A) monitoring for risk indicators and lim-  
7           iting exposure to illicit-finance risks, which may  
8           include restricting, limiting, or otherwise miti-  
9           gating exposure to high-risk transactions; and

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

14           (c) ENFORCEMENT AND PENALTIES.—The Secretary  
15           of the Treasury and any other Federal agency with rel-  
16           evant jurisdiction have the authority, as applicable, to en-  
17           force this section using their existing authorities, as of the  
18           day before the date of enactment of this Act, under appli-  
19           cable law.

20           (d) RULES OF CONSTRUCTION.—Nothing in this sec-  
21           tion may be construed to—

22                   (1) alter or amend any laws imposing or au-  
23           thorizing imposition of economic sanctions by the  
24           United States, including those that apply to United

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

3 (2) expand or contract the applicability of—

4 (A) economic sanctions, anti-money laun-  
5 dering, or any other illicit finance laws in effect  
6 as of the day before the date of enactment of  
7 this Act to any person, including any person  
8 that owns or operates a distributed ledger mes-  
9 saging system; or

10 (B) the definition of a “financial institu-  
11 tion” under applicable laws, which shall not  
12 apply to non-controlling developers or providers  
13 as defined in section 10604(b)(3); or

14 (3) restrict the authority of the Secretary of the  
15 Treasury to implement, administer, and enforce, in-  
16 cluding by imposing civil money penalties, any law  
17 imposing or authorizing the imposition of economic  
18 sanctions or any law to prevent money laundering or  
19 illicit finance otherwise provided by Federal law to  
20 the Secretary of the Treasury.

21 **SEC. 10303. SPECIAL MEASURE RELATING TO CERTAIN**  
22 **TRANSMITTALS OF FUNDS.**

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

1 (1) in subsection (a)(2)(C), by striking “sub-  
2 section (b)(5)” and inserting “paragraph (5) or (6)  
3 of subsection (b)”;

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

6 “(6) SPECIAL MEASURE FOR CERTAIN TRANS-  
7 MITTALS OF FUNDS.—If the Secretary of the Treas-  
8 ury finds that a jurisdiction outside of the United  
9 States, 1 or more financial institutions operating  
10 outside of the United States, or 1 or more classes  
11 of transactions within, or involving, a jurisdiction  
12 outside of the United States is of primary money  
13 laundering concern in connection with illicit finance  
14 through the use of digital assets, as defined in sec-  
15 tion 2 of the GENIUS Act (12 U.S.C. 5901), the  
16 Secretary may, by order, regulation, or otherwise as  
17 permitted by law, prohibit, or impose conditions  
18 upon, certain transmittals of funds (to be defined by  
19 the Secretary by regulation) by any domestic finan-  
20 cial institution or domestic financial agency, if such  
21 transmittal of funds involves any such institution,  
22 class of transaction, or type of account.”.

23 **SEC. 10304. OFFSHORE STABLECOIN REPORT.**

24 (a) DEFINITIONS.—In this section:

1 (1) MATERIAL VOLUME OF TRANSACTIONS.—

2 The term “material volume of transactions” means  
3 a sustained level of transaction activity that is—

4 (A) publicly observable;

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

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

10 (2) PAYMENT STABLECOIN.—The term “pay-  
11 ment stablecoin” has the meaning given the term in  
12 section 2 of the GENIUS Act (12 U.S.C. 5901).

13 (3) UNITED STATES-DEPENDENT OFFSHORE  
14 STABLECOIN.—The term “United States-dependent  
15 offshore stablecoin” means a payment stablecoin—

16 (A) that is not issued by a permitted pay-  
17 ment stablecoin issuer or any foreign payment  
18 stablecoin issuer registered with the Comp-  
19 troller (as those terms are defined in section 2  
20 of the GENIUS Act (12 U.S.C. 5901));

21 (B) that is issued by a person operating  
22 outside of the United States; and

23 (C) the value of which is supported or  
24 backed by a reserve of assets that has a sub-

1           stantial nexus to the United States, which may  
2           include—

3                   (i) obligations of the United States,  
4                   including United States Treasury securi-  
5                   ties and repurchase agreements backed by  
6                   United States Treasury securities and  
7                   funds held as deposits at any bank subject  
8                   to the jurisdiction of the United States;

9                   (ii) deposits maintained at a banking  
10                  entity or insured depository institution lo-  
11                  cated in the United States, including cor-  
12                  respondent or payable-through accounts;

13                  (iii) securities issued or guaranteed by  
14                  the United States or any agency or instru-  
15                  mentality thereof; or

16                  (iv) assets custodied, cleared, or set-  
17                  tled through payment, clearing, or settle-  
18                  ment systems located in the United States.

19       (b) REPORT.—Not later than June 30 of the second  
20       calendar year that begins after the date of enactment of  
21       this Act, and every 4 years thereafter for not more than  
22       3 reports, the Secretary of the Treasury shall submit to  
23       the Committee on Banking, Housing, and Urban Affairs  
24       of the Senate and the Committee on Financial Services  
25       of the House of Representatives, and make available on

1 the website of the Department of the Treasury, a report  
2 assessing whether there is credible, articulable, and pub-  
3 licly supportable evidence of significant illicit finance  
4 threats or vulnerabilities associated with any United  
5 States-dependent offshore stablecoin employed in a mate-  
6 rial volume of transactions.

7 (c) CONTENTS.—Each report required under sub-  
8 section (b) shall include—

9 (1) an assessment of the illicit finance risk of  
10 each United States-dependent offshore stablecoin  
11 employed in a material volume of transactions;

12 (2) an assessment of the controls employed by  
13 the issuers of United States-dependent offshore  
14 stablecoins to address the use of such stablecoins in  
15 illicit finance, as available;

16 (3) data and information regarding the volume  
17 of United States-dependent offshore stablecoins as-  
18 sessed to be employed in connection with illicit fi-  
19 nance, as available;

20 (4) a general description of the relationships be-  
21 tween United States-dependent offshore stablecoins  
22 and the financial system of the United States, in-  
23 cluding principal channels of interaction; and

24 (5) such other information or analysis as the  
25 Secretary of the Treasury deems relevant to assess-

1 ing the illicit finance risks of United States-depend-  
2 ent offshore stablecoins.

3 (d) CLASSIFIED ANNEX.—Each report required  
4 under subsection (b) shall be submitted in unclassified  
5 form, but may contain a classified annex.

6 (e) NATIONAL STRATEGY.—The reporting require-  
7 ment under subsection (b) may be met as part of the na-  
8 tional strategy for combating terrorist and other illicit fi-  
9 nancing required under sections 261 and 262 of the Coun-  
10 tering America’s Adversaries Through Sanctions Act  
11 (Public Law 115–44; 131 Stat. 934) for the reporting  
12 years.

13 (f) RULE OF CONSTRUCTION.—Nothing in this sec-  
14 tion may be construed to authorize—

15 (1) the disclosure of any information that is  
16 protected from disclosure under Federal law; and

17 (2) the collection or use of any information  
18 other than publicly available data or information  
19 lawfully obtained by the Department of the Treasury  
20 under existing authorities, as of the day before the  
21 date of enactment of this Act.

22 **SEC. 10305. TEMPORARY HOLD FOR CERTAIN DIGITAL**  
23 **ASSET TRANSACTIONS.**

24 (a) DEFINITIONS.—In this section:

1           (1) COVERED AGENCY.—The term “covered  
2           agency” means any State or Federal law enforce-  
3           ment agency, including the Department of the  
4           Treasury.

5           (2) COVERED PERSON.—The term “covered  
6           person” means a person that is—

7                   (A) a permitted payment stablecoin issuer;

8                   (B) a foreign payment stablecoin issuer (as  
9                   defined in section 2 of the GENIUS Act (12  
10                  U.S.C. 5901)) registered with the Office of the  
11                  Comptroller of the Currency pursuant to section  
12                  18(c) of that Act (12 U.S.C. 5916(c)); or

13                  (C) a digital asset service provider, as that  
14                  term is defined in section 2 of the GENIUS Act  
15                  (12 U.S.C. 5901).

16           (3) PAYMENT STABLECOIN; PERMITTED PAY-  
17           MENT STABLECOIN ISSUER.—The terms “payment  
18           stablecoin” and “permitted payment stablecoin  
19           issuer” have the meanings given those terms in sec-  
20           tion 2 of the GENIUS Act (12 U.S.C. 5901).

21           (4) QUALIFIED WRITTEN REQUEST.—The term  
22           “qualified written request” means a written commu-  
23           nication issued by an authorized official of a covered  
24           agency that—

1 (A) identifies a specific wallet, address, ac-  
2 count, or transaction reasonably suspected of  
3 being linked to illicit activity;

4 (B) requests a covered person initiate an  
5 action with respect to the specified wallet, ad-  
6 dress, account, or transaction reasonably sus-  
7 pected of being linked to illicit activity, includ-  
8 ing delaying the execution of a transaction, con-  
9 version, or withdrawal involving digital assets;  
10 and

11 (C) includes a designated agency contact.

12 (5) TEMPORARY HOLD.—The term “temporary  
13 hold” means a restriction applied by a covered per-  
14 son that delays execution of a transaction, conver-  
15 sion, or withdrawal involving digital assets for a rea-  
16 sonable period of time, not to exceed 30 calendar  
17 days, which may be extended for an additional 150  
18 calendar days pursuant to a qualified written re-  
19 quest.

20 (b) PROTECTION FROM PRIVATE CAUSES OF AC-  
21 TION.—

22 (1) IN GENERAL.—Any covered person that, in  
23 good faith and in compliance with this section, or  
24 any person complying with a temporary lawful order  
25 under subsection (c) that, voluntarily implements a

1 temporary hold shall not be held liable pursuant to  
2 any Federal or State private right of action for im-  
3 plementing the temporary hold, provided that—

4 (A) the covered person or other person, as  
5 applicable—

6 (i) implements the temporary hold  
7 based on a reasonable belief the trans-  
8 action, conversion, or withdrawal relates to  
9 a violation or attempted violation of State  
10 or Federal law; or

11 (ii) implements the temporary hold  
12 after receiving a qualified written request  
13 from a covered agency;

14 (B) the covered person—

15 (i) makes reasonable efforts to notify  
16 the affected customer of the temporary  
17 hold;

18 (ii) reasonably determines that notifi-  
19 cation would impede actual or potential  
20 law enforcement efforts; or

21 (iii) receives a qualified written re-  
22 quest from a covered agency that requests  
23 notification not be attempted; and

24 (C) the covered person notifies as soon as  
25 reasonably practicable an appropriate State or

1 Federal law enforcement agency or the Federal  
2 Trade Commission, provided that such notifica-  
3 tion is not required when the covered person  
4 has received a qualified written request from a  
5 covered agency.

6 (2) DOCUMENTATION.—A covered person  
7 shall—

8 (A) maintain for the 3-year period fol-  
9 lowing the implementation of a temporary hold  
10 documentation of the basis for applying a tem-  
11 porary hold; and

12 (B) make available the documentation de-  
13 scribed in subparagraph (A) upon the request  
14 of a covered agency or the Federal Trade Com-  
15 mission.

16 (c) COMPLIANCE WITH TEMPORARY LAWFUL OR-  
17 DERS.—A permitted payment stablecoin issuer shall com-  
18 ply with any valid writ, process, order, rule, decree, com-  
19 mand, or other requirement issued or promulgated under  
20 Federal law by a court of competent jurisdiction that—

21 (1) requires a person to freeze or prevent the  
22 transfer of payment stablecoins;

23 (2) specifies the payment stablecoins or ac-  
24 counts subject to blocking with reasonable particu-  
25 larity; and

1           (3) is subject to judicial or administrative re-  
2       view or appeal, as provided by law.

3       (d) RULES OF CONSTRUCTION.—Nothing in this sec-  
4       tion may be construed to—

5           (1) compel or require any covered person to  
6       take action to freeze, seize, or block digital assets  
7       that is not otherwise required under existing Federal  
8       or State law, as in effect on the day before the date  
9       of enactment of this Act;

10          (2) limit or alter the authority of any govern-  
11       ment agency, including with respect to authority to  
12       pursue enforcement actions;

13          (3) limit or affect the application of—

14               (A) section 5318(g)(3) of title 31, United  
15       States Code, and any regulation requiring any  
16       financial institution to report suspicious activ-  
17       ity; or

18               (B) any lawful authority to seize or freeze  
19       assets pursuant to a lawful order or sanctions  
20       designation; or

21          (4) limit the ability of a covered person to apply  
22       a temporary hold to any wallet, address, account, or  
23       transaction located outside the United States.

24       (e) REPORTING.—The Attorney General and the Fed-  
25       eral Trade Commission may issue regulations or guidance

1 relating to any notification by covered persons pursuant  
2 to this section to the Department of Justice and the Fed-  
3 eral Trade Commission, respectively.

4 **SEC. 10306. VOLUNTARY CYBERSECURITY PROGRAM FOR**  
5 **DECENTRALIZED FINANCE TRADING PROTO-**  
6 **COLS.**

7 (a) DEFINITIONS.—In this section:

8 (1) COVERED ACTIVITIES.—The term “covered  
9 activities” means the activities described in sub-  
10 sections (b) and (d) of section 15H of the Securities  
11 Exchange Act of 1934, as added by section 10601.

12 (2) DIRECTOR.—The term “Director” means  
13 the Director of NIST.

14 (3) NIST.—The term “NIST” means the Na-  
15 tional Institute of Standards and Technology.

16 (b) ESTABLISHMENT OF PROGRAM.—The Director  
17 shall, in consultation with the Commission and the Com-  
18 modity Futures Trading Commission, establish a vol-  
19 untary program for the adoption by persons developing de-  
20 centralized finance trading protocols or engaging in cov-  
21 ered activities of applicable cybersecurity standards pub-  
22 lished by NIST.

23 (c) DEVELOPMENT OF PROGRAM CRITERIA.—

24 (1) REQUEST FOR INFORMATION.—The Direc-  
25 tor shall issue a request for information in the Fed-

1       eral Register to gather input from experts and in-  
2       dustry stakeholders on—

3               (A) cybersecurity threats, vulnerabilities,  
4               and risks to decentralized finance trading pro-  
5               tocols;

6               (B) auditing and code security standards,  
7               including best practices for code audits;

8               (C) consumer protection and code trans-  
9               parency best practices on decentralized finance  
10              trading protocols; and

11              (D) existing NIST standards, as of the day  
12              before the date of enactment of this Act, and  
13              their applicability to decentralized finance trad-  
14              ing protocols.

15              (2) REPORT.—The Director shall develop a re-  
16              port on the software development of decentralized fi-  
17              nance protocols to assess technical input from para-  
18              graph (1).

19              (3) PUBLICATION OF PROGRAM CRITERIA.—  
20              After evaluating input provided under paragraph  
21              (1), the Director shall release a special publication  
22              containing a detailed evaluation of cybersecurity best  
23              practices and existing applicable standards, as of the  
24              day before the date of enactment of this Act, for de-  
25              centralized finance trading protocols, to provide pro-

1       gram criteria to software developers and industry  
2       stakeholders under the voluntary program, which  
3       shall include a summary of public comments and re-  
4       sponses as to how input was incorporated.

5               (4) REQUESTS FOR REVISION.—

6                       (A) IN GENERAL.—After the Director pub-  
7       lishes the program criteria under paragraph  
8       (3), the Director shall issue a request for com-  
9       ment in the Federal Register to gather input on  
10      the workability of the program.

11                    (B) PETITION.—The public may petition  
12      the Director to reevaluate certain aspects of the  
13      program criteria published under paragraph  
14      (3).

15               (5) PROGRAM UPDATES.—As the technology un-  
16      derpinning decentralized finance trading protocols  
17      evolves, the Director shall update the special publi-  
18      cation under paragraph (3) in compliance with sub-  
19      section (d).

20               (d) PROGRAM.—

21                    (1) APPLICATION.—A person seeking evaluation  
22      of a decentralized finance trading protocol or a cov-  
23      ered activity under the program established under  
24      subsection (b) shall submit to the Director an appli-  
25      cation at such time and in such manner as the Di-

1       rector considers appropriate for purposes of the pro-  
2       gram.

3           (2) REVIEW.—In carrying out the program es-  
4       tablished under subsection (b), the Director shall re-  
5       view each application submitted by a person under  
6       paragraph (1) of this subsection.

7           (3) DETERMINATION.—In carrying out a review  
8       under paragraph (2) of an application regarding a  
9       decentralized finance trading protocol or covered ac-  
10      tivity, the Director shall determine whether the pro-  
11      tocol or activity is in compliance with existing appli-  
12      cable standards, frameworks, and guidelines pub-  
13      lished by the Director under subsection (c).

14          (4) NOTICE.—For each determination made  
15      under paragraph (3) pursuant to an application by  
16      a person of a decentralized finance trading protocol  
17      or covered activity, the Director shall transmit to the  
18      person a notice of the determination.

19      (e) BENEFITS OF PROGRAM.—

20          (1) DISPLAY.—A person that receives notice  
21      under subsection (d)(4) that the Director has deter-  
22      mined that a decentralized finance trading protocol  
23      or a covered activity has adopted the applicable cy-  
24      bersecurity standards published by NIST, the person

1       may publicly display a designation, seal, or other  
2       identifier issued by the Director.

3               (2) TREATMENT OF ADOPTION.—In adopting a  
4       regulation or guidance relating to this section, a  
5       Federal agency shall consider adoption of cybersecu-  
6       rity standards under the program required by sub-  
7       section (b) as evidence of good faith compliance with  
8       the law.

9               (f) RULE OF CONSTRUCTION RELATING TO PREEMP-  
10      TION.—Nothing in this section may be construed to pre-  
11      empt any otherwise applicable provision of law of a State.

12      **SEC. 10307. AMENDMENTS TO MONETARY INSTRUMENT**  
13                                      **DEFINITION.**

14               (a) DEFINITIONS.—In this section:

15                       (1) SELF-HOSTED WALLET.—The term “self-  
16      hosted wallet” means a digital interface—

17                               (A) that is used to secure and transfer dig-  
18      ital assets; and

19                               (B) under which the owner of digital assets  
20      secured and transferred under subparagraph  
21      (A) retains independent control over those dig-  
22      ital assets.

23                       (2) UNITED STATES SANCTION LAW.—The term  
24      “United States sanction law” has the meaning given  
25      the term in section 10302(a).

1           (b)           MONETARY           INSTRUMENTS.—Section  
2   5312(a)(3)(D) of title 31, United States Code, is amended  
3   by inserting “, including digital assets (as defined in sec-  
4   tion 2 of the GENIUS Act (12 U.S.C. 5901)), as may  
5   be applicable,” after “value”.

6           (c) TREASURY RISK ASSESSMENT.—As part of the  
7   national strategy for combating terrorist and other illicit  
8   financing required under sections 261 and 262 of the  
9   Countering America’s Adversaries Through Sanctions Act  
10  (Public Law 115–44; 131 Stat. 934), the Secretary of the  
11  Treasury shall consider—

12           (1) illicit activity, such as money laundering  
13   and sanctions evasion, involving self-hosted wallets;

14           (2) the effectiveness of and gaps in existing (as  
15   of the day before the date of enactment of this Act)  
16   methods, techniques, and strategies used by regu-  
17   lated financial institutions in detecting illicit activity,  
18   such as money laundering, involving self-hosted wal-  
19   lets;

20           (3) any illicit actors, including nation state ac-  
21   tors, that pose a high risk of facilitating illicit activ-  
22   ity through the use of self-hosted wallets;

23           (4) the benefits of the use of self-hosted wallets  
24   to—

1 (A) enhance user privacy and civil liberties  
2 through direct asset custody; and

3 (B) expand financial inclusion and access  
4 for communities underserved by traditional fi-  
5 nancial institutions;

6 (5) end user and counterparty risks associated  
7 with self-hosted wallets, including consumer fraud,  
8 cybersecurity, and identity verification;

9 (6) the use of hardware self-hosted wallets to  
10 smuggle digital assets for financing cross-border il-  
11 licit activity;

12 (7) the use of hardware self-hosted wallets for  
13 tax evasion and asset concealment; and

14 (8) other considerations the Secretary may de-  
15 termine appropriate.

16 (d) GUIDANCE.—The Secretary of the Treasury may  
17 issue guidance for financial institutions that transact with  
18 self-hosted wallets based on the results of the research on  
19 benefits and risks required under subsection (c), which  
20 shall not—

21 (1) require a regulated entity to collect, with re-  
22 spect to any transaction, personally identifiable in-  
23 formation about the controller of a self-hosted wallet  
24 when the controller is not both the customer of the  
25 regulated entity and a party to such transaction, ex-

1       cept as required by Federal law, including United  
2       States sanctions laws and regulations or lawful proc-  
3       ess; or

4               (2) be construed to hinder, restrict, or other-  
5       wise impair the authority of any Federal agency to  
6       investigate, detect, counteract, or prevent illegal ac-  
7       tivity.

8   **SEC. 10308. RISK MANAGEMENT STANDARDS FOR DIGITAL**  
9                   **ASSET INTERMEDIARIES.**

10       (a) IN GENERAL.—Before conducting trading activity  
11   (including display of trading interest, entering orders,  
12   routing orders, and effecting transactions) through a de-  
13   centralized finance trading protocol, a digital asset inter-  
14   mediary shall implement risk management standards as  
15   described in subsection (b) with respect to trading using  
16   that decentralized finance trading protocol.

17       (b) REQUIREMENTS.—The risk management stand-  
18   ards applicable to a digital asset intermediary shall be  
19   comprised of the following:

20               (1) Conducting an effective risk analysis with  
21       respect to the decentralized finance trading protocol,  
22       including—

23                       (A) money laundering and sanctions eva-  
24       sion risks, including whether trading will in-

1            involve activity relating to a primary money laun-  
2            dering concern;

3            (B) fraud and market manipulation;

4            (C) operational and cybersecurity risk, in-  
5            cluding settlement; and

6            (D) implementing robust policies and pro-  
7            cedures to mitigate the risks identified under  
8            this paragraph.

9            (2) Disclosing the risks identified under para-  
10          graph (1) using plain language to customers.

11          (3) Maintaining robust, risk-based capability to  
12          detect market manipulation, fraud, cyber intrusions,  
13          money laundering, and sanctions evasion occurring  
14          on the decentralized finance trading protocol, which  
15          may include the use of alternative tools that will  
16          properly target such risks, including distributed  
17          ledger analytics tools.

18          (4) Implementing an effective risk-based proce-  
19          dure for determining whether to execute, reject, or  
20          suspend an incoming or outgoing transaction relat-  
21          ing to the decentralized finance trading protocol, as  
22          applicable, including a determination based on sus-  
23          pected risk of money laundering, sanctions evasion,  
24          fraud, or market manipulation.

1           (5) Consistent with this subsection, imple-  
2           menting other reasonable standards which may be  
3           required by rule.

4           (c) EXAMINATIONS.—

5           (1) COMPLIANCE.—The Commission or the  
6           Commodity Futures Trading Commission, or other  
7           appropriate self-regulatory organization, shall verify  
8           compliance with the requirements of this section as  
9           part of a regular examination of the digital asset  
10          intermediary at the frequency and under the condi-  
11          tions otherwise provided by law or rule.

12          (2) RULE OF CONSTRUCTION.—Nothing in this  
13          section may be construed to limit the authority of  
14          the Financial Crimes Enforcement Network or the  
15          Office of Foreign Assets Control from conducting  
16          examinations, investigations, or enforcement actions  
17          relating to this section as otherwise provided by law.

18          (d) RULEMAKING.—Rules shall be adopted to imple-  
19          ment this section as follows:

20          (1) The Department of the Treasury, in con-  
21          sultation with the Commission and the Commodity  
22          Futures Trading Commission, shall adopt rules to  
23          implement the money laundering and sanctions eva-  
24          sion risk analysis standards of this section.

1           (2) The Commission and the Commodity Fu-  
2           tures Trading Commission shall adopt rules to im-  
3           plement this section other than the provisions de-  
4           scribed in paragraph (1).

5           (3) Rules adopted under this paragraph shall be  
6           reasonably tailored to the size of the applicable dig-  
7           ital asset intermediary and risks of the digital asset  
8           intermediary that are reasonably knowable to the  
9           digital asset intermediary.

10 **SEC. 10309. STUDY ON DIGITAL ASSET MIXERS AND TUM-**  
11 **BLERS.**

12           (a) DIGITAL ASSET MIXER AND TUMBLER DE-  
13 FINED.—In this section, the term “digital asset mixer and  
14 tumbler” means a smart contract, or set of smart con-  
15 tracts, that obfuscate or eliminate the source or other  
16 forms of identification of the holder of a digital asset, in-  
17 cluding by pooling assets from different holders and redis-  
18 tributing those assets among holders.

19           (b) REPORT.—Not later than 1 year after the date  
20 of enactment of this Act, the Secretary of the Treasury  
21 shall, in consultation with the Attorney General and State  
22 and local law enforcement agencies, submit to the Com-  
23 mittee on Banking, Housing, and Urban Affairs of the  
24 Senate and the Committee on Financial Services of the

1 House of Representatives a report that analyzes the fol-  
2 lowing issues:

3 (1) Current (as of the date on which the report  
4 is submitted) typologies of digital asset mixers and  
5 tumblers and historical transaction volume.

6 (2) Estimates of the percentage of transactions  
7 relating to digital asset mixers and tumblers that  
8 are used by actors engaged in illicit finance.

9 (3) Estimates of the reliance, and financial ex-  
10 posure, of centralized exchanges and traditional fi-  
11 nancial institutions to digital asset mixers and tum-  
12 blers, and the extent to which centralized exchanges  
13 and traditional financial institutions are adequately  
14 implementing anti-money laundering and economic  
15 sanctions compliance with respect to digital asset  
16 mixers and tumblers.

17 (4) An assessment of potential non-illicit uses  
18 of mixers and tumblers described in paragraph (1),  
19 including privacy benefits.

20 (5) An analysis of regulatory approaches em-  
21 ployed by other jurisdictions relating to digital asset  
22 mixers and tumblers.

23 (6) Recommendations for legislation or regula-  
24 tion relating to digital asset mixers and tumblers.

1 **SEC. 10310. GAO STUDY ON INTERMEDIARIES IN FOREIGN**  
2 **JURISDICTIONS.**

3 (a) IN GENERAL.—The Comptroller General of the  
4 United States, in consultation with the Secretary of the  
5 Treasury, shall conduct a study to—

6 (1) assess the risks posed by digital asset inter-  
7 mediaries that—

8 (A) are primarily located in foreign juris-  
9 dictions that lack regulatory requirements that  
10 are substantially similar to the requirements of  
11 the Bank Secrecy Act; and

12 (B) provide services to United States per-  
13 sons; and

14 (2) provide any regulatory or legislative rec-  
15 ommendations to address the risks described in  
16 paragraph (1).

17 (b) REPORT.—Not later than 1 year after the date  
18 of enactment of this Act, the Comptroller General of the  
19 United States shall submit to Congress a report con-  
20 taining all findings and determinations made in carrying  
21 out the study required under subsection (a).

22 **SEC. 10311. STUDIES ON FOREIGN ADVERSARY ACTIVITIES.**

23 (a) DEFINITIONS.—In this section:

24 (1) FOREIGN ADVERSARY.—The term “foreign  
25 adversary” means a foreign government or foreign  
26 non-government person determined by the Secretary

1 of Commerce to be a foreign adversary under section  
2 791.4(a) of title 15, Code of Federal Regulations, or  
3 any successor regulation.

4 (2) RELEVANT CONGRESSIONAL COMMIT-  
5 TEES.—The term “relevant congressional commit-  
6 tees” means—

7 (A) the Committee on Banking, Housing,  
8 and Urban Affairs of the Senate;

9 (B) the Committee on Agriculture, Nutri-  
10 tion, and Forestry of the Senate;

11 (C) the Select Committee on Intelligence of  
12 the Senate;

13 (D) the Committee on Financial Services  
14 of the House of Representatives;

15 (E) the Committee on Agriculture of the  
16 House of Representatives; and

17 (F) the Permanent Select Committee on  
18 Intelligence of the House of Representatives.

19 (b) TREASURY REPORT.—Not later than 1 year after  
20 the date of enactment of this Act, the Secretary of the  
21 Treasury, in consultation with the Commodity Futures  
22 Trading Commission and the Commission, shall conduct  
23 a study and submit a report to the relevant congressional  
24 committees, which may include a classified annex, that—

1           (1) identifies any digital asset intermediary that  
2           is controlled by a government of a foreign adversary,  
3           or by individuals or entities acting at the direction  
4           of a foreign adversary;

5           (2) determines whether any government of a  
6           foreign adversary is collecting trading data about  
7           United States persons in digital asset markets; and

8           (3) evaluates whether any proprietary intellec-  
9           tual property of digital asset intermediaries is being  
10          misused or stolen by any government of a foreign  
11          adversary.

12          (c) GAO STUDY AND REPORT.—Not later than 1  
13          year after the date of enactment of this Act, the Comp-  
14          troller General shall conduct a study and submit a report  
15          to the relevant congressional committees, which may in-  
16          clude a classified annex, that—

17               (1) identifies any digital asset intermediary that  
18               is owned by a government of a foreign adversary, or  
19               by individuals or entities acting at the direction of  
20               a foreign adversary;

21               (2) determines whether any government of a  
22               foreign adversary is collecting trading data about  
23               United States persons in digital asset markets; and

24               (3) evaluates whether any proprietary intellec-  
25               tual property of digital asset intermediaries is being

1       misused or stolen by any government of a foreign  
2       adversary.

3       **SEC. 10312. TREASURY STUDY ON CYBERSECURITY STAND-**  
4       **ARDS.**

5       (a) STUDY.—The Secretary of the Treasury, in con-  
6       sultation with the Director of the Cybersecurity and Infra-  
7       structure Security Agency, the Director of the National  
8       Security Agency, and the Director of the National Insti-  
9       tute of Standards and Technology, shall conduct a study  
10      on cybersecurity standards applicable to digital asset  
11      smart contracts, custody, key management, and smart  
12      contract deployment.

13      (b) REPORT.—

14           (1) IN GENERAL.—Not later than 365 days  
15      after the date of enactment of this Act, the Sec-  
16      retary shall submit to the Committee on Banking,  
17      Housing, and Urban Affairs of the Senate and the  
18      Committee on Financial Services of the House of  
19      Representatives a report containing—

20           (A) the findings of the study under sub-  
21      section (a); and

22           (B) any legislative recommendations.

23      (2) CLASSIFIED ANNEX.—The report under  
24      paragraph (1) may include a classified annex, as ap-  
25      propriate.

1 **SEC. 10313. STUDIES ON FINANCIAL STABILITY RISKS OF**  
2 **DECENTRALIZED FINANCE TRADING AND**  
3 **CREDIT IN DIGITAL COMMODITY MARKETS.**

4 Not later than 1 year after the date of enactment  
5 of this Act, and every 4 years thereafter until 4 consecu-  
6 tive reports have been issued, the Secretary of the Treas-  
7 ury, the Board of Governors of the Federal Reserve Sys-  
8 tem, the Commission, and the Commodity Futures Trad-  
9 ing Commission shall—

10 (1) conduct a study examining—

11 (A) the role of decentralized finance proto-  
12 cols in the financial system, including—

13 (i) the functions of such protocols;

14 (ii) the use of such protocols to obtain  
15 leverage or financing;

16 (iii) the effects of such protocols on  
17 the pricing and trading of financial instru-  
18 ments, including descriptions of any link-  
19 ages between such protocols and tradi-  
20 tional financial instrument; and

21 (iv) the types and volumes of financial  
22 activity conducted through such protocols;

23 (B) the risks of decentralized finance pro-  
24 tocols to financial stability, fair and orderly  
25 markets, and otherwise to the financial system  
26 of the United States, which shall include a

1 quantification of those risks, to the extent pos-  
2 sible;

3 (C) the strategies and guardrails regu-  
4 lators and market participants have used and  
5 are using to mitigate risks arising from the use  
6 of decentralized finance protocols; and

7 (D) an assessment of whether the regu-  
8 latory framework adequately controls any risk  
9 with respect to decentralized finance protocols;

10 (2) conduct a separate study examining the  
11 risks to financial stability and orderly markets aris-  
12 ing from the extension and maintenance of credit  
13 with respect to digital assets by digital asset service  
14 providers, including—

15 (A) the effect of gaps in the regulatory  
16 framework for credit extended on digital assets,  
17 such as risks arising from the extension and  
18 maintenance of credit on digital assets; and

19 (B) the interconnections between leverage  
20 in the market for digital assets and the finan-  
21 cial system; and

22 (3) submit to the Committee on Banking,  
23 Housing, and Urban Affairs of the Senate, the Com-  
24 mittee on Agriculture, Nutrition, and Forestry of  
25 the Senate, the Committee on Financial Services of

1 the House of Representatives, and the Committee on  
2 Agriculture of the House of Representatives a report  
3 on the studies conducted under paragraphs (1) and  
4 (2), which—

5 (A) shall include legislative and regulatory  
6 recommendations, as appropriate; and

7 (B) may include a classified annex.

8 **TITLE IV—RESPONSIBLE**  
9 **BANKING INNOVATION**

10 **SEC. 10401. PERMISSIBILITY OF DIGITAL ASSET ACTIVI-**  
11 **TIES.**

12 (a) DEFINITIONS.—In this section:

13 (1) APPROPRIATE FEDERAL BANKING AGENCY;  
14 STATE BANK; STATE BANK SUPERVISOR; STATE  
15 MEMBER BANK.—The terms “appropriate Federal  
16 banking agency”, “State bank”, “State bank super-  
17 visor”, and “State member bank” have the mean-  
18 ings given those terms in section 3 of the Federal  
19 Deposit Insurance Act (12 U.S.C. 1813).

20 (2) CUSTOMER-DRIVEN TRANSACTION.—The  
21 term “customer-driven transaction”—

22 (A) means a transaction that is entered  
23 into for a valid and independent business pur-  
24 pose of a customer; and

1 (B) does not include a transaction, the  
2 principal purpose of which is to deliver to a fi-  
3 nancial holding company, insured State bank,  
4 or national bank assets that the financial hold-  
5 ing company, insured State bank, or national  
6 bank, respectively, could not invest in directly.

7 (3) FEDERAL BRANCH; STATE BRANCH.—The  
8 terms “Federal branch” and “State branch” have  
9 the meanings given those terms in section 1(b) of  
10 the International Banking Act of 1978 (12 U.S.C.  
11 3101).

12 (4) FEDERAL CREDIT UNION; INSURED CREDIT  
13 UNION.—The terms “Federal credit union” and “in-  
14 sured credit union” have the meanings given those  
15 terms in section 101 of the Federal Credit Union  
16 Act (12 U.S.C. 1752).

17 (5) FINANCIAL HOLDING COMPANY.—The term  
18 “financial holding company” has the meaning given  
19 the term in section 2 of the Bank Holding Company  
20 Act of 1956 (12 U.S.C. 1841).

21 (6) FINANCIAL SUBSIDIARY.—The term “finan-  
22 cial subsidiary” has the meaning given the term in  
23 section 5136A(g)(3) of the Revised Statutes (12  
24 U.S.C. 24a).

1           (7) INSURED STATE BANK.—The term “insured  
2       State bank” means a State bank, the deposits of  
3       which are insured by the Federal Deposit Insurance  
4       Corporation.

5           (8) NATIONAL BANK.—The term “national  
6       bank” means a national banking association.

7           (9) STATE CREDIT UNION SUPERVISOR.—The  
8       term “State credit union supervisor” has the mean-  
9       ing given the term in section 6003 of the Anti-  
10      Money Laundering Act of 2020 (31 U.S.C. 5311  
11      note).

12      (b) AUTHORIZED ACTIVITIES FOR FINANCIAL HOLD-  
13      ING COMPANIES AND FINANCIAL SUBSIDIARIES.—

14           (1) IN GENERAL.—A financial holding company  
15      or financial subsidiary may use a digital asset or dis-  
16      tributed ledger system to perform, provide, or deliver  
17      any activity, function, product, or service that the fi-  
18      nancial holding company is otherwise authorized by  
19      law to perform, provide, or deliver.

20           (2) FINANCIAL IN NATURE.—The activities de-  
21      scribed in subsection (g) are financial in nature, or  
22      incidental to a financial activity, for purposes of sec-  
23      tion 4(k) of the Bank Holding Company Act of 1956  
24      (12 U.S.C. 1843(k)) and section 5136A(b) of the  
25      Revised Statutes (12 U.S.C. 24a(b)).

1           (3) RULE OF CONSTRUCTION.—Nothing in this  
2           subsection may be construed to exempt the perform-  
3           ance, provision, or delivery by a financial holding  
4           company or financial subsidiary of an activity, func-  
5           tion, product, or service from a requirement that  
6           would apply if the activity were not performed, pro-  
7           vided, or delivered using a digital asset or distrib-  
8           uted ledger system.

9           (c) AUTHORIZED ACTIVITIES FOR NATIONAL  
10          BANKS.—

11           (1) IN GENERAL.—

12           (A) AUTHORIZED ACTIVITIES.—A national  
13           bank may use a digital asset or distributed  
14           ledger system to perform, provide, or deliver  
15           any activity, function, product, or service that  
16           the national bank is otherwise authorized by  
17           law to perform, provide, or deliver.

18           (B) BRANCHES OF FOREIGN BANKS.—

19           (i) FEDERAL BRANCHES.—Consistent  
20           with section 4(b) of the International  
21           Banking Act of 1978 (12 U.S.C. 3102(b)),  
22           the activities authorized for a national  
23           bank under subparagraph (A) and para-  
24           graph (2) shall be permissible for a Fed-  
25           eral branch, subject to any limitations that

1 would apply to those activities pursuant to  
2 the International Banking Act of 1978 (12  
3 U.S.C. 3101 et seq.) if the activity were  
4 not performed, provided, or delivered using  
5 a digital asset or distributed ledger system.

6 (ii) RULE OF CONSTRUCTION FOR  
7 STATE BRANCHES.—For the purposes of  
8 activities engaged in by a State branch as  
9 principal under section 7(h) of the Inter-  
10 national Banking Act of 1978 (12 U.S.C.  
11 3105(h)), the activities authorized under  
12 clause (i) are permissible activities of a  
13 Federal branch.

14 (2) BUSINESS OF BANKING AND OTHER AU-  
15 THORIZED ACTIVITIES.—The activities described in  
16 subsection (g) are authorized as part of the business  
17 of banking, or incidental to the business of banking,  
18 under the paragraph designated as the “Seventh” of  
19 section 5136 of the Revised Statutes (12 U.S.C. 24)  
20 or under other applicable law.

21 (3) RULES OF CONSTRUCTION.—Nothing in  
22 this subsection may be construed to—

23 (A) exempt the performance, provision, or  
24 delivery by a national bank of an activity, func-  
25 tion, product, or service from a prohibition, re-

1           restriction, registration, limitation, or other re-  
2           quirement that would apply if the activity were  
3           not performed, provided, or delivered using a  
4           digital asset or distributed ledger system by a  
5           national bank; or

6                   (B) expand or contract the meaning of  
7           “operations are or have been required by the  
8           Comptroller of the Currency to be limited to  
9           those of a trust company and activities related  
10          thereto”, as that term is used in section  
11          5169(a) of the Revised Statutes (12 U.S.C.  
12          27(a)).

13          (d) STATE BANKS.—The activities authorized under  
14          subsection (c) are permissible activities—

15                (1) of a national bank for purposes of activities  
16          of an insured State bank and any subsidiary of an  
17          insured State bank to engage in as principal under  
18          subsections (a) and (d) of section 24 of the Federal  
19          Deposit Insurance Act (12 U.S.C. 1831a); and

20                (2) of a State member bank, and any subsidiary  
21          of a State member bank, to engage in as principal.

22          (e) AUTHORIZED ACTIVITIES FOR FEDERAL CREDIT  
23          UNIONS.—

24                (1) IN GENERAL.—A Federal credit union may  
25          use a digital asset or distributed ledger system to

1 perform, provide, or deliver any activity, function,  
2 product, or service that the Federal credit union is  
3 otherwise authorized by law to perform, provide, or  
4 deliver.

5 (2) BUSINESS OF CREDIT UNIONS.—The activi-  
6 ties described in subsection (g) are authorized as  
7 part of, or incidental to, the authority necessary or  
8 requisite to carry on effectively the business for  
9 which Federal credit unions are incorporated, as  
10 provided under section 107(17) of the Federal Cred-  
11 it Union Act (12 U.S.C. 1757(17)), or under other  
12 applicable law, to the extent that those activities are  
13 consistent with activities of the type recognized as  
14 permissible by the National Credit Union Adminis-  
15 tration or provided for in other applicable law.

16 (3) RULE OF CONSTRUCTION.—Nothing in this  
17 subsection may be construed to exempt the perform-  
18 ance, provision, or delivery by a Federal credit union  
19 of an activity, function, product, or service from a  
20 requirement that would apply if the activity were not  
21 performed, provided, or delivered using a digital  
22 asset or distributed ledger system by a Federal cred-  
23 it union.

24 (f) INSURED CREDIT UNIONS.—An activity author-  
25 ized under subsection (e) shall be permissible for an in-

1   sured credit union, to the extent that such activity is per-  
2   missible under applicable State law.

3       (g) ACTIVITIES DESCRIBED.—The activities de-  
4   scribed in this subsection are—

5           (1) providing custodial, fiduciary, or safe-  
6   keeping services for digital assets;

7           (2) providing services related to custodial serv-  
8   ices for digital assets, including staking, facilitating  
9   digital asset lending, distributed ledger governance  
10   services, and advancing funds for the purchase of  
11   digital assets or in respect of distributions on digital  
12   assets;

13          (3) making loans collateralized by digital assets;

14          (4) engaging in payment activities involving dig-  
15   ital assets, including facilitating customer or prin-  
16   cipal payments in connection with otherwise permis-  
17   sible activities;

18          (5) operating a node on a distributed ledger;

19          (6) providing self-custodial wallet software;

20          (7) engaging in derivatives transactions, includ-  
21   ing related hedging activities, in a manner consistent  
22   with activities permissible under existing law;

23          (8) providing brokerage services with respect to  
24   any digital asset, including clearing and execution

1 services, whether alone or in combination with other  
2 permissible activities;

3 (9) facilitating transactions in the secondary  
4 market for all types of digital assets on the order of  
5 customers as a riskless principal to the extent of en-  
6 gaging in a transaction in which a company, after  
7 receiving an order to buy or sell a digital asset from  
8 a customer, purchases or sells the digital asset for  
9 its own account to offset a contemporaneous sale to  
10 or purchase from the customer;

11 (10) holding as principal digital assets for  
12 which the entity anticipates a reasonably foreseeable  
13 need to the extent incidental to an otherwise permis-  
14 sible activity, which shall include holding digital as-  
15 sets as principal in order to pay fees arising from  
16 interactions with a distributed ledger system or for  
17 the purposes of risk management, treasury services,  
18 liquidity management or trade or margin settlement  
19 or similar purposes, subject to the otherwise applica-  
20 ble limitations on the activities of a banking entity  
21 pursuant to section 13 of the Bank Holding Com-  
22 pany Act of 1956 (12 U.S.C. 1851) and only to the  
23 extent that the terms and prohibitions of that sec-  
24 tion apply to a transaction; and

1           (11) underwriting, dealing in, or making a mar-  
2       ket in digital assets in customer-driven transactions,  
3       including related hedging activities in connection  
4       with those customer-driven transactions, subject to  
5       the otherwise applicable limitations on the activities  
6       of a banking entity pursuant to section 13 of the  
7       Bank Holding Company Act of 1956 (12 U.S.C.  
8       1851) and only to the extent that the terms and pro-  
9       hibitions of that section apply to a transaction.

10       (h) OTHER REQUIREMENTS.—There shall be no  
11   other prior notice or approval requirements to engage in  
12   the activities described in subsections (b) through (g) of  
13   this section other than those required under title LXII of  
14   the Revised Statutes, the Act entitled “An Act to place  
15   authority over the trust powers of national banks in the  
16   Comptroller of the Currency”, approved September 28,  
17   1962 (12 U.S.C. 92a et seq.), the Federal Reserve Act  
18   (12 U.S.C. 221 et seq.), the Bank Holding Company Act  
19   of 1956 (12 U.S.C. 1841 et seq.), or the Federal Credit  
20   Union Act (12 U.S.C. 1751 et seq.) and the regulations  
21   promulgated under those Acts.

22       (i) RULE OF CONSTRUCTION.—Nothing in this sec-  
23   tion may be construed to—

24           (1) exclude other possible permissible activities  
25       that are not activities described in subsection (g);

1           (2) imply that inclusion of an activity described  
2           in subsection (g) means that the activity is otherwise  
3           impermissible;

4           (3) expand or contract the statutory authority  
5           of a Federal credit union or insured credit union to  
6           engage in digital asset activities recognized by the  
7           National Credit Union Administration or a State  
8           credit union supervisor or provided for in other ap-  
9           plicable law, as in effect on the day before the date  
10          of enactment of this Act;

11          (4) limit the authority of an appropriate Fed-  
12          eral banking agency, a State bank supervisor, or the  
13          National Credit Union Administration to determine  
14          that activities other than activities described in sub-  
15          section (g) are permissible for (or authorized as part  
16          of) the business of banking or of credit unions, fi-  
17          nancial in nature, incidental or complementary to  
18          those activities, or permissible under other applicable  
19          law, as applicable, through interpretations, guidance,  
20          or rulemaking;

21          (5) limit the authority of an appropriate Fed-  
22          eral banking agency, or a State bank supervisor, to  
23          supervise and take enforcement action with respect  
24          to an insured depository institution (or, to the extent  
25          applicable, a financial holding company) engaging in

1 a digital asset activity authorized by this section  
2 that the appropriate Federal banking agency or  
3 State bank supervisor, as applicable, determines,  
4 pursuant to applicable law, to be an unsafe or un-  
5 sound practice or a violation of a law, rule, or regu-  
6 lation, or any condition imposed in writing; or

7 (6) limit the authority of the National Credit  
8 Union Administration or a State credit union super-  
9 visor to supervise and take enforcement action with  
10 respect to an insured credit union engaging in a dig-  
11 ital asset activity authorized under this section that  
12 the National Credit Union Administration or State  
13 credit union supervisor, as applicable, determines,  
14 pursuant to applicable law, to be—

15 (A) an unsafe or unsound practice; or

16 (B) a violation of a law, rule, regulation, or  
17 condition imposed in writing.

18 (j) APPLICATION.—The authorities described in this  
19 section shall not apply to nonfungible assets.

20 **SEC. 10402. JOINT RULES FOR PORTFOLIO MARGINING DE-**  
21 **TERMINATIONS.**

22 (a) IN GENERAL.—The Commodity Futures Trading  
23 Commission and the Commission shall jointly issue rules  
24 to facilitate portfolio margining of securities (including re-  
25 lated extensions of credit), security-based swaps, futures

1 contracts for future delivery, options on futures contracts  
2 for future delivery, swaps, and digital commodities, or any  
3 subset thereof, for persons registered with either such  
4 Commission, in—

5 (1) a securities account carried by a registered  
6 broker or dealer or a security-based swap account  
7 carried by a registered security-based swap dealer;

8 (2) a futures or cleared swap account carried by  
9 a registered futures commission merchant;

10 (3) a swap account carried by a swap dealer; or

11 (4) a digital commodity account carried by a  
12 registered digital commodity broker or digital com-  
13 modity dealer that is also registered in such other  
14 capacity as is necessary to also carry the other cus-  
15 tomer or counterparty positions being held in the ac-  
16 count.

17 (b) PROCESS.—The rules required to be jointly issued  
18 under subsection (a) shall—

19 (1) describe the treatment of any account to  
20 which the rules relate, and any assets that may be  
21 held therein, in a proceeding under title 11, United  
22 States Code, the Securities Investor Protection Act  
23 of 1970 (15 U.S.C. 78aaa et seq.), title II of the  
24 Dodd-Frank Wall Street Reform and Consumer Pro-  
25 tection Act (12 U.S.C. 5381 et seq.), or any other

1 applicable insolvency law with respect to the person  
2 carrying the account;

3 (2) be issued only if that issuance is in the pub-  
4 lic interest and provides for the appropriate protec-  
5 tion of customers, including appropriate disclosures  
6 to each current and potential customer concerning  
7 the treatment of any account to which the rules re-  
8 late, and any assets that may be held therein, in a  
9 proceeding under title 11, United States Code, the  
10 Securities Investor Protection Act of 1970 (15  
11 U.S.C. 78aaa et seq.), title II of the Dodd-Frank  
12 Wall Street Reform and Consumer Protection Act  
13 (12 U.S.C. 5381 et seq.), or any other applicable in-  
14 solvency law with respect to the person carrying the  
15 account;

16 (3) require the Commission and the Commodity  
17 Futures Trading Commission to consider the public  
18 interest of, and the protection of investors by, those  
19 rules through the solicitation of public comments;  
20 and

21 (4) require the Commission and the Commodity  
22 Futures Trading Commission to—

23 (A) consult with other relevant foreign or  
24 domestic regulators, including the Board of  
25 Governors of the Federal Reserve System, the

1 Federal Deposit Insurance Corporation, the Of-  
2 fice of the Comptroller of the Currency, and  
3 State bank supervisors, as appropriate; and

4 (B) if the rules pertain to a securities ac-  
5 count carried by a registered broker or dealer  
6 that is a member of the Securities Investor Pro-  
7 tection Corporation, consult with the Securities  
8 Investor Protection Corporation.

9 **SEC. 10403. CAPITAL REQUIREMENTS TO ADDRESS NET-**  
10 **TING AGREEMENTS.**

11 (a) DEFINITIONS.—In this section, the terms “depos-  
12 itory institution holding company” and “insured deposi-  
13 tory institution” have the meanings given those terms in  
14 section 3 of the Federal Deposit Insurance Act (12 U.S.C.  
15 1813).

16 (b) CAPITAL REQUIREMENTS.—Not later than 360  
17 days after the date of enactment of this Act, the Board  
18 of Governors of the Federal Reserve System, the Comp-  
19 troller of the Currency, and the Chair of the Federal De-  
20 posit Insurance Corporation shall develop risk-based and  
21 leverage capital requirements for insured depository insti-  
22 tutions, depository institution holding companies, and  
23 nonbank financial companies supervised by the Board of  
24 Governors of the Federal Reserve System that address  
25 netting agreements that provide for termination and close-

1 out netting across multiple types of financial transactions,  
2 consistent with section 10402, in the event of the default  
3 of a counterparty.

4 **SEC. 10404. PROHIBITING INTEREST AND YIELD ON PAY-**  
5 **MENT STABLECOINS.**

6 (a) DEFINITIONS.—In this section:

7 (1) AFFILIATE.—The term “affiliate” means  
8 any entity that controls, is controlled by, or is under  
9 common control with another entity.

10 (2) COMMISSIONS.—The term “Commissions”  
11 means the Commission and the Commodity Futures  
12 Trading Commission.

13 (3) COMPTROLLER; FOREIGN PAYMENT  
14 STABLECOIN ISSUER; PAYMENT STABLECOIN; PER-  
15 MITTED PAYMENT STABLECOIN ISSUER.—The terms  
16 “Comptroller”, “foreign payment stablecoin issuer”,  
17 “payment stablecoin”, and “permitted payment  
18 stablecoin issuer” have the meanings given those  
19 terms in section 2 of the GENIUS Act (12 U.S.C.  
20 5901).

21 (4) COVERED PARTY.—The term “covered  
22 party” means any digital asset service provider, to-  
23 gether with all of its affiliates, but in each case ex-  
24 cluding any permitted payment stablecoin issuer or

1 foreign payment stablecoin issuer registered with the  
2 Comptroller.

3 (5) DEPOSIT.—The term “deposit” has the  
4 meaning given the term in section 3 of the Federal  
5 Deposit Insurance Act (12 U.S.C. 1813).

6 (6) RESTRICTED RECIPIENT.—The term “re-  
7 stricted recipient” means a United States person  
8 that is a customer or user of a covered party.

9 (7) UNITED STATES PERSON.—The term  
10 “United States person” means a person that is a  
11 resident of the United States or is organized or in-  
12 corporated under the laws of the United States.

13 (b) SENSE OF CONGRESS.—It is the sense of Con-  
14 gress that—

15 (1) depository institutions provide financial  
16 services that are integral to the strength of the econ-  
17 omy of the United States and that the payment of  
18 consideration by digital asset service providers to  
19 United States customers or users based on their  
20 payment stablecoin balances in a manner that is eco-  
21 nomically or functionally equivalent to the payment  
22 of interest or yield on an interest-bearing bank de-  
23 posit may inhibit the key functions of depository in-  
24 stitutions in the economy of the United States; and

1           (2) payment stablecoins represent a significant  
2           innovation in financial infrastructure that can  
3           strengthen the United States payments system and  
4           the primacy of the United States dollar and that ac-  
5           tivity-based rewards and incentives tied to the use of  
6           payment stablecoins and participation in distributed  
7           ledger systems are critical to enabling innovation,  
8           competition, and consumer adoption.

9           (c) PROHIBITION ON INTEREST AND YIELD.—

10           (1) IN GENERAL.—No covered party shall, di-  
11           rectly or indirectly, pay any form of interest or yield  
12           (whether in cash, tokens, or other consideration) to  
13           a restricted recipient—

14                   (A) solely in connection with the holding of  
15           the payment stablecoins of that restricted re-  
16           cipient; or

17                   (B) on a payment stablecoin balance in a  
18           manner that is economically or functionally  
19           equivalent to the payment of interest or yield on  
20           an interest-bearing bank deposit.

21           (2) ACTIVITY-BASED OR TRANSACTION-BASED  
22           REWARDS AND INCENTIVES PERMITTED.—

23                   (A) IN GENERAL.—The prohibition under  
24           paragraph (1) shall not apply with respect to  
25           rewards or incentives based on bona fide activi-

1           ties or bona fide transactions that are not eco-  
2           nomically or functionally equivalent to the pay-  
3           ment of interest or yield on an interest-bearing  
4           bank deposit pursuant to the regulations pro-  
5           mulgated under paragraph (3).

6           (B) EQUIVALENCE TO BANK DEPOSITS.—  
7           Except as permitted under subparagraph (A),  
8           the prohibition under paragraph (1) shall apply  
9           to the payment of interest or yield (whether in  
10          cash, tokens, or other consideration) by a cov-  
11          ered party to a restricted recipient in connec-  
12          tion with a loyalty, promotional, subscription, or  
13          incentive program that is economically or func-  
14          tionally equivalent to the payment of interest or  
15          yield on an interest-bearing bank deposit.

16          (3) RULEMAKING.—

17                (A) IN GENERAL.—Not later than 1 year  
18                after the date of enactment of this Act, the  
19                Commissions and the Secretary of the Treasury  
20                shall jointly promulgate regulations through no-  
21                tice and comment rulemaking to clarify the cir-  
22                cumstances under which the prohibition and  
23                permissible rewards and incentives in para-  
24                graphs (1) and (2) shall apply. Such rule-  
25                making shall include a non-exhaustive list of

1           permissible activity-based or transaction-based  
2           rewards or incentives, including payments to re-  
3           stricted recipients in connection with or in com-  
4           pensation for any of the following, provided  
5           such payments are not economically or func-  
6           tionally equivalent to the payment of interest or  
7           yield on an interest-bearing bank deposit:

8                   (i) A transaction, payment, transfer,  
9                   conversion, remittance, or settlement activ-  
10                  ity, including a rebate or incentive pro-  
11                  vided in connection with the acceptance or  
12                  use of a payment stablecoin.

13                  (ii) Providing liquidity for market-  
14                  marking activity, posting of collateral in  
15                  connection with trading, or otherwise put-  
16                  ting assets at credit or investment risk.

17                  (iii) The use of any product or service,  
18                  including participation in governance, vali-  
19                  dation, staking, or a loyalty, promotional,  
20                  subscription, or incentive program.

21           (B) CALCULATION BY REFERENCE.—Pay-  
22           ments to restricted recipients of consideration,  
23           rewards, or benefits that are permissible pursu-  
24           ant to paragraph (2) and subparagraph (A) of  
25           this paragraph may be calculated by reference

1 to a balance, duration, tenure, or any combina-  
2 tion of the foregoing.

3 (4) EVASION.—It shall be unlawful for a cov-  
4 ered party to violate the prohibition under para-  
5 graph (1) or rules promulgated pursuant to para-  
6 graph (3). A covered party may not circumvent or  
7 evade such prohibition or rules. The Commissions  
8 and the Secretary may jointly issue such rules as  
9 may be necessary or appropriate to prevent cir-  
10 cumvention or evasion of the prohibition under para-  
11 graph (1) or the rules promulgated pursuant to  
12 paragraph (3).

13 (5) GOOD FAITH RELIANCE.—A covered party  
14 that structures a program in good faith reliance on  
15 paragraphs (2) and (3) shall not be subject to pen-  
16 alties if a subsequent rulemaking or adjudication de-  
17 termines the program falls outside paragraphs (2)  
18 and (3), provided—

19 (A) the covered party comes into compli-  
20 ance within 90 days of such determination; and

21 (B) the violation is not substantially simi-  
22 lar to a past violation by the covered party.

23 (d) PROHIBITION ON SPECIFIED REPRESENTA-  
24 TIONS.—

1           (1) CERTAIN MARKETING PRACTICES.—No cov-  
2       ered party shall represent that—

3           (A) payment stablecoins are investment  
4       products, deposits, backed by the full faith and  
5       credit of the United States, guaranteed by the  
6       United States Government, subject to deposit  
7       insurance by the Federal Deposit Insurance  
8       Corporation, or subject to share insurance by  
9       the National Credit Union Administration; or

10          (B) any compensation (whether in cash, to-  
11       kens, or other consideration) paid to a re-  
12       stricted recipient in connection with the hold-  
13       ing, use, or retention of the payment stablecoins  
14       of that restricted recipient is—

15           (i) paid or generated by the payment  
16       stablecoin itself, a permitted payment  
17       stablecoin issuer, or a foreign payment  
18       stablecoin issuer registered with the Comp-  
19       troller;

20           (ii) risk-free or comparable to interest  
21       paid on a deposit; or

22           (iii) offered, administered, or paid by  
23       a person other than the covered party.

24       (2) MISLEADING.—No covered party shall omit  
25       material information necessary to prevent any mar-

1       keting, promotion, or description described in this  
2       subsection from being misleading.

3       (e) DISCLOSURES.—

4           (1) IN GENERAL.—Not later than 1 year after  
5       the date of enactment of this Act, the Commissions  
6       and the Secretary of the Treasury shall jointly pro-  
7       mulgate rules requiring clear and conspicuous disclo-  
8       sure, in plain English, of any compensation (whether  
9       in cash, tokens, or other consideration) paid by a  
10      covered party in connection with the holding, use, or  
11      retention of the payment stablecoins of a restricted  
12      recipient in a manner that is consistent with sub-  
13      section (d).

14          (2) REQUIREMENTS.—In promulgating rules  
15      under paragraph (1), the Commissions and the Sec-  
16      retary of the Treasury shall require that any re-  
17      quired disclosure of compensation described in that  
18      paragraph, and any related term, representation, or  
19      description—

20           (A) is presented in a clear, factual, nonpro-  
21      motional, and non-misleading manner;

22           (B) clearly identifies the circumstances  
23      under which such compensation can be paid;

24           (C) clearly identifies the person or persons  
25      responsible for offering, administering, and pay-

1           ing such compensation, including whether such  
2           persons are affiliated with the issuer of associ-  
3           ated payment stablecoins;

4                 (D) outlines all material terms with respect  
5           to such compensation; and

6                 (E) includes a statement that payment  
7           stablecoins are not investment products, depos-  
8           its, backed by the full faith and credit of the  
9           United States, guaranteed by the United States  
10          Government, subject to deposit insurance by the  
11          Federal Deposit Insurance Corporation, or sub-  
12          ject to share insurance by the National Credit  
13          Union Administration.

14          (3) PROHIBITION.—After the date on which the  
15          rules promulgated under paragraph (1) become ef-  
16          fective, no covered party shall market the offering of  
17          compensation (whether in cash, tokens, or other con-  
18          sideration) paid by such covered party in connection  
19          with the holding, use, or retention of the payment  
20          stablecoins of a restricted recipient unless the cov-  
21          ered party has provided the disclosures required  
22          under this subsection.

23          (4) SATISFACTION OF REQUIREMENT.—A cov-  
24          ered party that provides the disclosures required  
25          under this subsection shall be deemed not to have

1       made a representation that is prohibited under sub-  
2       section (d), provided that—

3               (A) any marketing, promotion, or descrip-  
4               tion with respect to the applicable compensation  
5               does not contradict those disclosures; and

6               (B) those disclosures are presented in plain  
7       English and in a clear and conspicuous manner.

8       (f) PENALTY.—

9               (1) CIVIL MONETARY PENALTY.—Whoever  
10       knowingly and willfully participates in a violation of  
11       subsection (c)(1), (d)(1), (d)(2), or (e)(3), or rules  
12       issued under subsection (c)(4), shall be subject to a  
13       civil monetary penalty by the Department of the  
14       Treasury of not more than \$5,000,000 for each such  
15       violation.

16              (2) DETERMINATION OF THE NUMBER OF VIO-  
17       LATIONS.—For purposes of determining the number  
18       of violations for this subsection, separate acts of  
19       noncompliance are a single violation when the acts  
20       are a result of—

21              (A) a common or substantially overlapping  
22       originating cause; or

23              (B) the same statement or publication.

24       (g) REFERRAL TO SECRETARY OF THE TREASURY.—

25       If the Commission or the Commodity Futures Trading

1 Commission has reason to believe that any covered party  
2 has knowingly and willfully violated subsection (c)(1),  
3 (d)(1), (d)(2), or (e)(3), or rules issued under subsection  
4 (c)(4), the Commission or the Commodity Futures Trad-  
5 ing Commission, as applicable, shall refer the matter to  
6 the Secretary of the Treasury.

7 (h) REPORT TO CONGRESS.—Not later than 2 years  
8 after the date of enactment of this Act, the Board of Gov-  
9 ernors of the Federal Reserve System, the Comptroller of  
10 the Currency, the Federal Deposit Insurance Corporation,  
11 the National Credit Union Administration, and the Sec-  
12 retary of the Treasury shall jointly submit to the Com-  
13 mittee on Banking, Housing, and Urban Affairs of the  
14 Senate and the Committee on Financial Services of the  
15 House of Representatives a report on payment stablecoin  
16 activity that—

17 (1) analyzes and quantifies—

18 (A) the adoption of United States dollar-  
19 denominated payment stablecoins and of other  
20 payment stablecoins issued by permitted pay-  
21 ment stablecoin issuers and foreign payment  
22 stablecoin issuers registered with the Comp-  
23 troller;

24 (B) the effect of United States dollar-de-  
25 nominated payment stablecoins on the average

1 yields of, and demand for, United States Treas-  
2 ury securities of various durations;

3 (C) the effect of United States dollar-de-  
4 nominated payment stablecoins on the use of  
5 the dollar in global foreign exchange trans-  
6 actions, global foreign exchange reserves, and  
7 global trade;

8 (D) the effect of United States dollar-de-  
9 nominated payment stablecoins on increasing  
10 access to financial services for unbanked and  
11 underbanked persons, both domestically and  
12 globally;

13 (E) the effect of United States dollar-de-  
14 nominated payment stablecoins on payment  
15 costs of consumers and merchants; and

16 (F) the adoption of non-United States dol-  
17 lar-denominated stablecoins, including foreign  
18 central bank digital currencies, and their effect  
19 on the use of the dollar in global foreign ex-  
20 change transactions, global foreign exchange re-  
21 serves, and global trade;

22 (2) describes how compensation, if any, is paid  
23 by covered parties to restricted recipients with re-  
24 spect to the payment stablecoins of restricted recipi-

1       ents, including through rewards, incentives, or simi-  
2       lar programs; and

3           (3) analyzes and quantifies the effect of any  
4       compensation described in paragraph (2) and the ef-  
5       fect of prohibitions on the payment of interest or  
6       yield by covered parties under this division and by  
7       issuers of payment stablecoins under section  
8       4(a)(11) of the GENIUS Act (12 U.S.C.  
9       5903(a)(11)) on—

10           (A) the volume, stickiness, composition,  
11       and concentration of deposits at depository in-  
12       stitutions, including any deposit outflows from  
13       depository institutions and the extent to which  
14       community banks and credit unions are dis-  
15       proportionately affected thereby;

16           (B) net interest margin accrued to deposi-  
17       tory institutions;

18           (C) the average rate of interest paid to de-  
19       positors at depository institutions;

20           (D) consumer and business access to cred-  
21       it;

22           (E) financial arrangements between deposi-  
23       tory institutions and digital asset service pro-  
24       viders and issuers of payment stablecoins; and

25           (F) the items described in paragraph (1).

1 (i) NO DEEMING OF PAYMENT OF INTEREST OR  
2 YIELD.—For purposes of this section, a covered party  
3 shall not be deemed to violate the prohibition in subsection  
4 (c) solely because an unaffiliated third party independ-  
5 ently makes a payment with respect to a payment  
6 stablecoin, unless the covered party directs or maintains  
7 significant influence over the offering of such consider-  
8 ation and the offering of such consideration would other-  
9 wise violate the prohibition in subsection (c).

10 (j) CLARIFICATION OF SCOPE AND REGULATORY AU-  
11 THORITY.—

12 (1) COMPENSATION.—The prohibitions under  
13 subsections (c), (d), and (e) shall only apply to com-  
14 pensation paid in connection with a payment  
15 stablecoin or payment stablecoin balance.

16 (2) OTHER ASSETS.—Nothing in this section  
17 shall be construed to authorize the Commissions or  
18 the Secretary of the Treasury to regulate, restrict,  
19 or prohibit the payment of any compensation paid in  
20 connection with any asset other than a payment  
21 stablecoin.

22 (k) NON-APPLICABILITY.—Nothing in this section  
23 shall—

24 (1) modify, alter, or extend prohibitions on the  
25 payment of yield, interest, or consideration applica-

1 ble to permitted payment stablecoin issuers or for-  
2 eign payment stablecoin issuers, including under sec-  
3 tion 4(a)(11) of the GENIUS Act (12 U.S.C.  
4 5903(a)(11)); or

5 (2) prohibit the disclosure by covered parties of  
6 truthful, non-misleading factual information or any  
7 information otherwise required by Federal law or  
8 regulation.

9 **SEC. 10405. EXPANDED SECURITIES PORTFOLIO MARGIN**  
10 **ACCOUNTS UNDER THE SECURITIES INVES-**  
11 **TOR PROTECTION ACT OF 1970.**

12 (a) AMENDMENTS.—The Securities Investor Protec-  
13 tion Act of 1970 (15 U.S.C. 78aaa et seq.) is amended—

14 (1) in section 9(a) (15 U.S.C. 78fff–3(a))—

15 (A) in paragraph (4), by striking “and” at  
16 the end;

17 (B) in paragraph (5), by striking the pe-  
18 riod at the end and inserting “; and”; and

19 (C) by adding at the end the following:

20 “(6) no advance shall be made by SIPC to the  
21 trustee to pay or otherwise satisfy any net equity  
22 claim of any customer with respect to any digital  
23 commodities or swaps held in an expanded securities  
24 portfolio margin account.”;

1           (2) in section 10(g) (15 U.S.C. 78fff–4(g)), by  
2       striking “16(12)” and inserting “16(13)”; and

3           (3) in section 16 (15 U.S.C. 78lll)—

4               (A) by redesignating paragraphs (7)  
5       through (14) as paragraphs (8) through (15),  
6       respectively;

7               (B) by inserting after paragraph (6) the  
8       following:

9           “(7) EXPANDED SECURITIES PORTFOLIO MAR-  
10       GIN ACCOUNT.—The term ‘expanded securities port-  
11       folio margin account’ means a customer account—

12               “(A) that is maintained by a broker or  
13       dealer registered with the Commission;

14               “(B) that includes positions in securities,  
15       security-based swaps, futures contracts, options  
16       on futures contracts, swaps, digital commod-  
17       ities, or other financial instruments, or any  
18       combination thereof, as permitted by rule joint-  
19       ly issued by the Commission and the Com-  
20       modity Futures Trading Commission;

21               “(C) that is subject to portfolio margining  
22       requirements approved pursuant to section  
23       10402 of the Digital Asset Market Clarity Act;  
24       and

1           “(D) in which margin requirements are de-  
2           termined on a risk-based, portfolio-wide basis,  
3           rather than on an instrument-by-instrument  
4           basis.”; and

5           (C) in paragraph (10), as so redesignated,  
6           in the matter following subparagraph (L), by  
7           striking “a transaction in the portfolio mar-  
8           gining account” and inserting “the portfolio  
9           margin account or expanded securities port-  
10          folio margin account”.

11       (b) RULES.—

12           (1) DEFINITIONS.—In this subsection:

13           (A) EXPANDED SECURITIES PORTFOLIO  
14           MARGIN ACCOUNT.—The term “expanded secu-  
15           rities portfolio margin account” has the mean-  
16           ing given the term in section 16 of the Securi-  
17           ties Investor Protection Act of 1970 (15 U.S.C.  
18           78lll), as amended by this section.

19           (B) SIPC.—The term “SIPC” means the  
20           Securities Investor Protection Corporation.

21           (2) ISSUANCE OF RULES.—Notwithstanding  
22           any provision of the Securities Investor Protection  
23           Act of 1970 (15 U.S.C. 78aaa et seq.), in jointly  
24           issuing rules under section 10402, the Commission  
25           and the Commodity Futures Trading Commission,

1 in consultation with the SIPC and the Secretary of  
2 the Treasury, shall issue rules relating to the treat-  
3 ment under that Act of securities (including related  
4 extensions of credit), security-based swaps, contracts  
5 of sale of a commodity for future delivery, options  
6 on contracts of sale of a commodity for future deliv-  
7 ery, swaps, digital commodities, cash, or other prop-  
8 erty (to the extent that such instruments, cash, or  
9 other property effectively hedge or collateralize a se-  
10 curities position) held in an account offering port-  
11 folio margining carried as a securities account by a  
12 registered broker or dealer pursuant to an expanded  
13 securities portfolio margin account to facilitate port-  
14 folio margining in a manner that protects customers,  
15 including portfolio margin customers, which shall in-  
16 clude rules relating to—

17 (A) the transfer of accounts;

18 (B) the allocation of customer property  
19 among customers;

20 (C) the eligibility of products and positions  
21 to be held in an expanded securities portfolio  
22 margin account, including any disclosures to  
23 and any elections that may need to be per-  
24 formed by customers;

1 (D) the application of customer protection  
2 or segregation requirements as between securi-  
3 ties customers who are and are not maintaining  
4 positions in an expanded securities portfolio  
5 margin account;

6 (E) further defining the terms, solely as  
7 relating to an expanded securities portfolio  
8 margin account, “customer”, “customer prop-  
9 erty”, and “net equity”, as necessary or appro-  
10 priate to address non-securities and non-cash  
11 positions and assets held in an expanded securi-  
12 ties portfolio margin account, and in a manner  
13 consistent with subparagraphs (A) through (D);  
14 and

15 (F) any interaction between a securities  
16 account and an expanded securities portfolio  
17 margin account, including any funding of debits  
18 in one type of account by credits in the other  
19 type of account.

20 (3) PROCESS FOR ISSUANCE OF RULES.—The  
21 requirements of section 10402(b) shall apply with  
22 respect to the rules issued under this subsection.

23 (c) EFFECT OF RULES.—An expanded securities  
24 portfolio margin account may not be offered, maintained,

1 or utilized until the final rules required under subsection  
2 (b) are issued.

3 **TITLE V—RESPONSIBLE**  
4 **REGULATORY INNOVATION**

5 **SEC. 10501. CFTC-SEC MICRO-INNOVATION SANDBOX.**

6 (a) DEFINITIONS.—In this section:

7 (1) COMMISSION.—The term “Commission”  
8 means either of the Commissions, as the context re-  
9 quires.

10 (2) COMMISSIONS.—The term “Commissions”  
11 means the Securities and Exchange Commission and  
12 the Commodity Futures Trading Commission.

13 (3) ELIGIBLE FIRM.—The term “eligible firm”  
14 means a person that is eligible to participate in the  
15 Sandbox, in accordance with the requirements under  
16 this section.

17 (4) INNOVATIVE.—The term “innovative”  
18 means new or emerging technology, or a novel appli-  
19 cation of technology, including artificial intelligence,  
20 that—

21 (A) provides a financial product, service,  
22 business model, or delivery mechanism to the  
23 public; and

24 (B) lacks—

1 (i) a substantially comparable, widely  
2 available analogue in common use in the  
3 United States; and

4 (ii) an analogous Federal regulatory  
5 regime.

6 (5) PERSON.—The term “person” means a per-  
7 son, as defined in section 3(a) of the Securities Ex-  
8 change Act of 1934 (15 U.S.C. 78c(a)) or section 1a  
9 of the Commodity Exchange Act (7 U.S.C. 1a), as  
10 amended by this Act.

11 (6) SANDBOX.—The term “Sandbox” means  
12 the CFTC-SEC Micro-Innovation Sandbox estab-  
13 lished under subsection (b).

14 (7) SELF-REGULATORY ORGANIZATION.—The  
15 term “self-regulatory organization” means a self-  
16 regulatory organization, as defined in—

17 (A) section 3(a) of the Securities Exchange  
18 Act of 1934 (15 U.S.C. 78c(a)); or

19 (B) section 1.52(a)(2) of title 17, Code of  
20 Federal Regulations, or any successor regula-  
21 tion.

22 (b) ESTABLISHMENT.—Not later than 360 days after  
23 the date of enactment of this Act, the Commissions shall,  
24 by joint notice and comment rulemaking, establish a  
25 CFTC-SEC Micro-Innovation Sandbox to enable eligible

1 firms to test innovative activities within the United States,  
2 subject to—

3 (1) applicable Federal and State securities and  
4 commodities laws;

5 (2) other State laws that are not specific to the  
6 regulation of securities or commodities; and

7 (3) the limitations of this section.

8 (c) ELIGIBLE FIRM.—

9 (1) IN GENERAL.—A United States-based per-  
10 son shall be an eligible firm, and shall be eligible to  
11 participate in the Sandbox, if the person—

12 (A) submits an application under sub-  
13 section (e) that is approved under that sub-  
14 section;

15 (B) seeks to conduct an eligible and lawful  
16 innovative activity in the United States;

17 (C) is not subject to—

18 (i) a statutory disqualification, as de-  
19 fined in section 3(a) of the Securities Ex-  
20 change Act of 1934 (15 U.S.C. 78c(a));

21 (ii) a disqualification under section  
22 8a(2) of the Commodity Exchange Act (7  
23 U.S.C. 12a(2)); or

24 (iii) a disqualification under State  
25 law;

1 (D) does not have a criminal conviction for  
2 fraud;

3 (E) agrees to submit to the jurisdiction  
4 and oversight of the Commissions, to the extent  
5 that the person is not subject to that jurisdic-  
6 tion or oversight, for purposes of, and while  
7 participating in, the Sandbox;

8 (F) designates to the Commissions an indi-  
9 vidual as a point of contact with respect to ac-  
10 tivities that the person undertakes as an appli-  
11 cant and participant with respect to the Sand-  
12 box;

13 (G) employs not more than 25 employees;  
14 and

15 (H) has annual gross revenues of not more  
16 than \$10,000,000 in any fiscal year.

17 (2) APPLICATION OF REQUIREMENTS.—The re-  
18 quirements under paragraph (1) shall be satisfied  
19 during the entire period in which an eligible firm  
20 participates in the Sandbox.

21 (d) ELIGIBLE ACTIVITIES AND ACTIVITY CEIL-  
22 INGS.—

23 (1) LIST OF ELIGIBLE ACTIVITIES.—

24 (A) IN GENERAL.—After providing notice  
25 and an opportunity for public comment, the

1 Commissions shall maintain and publish a list  
2 of eligible innovative activities, which shall be—

3 (i) updated once every 2 years after  
4 providing notice and an opportunity for  
5 public comment;

6 (ii) reasonably tailored to include ac-  
7 tivities that—

8 (I) further the purposes of this  
9 section; and

10 (II) are consistent with the inter-  
11 ests of the public and the protection  
12 of investors;

13 (iii) sufficiently flexible to accommo-  
14 date evolving technological developments,  
15 including distributed ledger-based products  
16 and services; and

17 (iv) focused exclusively on activities  
18 for which specific provisions of the securi-  
19 ties laws and commodities laws may create  
20 a material impediment to the proposed in-  
21 novative activity.

22 (B) IDENTIFICATION OF REQUIRE-  
23 MENTS.—

24 (i) IN GENERAL.—For each eligible  
25 innovative activity, the Commissions shall,

1 consistent with existing (as of the day be-  
2 fore the date of enactment of this Act)  
3 statutory and regulatory precedent con-  
4 cerning the respective jurisdiction of each  
5 Commission, identify the requirements that  
6 each Commission will administer.

7 (ii) JOINT JURISDICTION.—With re-  
8 spect to an eligible innovative activity that  
9 is subject to the jurisdiction of both Com-  
10 missions, the rulemaking under subsection  
11 (b) shall specify which requirements each  
12 Commission will administer and any co-  
13 ordinated conditions needed to protect in-  
14 vestors and market integrity.

15 (2) ACTIVITY CEILINGS.—For each eligible in-  
16 novative activity, the Commissions shall, after public  
17 input and consultation, establish individual customer  
18 and monetary ceilings, which shall provide that an  
19 eligible firm may not raise or commit more than  
20 \$20,000,000 in aggregate customer, investor, or  
21 counterparty funds in connection with Sandbox ac-  
22 tivities.

23 (3) ANNUAL PARTICIPATION CAP.—Each of the  
24 Commissions may approve not more than 20  
25 projects per year.

1 (e) APPLICATION.—

2 (1) IN GENERAL.—An eligible firm seeking to  
3 participate in the Sandbox shall submit to the Com-  
4 mission or Commissions, as applicable, an applica-  
5 tion that—

6 (A) describes the proposed innovative ac-  
7 tivity and the desired outcomes;

8 (B) subject to approval of the applicable  
9 Commission, identifies the provisions of the se-  
10 curities laws, or of the Commodity Exchange  
11 Act (7 U.S.C. 1 et seq.) (as amended by this  
12 Act), from which the eligible firm proposes to  
13 be exempt during the period in which the eligi-  
14 ble firm participates in the Sandbox, which—

15 (i) shall not include any Federal or  
16 State anti-fraud law or any other law that  
17 is not specific to the regulation of securi-  
18 ties or commodities; and

19 (ii) shall be subject to the limitations  
20 of this section;

21 (C) sets forth how relief from the provi-  
22 sions of law identified under subparagraph (B)  
23 is reasonably necessary to engage in the innova-  
24 tive activity;

1 (D) identifies material risks to investors,  
2 customers, or market integrity and how the eli-  
3 gible firm will mitigate those risks;

4 (E) certifies that the eligible firm will com-  
5 ply with applicable Federal and State anti-fraud  
6 laws;

7 (F) states an exit objective of the eligible  
8 firm involving action from the applicable Com-  
9 mission, which may include registration, an ex-  
10 emptive order, interpretive guidance, a no-ac-  
11 tion letter, or a rulemaking petition, together  
12 with milestones and metrics the eligible firm  
13 will use to demonstrate readiness for that exit;

14 (G) states the agreement of the eligible  
15 firm to submit to the jurisdiction and oversight  
16 of the Commissions, to the extent that the eligi-  
17 ble firm is not otherwise subject to that juris-  
18 diction and oversight, for purposes of, and while  
19 participating in, the Sandbox;

20 (H) designates to the Commissions an in-  
21 dividual as a point of contact with respect to  
22 activities that the eligible firm undertakes as an  
23 applicant and participant with respect to the  
24 Sandbox; and

1 (I) states the agreement of the eligible firm  
2 to abide by any condition that either of the  
3 Commissions may impose for engaging in an el-  
4 igible innovative activity in the Sandbox.

5 (2) DEADLINE FOR DECISION.—Not later than  
6 180 business days after the date on which an eligible  
7 firm submits an application under this subsection,  
8 the Commission or Commissions, as applicable, shall  
9 make a decision with respect to the application, after  
10 which the eligible firm submitting the application  
11 may commence eligible innovative activities in the  
12 Sandbox unless the application is denied.

13 (3) UPDATES AND STATUS REPORTS.—Each eli-  
14 gible firm shall submit to the Commission or Com-  
15 missions, as applicable, on a semi-annual basis while  
16 participating in the Sandbox, an updated application  
17 that—

18 (A) describes any material changes to the  
19 information originally provided under para-  
20 graph (1); and

21 (B) reports the progress of the eligible  
22 firm toward the stated exit objective described  
23 in paragraph (1)(F), including milestones  
24 achieved, remaining impediments, and any

1 pending requests for official action before the  
2 applicable Commission or the Commissions.

3 (4) UNREDACTED AND REDACTED VERSIONS.—

4 (A) IN GENERAL.—An eligible firm that  
5 submits an initial or updated application under  
6 this subsection may submit to the applicable  
7 Commission or the Commissions an unredacted  
8 version, together with a request for confidential  
9 treatment, pursuant to procedures the applica-  
10 ble Commission shall establish that are modeled  
11 on the rules of that Commission relating to the  
12 confidential treatment of information, which  
13 shall include—

14 (i) for the Securities and Exchange  
15 Commission, sections 200.83, 230.406, and  
16 240.24b–2 of title 17, Code of Federal  
17 Regulations, or any successor regulations;  
18 and

19 (ii) for the Commodity Futures Trad-  
20 ing Commission, section 145.9 of title 17,  
21 Code of Federal Regulations, or any suc-  
22 cessor regulations.

23 (B) OMITTED INFORMATION.—An eligible  
24 firm may omit information granted confidential  
25 treatment under subparagraph (A) from any

1 public posting under subsection (h) in accord-  
2 ance with the procedures established under sub-  
3 paragraph (A).

4 (C) INDICATION OF CONFIDENTIAL INFOR-  
5 MATION.—Any omission in a public posting  
6 under subsection (h) shall be clearly indicated  
7 by brackets with a prominent legend stating  
8 that—

9 (i) confidential information has been  
10 omitted; and

11 (ii) an unredacted version has been  
12 filed with the applicable Commission or the  
13 Commissions.

14 (f) DURATION OF PARTICIPATION.—

15 (1) DURATION.—Except as provided in para-  
16 graph (2), an eligible firm may participate in the  
17 Sandbox for a period of not more than 2 years, pro-  
18 vided that the eligible firm does not exceed the ceil-  
19 ings established under subsection (d)(2).

20 (2) EXTENSION.—

21 (A) SOLE JURISDICTION.—If an eligible in-  
22 novative activity is subject only to the jurisdic-  
23 tion of 1 Commission, that Commission may ex-  
24 tend participation by an eligible firm in the  
25 Sandbox by not more than 1 additional year, if

1           that Commission determines that the eligible  
2           firm—

3                   (i) is actively pursuing the exit objec-  
4                   tive described in subsection (e)(1)(F) in  
5                   good faith;

6                   (ii) is making demonstrable progress  
7                   toward achieving such an exit; and

8                   (iii) establishes that such an extension  
9                   is necessary to achieve such an exit.

10           (B) JOINT JURISDICTION.—Where an eligi-  
11           ble innovative activity is subject to the jurisdic-  
12           tion of both Commissions, an extension of par-  
13           ticipation by an eligible firm in the Sandbox by  
14           not more than 1 additional year shall be by  
15           joint order of the Commissions after making  
16           the findings described in clauses (i) through  
17           (iii) of subparagraph (A).

18           (g) CONDITIONS AND ENFORCEMENT.—

19                   (1) CONDITIONS.—An eligible firm shall comply  
20                   with applicable regulatory conditions approved by  
21                   the applicable Commission or the Commissions  
22                   under subsection (e)(1)(B), which shall be consistent  
23                   with applicable Federal and State anti-fraud laws.

24                   (2) MONITORING.—The Commissions shall  
25                   monitor Sandbox activities and enforce compliance

1 with applicable regulatory conditions and Federal  
2 anti-fraud laws.

3 (3) COORDINATION.—

4 (A) IN GENERAL.—The Commissions shall  
5 coordinate supervision, information requests,  
6 and examinations to avoid duplication while  
7 each Commission retains full authority under  
8 the provisions of law that such Commission ad-  
9 ministers.

10 (B) COOPERATION WITH STATES.—The  
11 Commissions may cooperate with any State in  
12 enforcing compliance with applicable regulatory  
13 conditions and Federal and State anti-fraud  
14 laws with respect to the operation of the Sand-  
15 box.

16 (4) SELF-REGULATORY ORGANIZATIONS.—Each  
17 self-regulatory organization shall recognize and re-  
18 spect Sandbox conditions that are applicable to a  
19 participant in the Sandbox.

20 (5) CESSATION OF ACTIVITIES.—The Commis-  
21 sions may, at any time during the participation of  
22 an eligible firm in the Sandbox, disqualify the eligi-  
23 ble firm from continued participation in the Sand-  
24 box, order the eligible firm to cease engaging in a  
25 permitted activity in the Sandbox, revoke a grant of

1       exemptive relief, or impose additional or more strin-  
2       gent conditions on continuing participation or en-  
3       gagement in a permitted activity in the Sandbox, if  
4       the Commissions find that the eligible firm has  
5       failed to comply with—

6               (A) the requirements of this section;

7               (B) the terms or conditions of participa-  
8       tion established by the Commissions; or

9               (C) other applicable law.

10       (h) PUBLIC DISCLOSURE.—

11           (1) INITIAL POSTING.—Each eligible firm shall  
12       post, in a prominent location on a public website of  
13       the eligible firm, the information required under  
14       subsection (e)(1), subject to confidential treatment  
15       under subsection (e)(4), not later than the date on  
16       which the notice becomes effective under subsection  
17       (e)(3).

18           (2) UPDATES.—Each eligible firm shall post, in  
19       the same manner as under paragraph (1), the infor-  
20       mation required under subsection (e)(3), subject to  
21       confidential treatment under subsection (e)(4), con-  
22       currently with submission to the applicable Commis-  
23       sion or the Commissions.

24           (3) DISCLOSURE REQUIREMENTS.—Each post  
25       under this subsection shall satisfy the disclosure re-

1       quirements of both Commissions where the jurisdic-  
2       tions of both Commissions are implicated.

3       (i) USE OF DATA BY COMMISSIONS.—Each Commis-  
4       sion may collect and share data from Sandbox activities  
5       with the other Commission to inform permanent, prin-  
6       ciples-based regulatory frameworks that advance the mis-  
7       sions of the Commissions.

8       (j) PUBLICATION BY COMMISSIONS.—Not less fre-  
9       quently than annually, each Commission shall publish on  
10      the public website of the Commission a report summa-  
11      rizing the activities conducted under this section, includ-  
12      ing—

13           (1) the number and general nature of eligible  
14      firms participating in the Sandbox;

15           (2) the categories of innovative activities tested;

16           (3) the impact of Sandbox participation on in-  
17      novation, investor protection, market integrity, and  
18      the public interest;

19           (4) the disclosures posted by eligible firms  
20      under subsection (h)(1); and

21           (5) exit outcomes, including the types of relief  
22      requested and actions taken by the Commissions.

23      (k) RELATIONSHIP OF SANDBOX PARTICIPATION TO  
24      STATE LAW.—

1           (1) LIMITED PREEMPTION FOR SANDBOX PAR-  
2           TICIPANTS.—This section, including participation in  
3           the Sandbox, and any exemption or relief granted  
4           under this section, shall supersede any State securi-  
5           ties or commodities law requiring registration, quali-  
6           fication, or licensing as a condition of engaging in  
7           an approved activity or otherwise regulating that ac-  
8           tivity as a security or commodity.

9           (2) STATE ENFORCEMENT PRESERVED.—Noth-  
10          ing in this section may be construed to prohibit or  
11          limit any State securities or commodities regulator,  
12          any State bank regulator, or any State law enforce-  
13          ment agency from conducting an investigation or  
14          bringing an administrative, civil, or criminal enforce-  
15          ment action under—

16                (A) a State law prohibiting fraud or deceit,  
17                or fraudulent, deceptive, manipulative, uneth-  
18                ical, dishonest, or other unlawful conduct or  
19                practices, in connection with securities or secu-  
20                rities transactions;

21                (B) the anti-fraud provisions of the Com-  
22                modity Exchange Act (7 U.S.C. 1 et seq.), as  
23                amended by this Act, or State commodities  
24                laws; or

1 (C) any State law of general applicability,  
2 including such a law relating to banking, con-  
3 sumer protection, contracts, property, or crimi-  
4 nal conduct.

5 (3) NOTICE FILINGS.—A State may require no-  
6 tice of any document filed with either of the Com-  
7 missions in connection with participation in the  
8 Sandbox, together with consent to service of process  
9 and reasonable fees, consistent with section 18(c) of  
10 the Securities Act of 1933 (15 U.S.C. 77r(c)).

11 **SEC. 10502. INTERNATIONAL COOPERATION.**

12 (a) DEFINITION.—In this section, the term “Commis-  
13 sions” means the Commission and the Commodity Fu-  
14 tures Trading Commission.

15 (b) COOPERATION.—In order to promote United  
16 States leadership in effective, reciprocal, and innovative  
17 global regulation of digital assets, and to advance the stra-  
18 tegic economic and policy interests of the United States,  
19 the Commissions, as appropriate—

20 (1) shall consult and coordinate with foreign  
21 regulatory authorities or other relevant international  
22 organizations on the application of consistent inter-  
23 national standards with respect to the regulation of  
24 digital assets;

1           (2) may enter into such information sharing ar-  
2           rangements as may be determined to be necessary or  
3           appropriate in the public interest or for the protec-  
4           tion of investors, customers, and users of digital as-  
5           sets;

6           (3) shall pursue reciprocal arrangements with  
7           foreign regulatory authorities that ensure United  
8           States-based digital asset firms, exchanges, and in-  
9           frastructure providers receive treatment equivalent  
10          to that granted to foreign counterparts operating  
11          within the United States;

12          (4) shall advocate in international fora for the  
13          development and adoption of technology-neutral,  
14          open standards that preserve lawful access to public  
15          distributed ledger infrastructure, support dollar-de-  
16          nominated digital asset usage, and safeguard indi-  
17          vidual rights, including self-custody and privacy; and

18          (5) may, as appropriate, engage in, at the least,  
19          cooperative enforcement, supervisory coordination,  
20          and joint technical assistance, in a manner that pro-  
21          motes responsible innovation in digital financial  
22          markets.

23          (c) CROSS-BORDER SANDBOX.—The Commissions  
24          may leverage the activities described in paragraphs (1)  
25          through (5) of subsection (b) to establish or participate

1 in cross-border regulatory sandboxes that build upon the  
2 CFTC-SEC Micro-Innovation Sandbox established pursu-  
3 ant to section 10501.

4 **SEC. 10503. AUTOMATED REGULATORY COMPLIANCE**  
5 **STUDY.**

6 (a) DEFINITIONS.—In this section:

7 (1) AUTOMATED REGULATORY COMPLIANCE.—

8 The term “automated regulatory compliance” means  
9 the use of technology, including data standards, au-  
10 tomation, and distributed ledger or smart contract  
11 functionality, to automate, tag, or otherwise stream-  
12 line regulatory reporting, disclosure, supervisory, or  
13 other compliance obligations.

14 (2) INNOVATIVE.—The term “innovative” has  
15 the meaning given the term in section 10501(a).

16 (b) STUDY REQUIRED.—The Comptroller General of  
17 the United States shall, in consultation with the Depart-  
18 ment of the Treasury (including the Financial Crimes En-  
19 forcement Network, the Office of Foreign Assets Control,  
20 and the Office of Financial Research), the Office of the  
21 Comptroller of the Currency, the Federal Deposit Insur-  
22 ance Corporation, the National Credit Union Administra-  
23 tion, the Commission, the Commodity Futures Trading  
24 Commission, the Bureau of Consumer Financial Protec-  
25 tion, and the Federal Housing Finance Agency, carry out

1 a study of distributed ledger-based compliance tools  
2 that—

3 (1) to the extent feasible, identifies and evalu-  
4 ates—

5 (A) the landscape of existing (as of the day  
6 before the date of enactment of this Act) dis-  
7 tributed ledger-based compliance tools for—

8 (i) statutory and regulatory disclo-  
9 sures;

10 (ii) real-time reporting and audit-trail  
11 logging; and

12 (iii) anti-money-laundering practices,  
13 sanctions screening, and customer-identi-  
14 fication checks;

15 (B) the feasibility, benefits, and risks of al-  
16 lowing regulated entities to satisfy applicable  
17 regulatory obligations through on-chain, code-  
18 based, or other automated mechanisms;

19 (C) the potential for interoperability with  
20 automated regulatory compliance mechanisms  
21 across and among each of those agencies;

22 (D) the data collection systems of each of  
23 those agencies; and

24 (E) standards or taxonomies, or other  
25 common data elements, if any, that those agen-

1           cies could publish or adopt to support the inter-  
2           operability described in subparagraph (C) in  
3           order to ensure consistency and regulatory ac-  
4           cess;

5           (2) recommends pilot programs, guidance, rule  
6           changes, or amendments to statutes that would be  
7           needed to implement effective automated regulatory  
8           compliance approaches and any other related ap-  
9           proaches addressed in the study;

10          (3) identifies the costs and benefits to issuers of  
11          different sizes, secondary market intermediaries,  
12          regulators, investors, and other applicable parties,  
13          including differential impacts on smaller entities and  
14          options to reduce those burdens;

15          (4) benchmarks international efforts with re-  
16          spect to automated regulatory compliance mecha-  
17          nisms and consults with any appropriate State, Fed-  
18          eral, or foreign regulators; and

19          (5) evaluates whether existing (as of the day be-  
20          fore the date of enactment of this Act) oversight, en-  
21          forcement, and liability frameworks are sufficient  
22          to—

23                 (A) ensure accountability, transparency,  
24                 fairness, and consumer protection; and

1 (B) prevent misuse of distributed ledger-  
2 based compliance tools.

3 (c) REPORT.—Not later than 1 year after the date  
4 of enactment of this Act, the Comptroller General of the  
5 United States shall make publicly available a report that  
6 includes the results of the study conducted under sub-  
7 section (b).

8 **SEC. 10504. REPORT ON LEGISLATIVE RECOMMENDATIONS.**

9 (a) DEFINITIONS.—In this section:

10 (1) APPROPRIATE COMMITTEES OF CON-  
11 GRESS.—The term “appropriate committees of Con-  
12 gress” means—

13 (A) the Committee on Banking, Housing,  
14 and Urban Affairs of the Senate;

15 (B) the Committee on Agriculture, Nutri-  
16 tion, and Forestry of the Senate;

17 (C) the Committee on Financial Services of  
18 the House of Representatives; and

19 (D) the Committee on Agriculture of the  
20 House of Representatives.

21 (2) FEDERAL FINANCIAL REGULATOR.—The  
22 term “Federal financial regulator” means—

23 (A) the Board of Governors of the Federal  
24 Reserve System;

1 (B) the Commodity Futures Trading Com-  
2 mission;

3 (C) the Department of the Treasury;

4 (D) the Federal Deposit Insurance Cor-  
5 poration;

6 (E) the Federal Housing Finance Agency;

7 (F) the National Credit Union Administra-  
8 tion;

9 (G) the Office of the Comptroller of the  
10 Currency;

11 (H) the Bureau of Consumer Financial  
12 Protection; and

13 (I) the Commission.

14 (b) REQUIREMENT.—Not later than 1 year after the  
15 date of enactment of this Act, and every 3 years thereafter  
16 for a total of not fewer than 12 years after the date of  
17 enactment of this Act, each Federal financial regulator  
18 shall submit to the appropriate committees of Congress  
19 a report that includes—

20 (1) a description of the implementation of this  
21 Act and the amendments made by this Act (includ-  
22 ing the adoption of rules and guidance, and the ap-  
23 proval or rejection of applications submitted, under  
24 this Act and the amendments made by this Act),

1 where applicable to the Federal financial regulator;  
2 and

3 (2) any legislative recommendations for the fur-  
4 ther effective implementation of this Act and the  
5 amendments made by this Act.

6 **SEC. 10505. TOKENIZATION OF SECURITIES.**

7 (a) DEFINITIONS.—In this section:

8 (1) TOKENIZATION.—The term “tokenization”  
9 means the process of creating a digital representa-  
10 tion of all rights, obligations, or interests in a tan-  
11 gible or intangible asset on a distributed ledger or  
12 comparable technology.

13 (2) TOKENIZED.—The term “tokenized”, with  
14 respect to an asset, means that the asset has under-  
15 gone tokenization.

16 (b) SENSE OF CONGRESS.—It is the sense of Con-  
17 gress that States should promptly consider and adopt com-  
18 mercial law frameworks under the Uniform Commercial  
19 Code that provide clear and uniform rules for the owner-  
20 ship, control, and enforceability of rights relating to digital  
21 assets.

22 (c) STUDY.—Not later than 360 days after the date  
23 of enactment of this Act, the Commission shall conduct  
24 a comprehensive study of the regulatory treatment of  
25 tokenized securities, including custody standards, inter-

1 agency coordination, cross-border coordination, and con-  
2 sumer protection.

3 (d) PARITY IN REGULATORY TREATMENT.—

4 (1) IN GENERAL.—Subject to paragraph (2), a  
5 tokenized security shall be treated, for all regulatory  
6 purposes, as the security that the tokenized security  
7 represents, except as otherwise provided by—

8 (A) section 10106(a); or

9 (B) a rule, regulation, or order issued by  
10 the Commission.

11 (2) REQUIREMENT.—A rule, regulation, or  
12 order described in paragraph (1)(B) may only be  
13 issued by the Commission to adapt the manner in  
14 which the applicable regulatory requirements are  
15 satisfied, to the extent necessary or appropriate—

16 (A) in light of the unique technological or  
17 other characteristics of digital assets or sub-  
18 stantially similar technology; and

19 (B) consistent with—

20 (i) what is necessary or appropriate in  
21 the public interest; and

22 (ii) protecting investors, maintaining  
23 fair, orderly, and efficient markets, and fa-  
24 cilitating capital formation.

1 (e) PROHIBITION ON MISREPRESENTATION.—Any  
2 statement or omission with respect to any material fact  
3 that is made by a person in connection with the offer, sale,  
4 or other representation regarding a tokenized security  
5 shall be subject to the securities laws, including applicable  
6 anti-fraud or anti-manipulation provisions under the secu-  
7 rities laws.

8 (f) AGENCY ACTION FOR TOKENIZED SECURITIES.—

9 (1) IN GENERAL.—The Commission may issue  
10 rules governing tokenized securities pursuant to the  
11 requirements of this section.

12 (2) REQUIREMENTS.—Rules issued under this  
13 subsection may address, consistent with sections  
14 10106 and 10107, how requirements applicable to  
15 an underlying security apply to custody, books and  
16 records, reconciliation with transfer agents or other  
17 recordkeepers, auditability, settlement finality, treat-  
18 ment of chain reorganizations, and other operational  
19 risks arising from the use of distributed ledger tech-  
20 nology or comparable technology.

21 (g) RULE OF CONSTRUCTION REGARDING ENFORCE-  
22 MENT.—Nothing in this section may be construed to pre-  
23 vent the Commission from enforcing the anti-fraud and  
24 anti-manipulation provisions of the securities laws, and  
25 the rules issued under the securities laws, with respect to

1 tokenized securities, provided that the elements of those  
2 provisions are satisfied.

3 (h) SAVINGS CLAUSES.—

4 (1) TOKENIZED SECURITY.—Any asset that is a  
5 security under the securities laws shall not cease to  
6 be a security solely because the asset is issued, re-  
7 corded, represented, or transferred using distributed  
8 ledger technology or comparable technology.

9 (2) EFFECT ON STATE LAW.—Nothing in this  
10 section may be construed, interpreted, or applied in  
11 a manner that preempts, supersedes, invalidates, or  
12 otherwise affects any State property transfer rules,  
13 laws, regulations, or common law principles relating  
14 to the transfer or recording of real tangible or intan-  
15 gible assets or interests therein.

16 (3) RULEMAKINGS, ORDERS, AND OTHER AC-  
17 TIONS.—Notwithstanding any other provision of this  
18 section, section 10106 shall apply to any rule-  
19 making, order, or other action of the Commission  
20 under this section.

21 (4) NO LIMIT OF ABILITY TO OFFER OR  
22 SELL.—Nothing in this section, or any rule, regula-  
23 tion, or order promulgated under this section, may  
24 be construed to limit the ability of any person to

1 offer or sell any tokenized security, consistent with  
2 the securities laws.

3 **SEC. 10506. VOLUNTARY ADOPTION OF NATIONAL INSTI-**  
4 **TUTE OF STANDARDS AND TECHNOLOGY**  
5 **POST-QUANTUM CRYPTOGRAPHY STAND-**  
6 **ARDS.**

7 (a) DEFINITIONS.—In this section:

8 (1) APPROPRIATE CONGRESSIONAL COMMIT-  
9 TEES.—The term “appropriate congressional com-  
10 mittees” means—

11 (A) the Committee on Banking, Housing,  
12 and Urban Affairs of the Senate;

13 (B) the Committee on Agriculture, Nutri-  
14 tion, and Forestry of the Senate;

15 (C) the Committee on Commerce, Science,  
16 and Transportation of the Senate;

17 (D) the Committee on Financial Services  
18 of the House of Representatives;

19 (E) the Committee on Agriculture of the  
20 House of Representatives; and

21 (F) the Committee on Energy and Com-  
22 merce of the House of Representatives.

23 (2) DIRECTOR.—The term “Director” means  
24 the Under Secretary of Commerce for Standards  
25 and Technology.

1 (b) FINDINGS.—Congress finds the following:

2 (1) Technical standards with respect to digital  
3 assets ensure quality, interoperability, and reliability  
4 in products, processes, and services and facilitate in-  
5 novation.

6 (2) The digital asset ecosystem should harness  
7 standards to solve coordination problems and foster  
8 innovation, not through regulation, but through vol-  
9 untary, market-driven measures.

10 (3) Advances in quantum computing threaten  
11 existing (as of the day before the date of enactment  
12 of this Act) cryptographic standards and the secu-  
13 rity of digital assets.

14 (c) VOLUNTARY ADOPTION.—The Director, in con-  
15 sultation with the Secretary of Homeland Security and the  
16 heads of sector risk management agencies, as appropriate,  
17 shall promote the voluntary adoption and deployment of  
18 post-quantum cryptography standards, including by—

19 (1) disseminating and making publicly available  
20 guidance and resources to help organizations adopt  
21 and deploy those standards;

22 (2) providing technical assistance, as prac-  
23 ticable, to entities that are at high risk of quantum  
24 cryptography analytic attacks, such as entities deter-

1        mined to be critical infrastructure or digital infra-  
2        structure providers; and

3            (3) conducting such other activities determined  
4        necessary by the Director to promote the adoption  
5        and deployment of those standards across the  
6        United States.

7        (d) INDUSTRY CONSULTATION.—In implementing  
8        subsection (c), the Director shall, at a minimum—

9            (1) solicit regular input from a broad range of  
10        industry stakeholders regarding the feasibility and  
11        practical challenges of adopting the standards de-  
12        scribed in that subsection;

13            (2) facilitate ongoing dialogue between the Na-  
14        tional Institute of Standards and Technology and in-  
15        dustry participants to identify, assess, and address  
16        barriers to the adoption of the standards described  
17        in that subsection;

18            (3) not later than 2 years after the date of en-  
19        actment of this Act, and biennially thereafter until  
20        2035, submit to the appropriate congressional com-  
21        mittees a report on the implementation of that sub-  
22        section, including stakeholder engagement with re-  
23        spect to those actions and continued challenges in  
24        adopting the standards described in that subsection;  
25        and

1           (4) not later than 5 years after the date of en-  
2           actment of this Act, make available to the public a  
3           report on stakeholder engagement and lessons  
4           learned in implementing that subsection.

5   **SEC. 10507. INTERNATIONAL COORDINATION TO COMBAT**  
6                   **DIGITAL ASSET ILLICIT FINANCE.**

7           (a) DEFINITION.—In this section, the term “Strat-  
8           egy” means the National Strategy to Combat Inter-  
9           national Digital Asset Illicit Finance submitted under sub-  
10          section (d).

11          (b) INTERAGENCY INITIATIVE.—The Secretary of the  
12          Treasury, in coordination with the Secretary of State, the  
13          Attorney General, the Secretary of Homeland Security,  
14          and the heads of such other Federal departments and  
15          agencies as the President may designate, shall lead an  
16          interagency initiative to strengthen international coopera-  
17          tion to prevent the misuse of digital assets for illicit fi-  
18          nance, sanctions evasion, terrorist financing, or other na-  
19          tional-security threats.

20          (c) OBJECTIVES.—The initiative established under  
21          subsection (b) shall—

22                (1) engage foreign counterparts, including fi-  
23                nance ministries, central banks, and financial intel-  
24                ligence units, to promote anti-money-laundering,  
25                sanctions evasion, and counter-terrorist financing

1 standards applicable to digital asset activities, con-  
2 sistent with United States standards and the frame-  
3 work established under the Strategy;

4 (2) encourage the adoption and enforcement of  
5 effective regulatory and supervisory frameworks for  
6 digital asset service providers to ensure transparency  
7 and prevent illicit use;

8 (3) identify and prioritize jurisdictions of con-  
9 cern that present significant risk of facilitating illicit  
10 digital asset activity and develop coordinated diplo-  
11 matic, economic, and law enforcement strategies to  
12 address those risks;

13 (4) support technical assistance and capacity-  
14 building programs for partner jurisdictions to en-  
15 hance anti-money laundering, sanctions evasion, and  
16 counter-terrorist financing supervision, enforcement,  
17 and information sharing relating to digital assets;  
18 and

19 (5) report annually to Congress on progress  
20 made toward the objectives described in paragraphs  
21 (1) through (4), including a list of cooperative and  
22 non-cooperative jurisdictions and any recommenda-  
23 tions for additional actions or sanctions.

24 (d) NATIONAL STRATEGY TO COMBAT INTER-  
25 NATIONAL DIGITAL ASSET ILLICIT FINANCE.—Not later

1 than 270 days after the date of enactment of this Act,  
2 the Secretary of the Treasury, in coordination with the  
3 Secretary of State, the Attorney General, and the Director  
4 of National Intelligence, shall submit to the Committee on  
5 Banking, Housing, and Urban Affairs, the Committee on  
6 Foreign Relations, and the Committee on Homeland Secu-  
7 rity and Governmental Affairs of the Senate, and the  
8 Committee on Financial Services, the Committee on For-  
9 eign Affairs, and the Committee on Homeland Security  
10 of the House of Representatives a National Strategy to  
11 Combat International Digital Asset Illicit Finance, which  
12 shall—

13           (1) assess global vulnerabilities with respect to  
14           the digital assets framework set out in the Strategy;

15           (2) set measurable goals and timelines for mul-  
16           tilateral engagement with respect to digital assets;

17           (3) recommend resource and staffing require-  
18           ments for Treasury attaches, financial intelligence li-  
19           aisons, and other personnel necessary to implement  
20           the Strategy; and

21           (4) identify standards for combating money  
22           laundering, sanctions evasion, and terrorist financ-  
23           ing with respect to digital asset activities applicable  
24           to foreign jurisdictions, which shall be informed by

1 United States law, regulation, and supervisory  
2 standards, including standards relating to—

3 (A) anti-money laundering and countering  
4 the financing of terrorism laws and regulations  
5 that identify, prioritize, and mitigate illicit fi-  
6 nance threats, including preventive measures  
7 for financial institutions and other entities cov-  
8 ered by those laws and regulations, including  
9 measures relating to customer due diligence,  
10 recordkeeping, internal controls, and the report-  
11 ing of suspicious transactions;

12 (B) money laundering offenses, asset sei-  
13 zure, and confiscation to recover proceeds of  
14 crime;

15 (C) terrorist financing and proliferation-fi-  
16 nancing offenses and related targeted financial  
17 sanctions; and

18 (D) regulation, supervision, and enforce-  
19 ment by competent authorities, including finan-  
20 cial intelligence, law enforcement, and sanctions  
21 measures.

1 **SEC. 10508. ANNUAL REPORT ON FOREIGN DIGITAL ASSET**  
2 **TRADING VOLUME, COMPLIANCE WITH**  
3 **UNITED STATES STANDARDS AND REMEDI-**  
4 **ATION ACTIONS.**

5 (a) IN GENERAL.—Not later than 1 year after the  
6 date of enactment of this Act, and annually thereafter for  
7 a period of 4 years, the Secretary of the Treasury shall  
8 submit to the Committee on Banking, Housing, and  
9 Urban Affairs of the Senate and the Committee on Finan-  
10 cial Services of the House of Representatives a report  
11 that—

12 (1) lists the top 20 foreign jurisdictions by vol-  
13 ume of digital asset trading activity on foreign dig-  
14 ital asset service providers during the calendar year  
15 immediately preceding the year of the report;

16 (2) assesses the degree to which each foreign  
17 jurisdiction listed under paragraph (1) has imple-  
18 mented anti-money laundering, sanctions evasion,  
19 and counter-terrorist financing laws, regulations, or  
20 standards applicable to digital asset activities con-  
21 sistent with the standards and framework identified  
22 under the National Strategy to Combat Inter-  
23 national Digital Asset Illicit Finance submitted  
24 under section 10507; and

25 (3) identifies foreign jurisdictions with—

1 (A) material deficiencies in the implemen-  
2 tation or enforcement of the standards de-  
3 scribed in paragraph (2); and

4 (B) trading volumes that present systemic  
5 illicit finance risk to the United States.

6 (b) FORM.—Each report required under subsection  
7 (a) shall be submitted in unclassified form, but may in-  
8 clude a classified annex, as appropriate.

9 (c) REMEDIATION AND ENGAGEMENT REPORT.—For  
10 each foreign jurisdiction identified pursuant to subsection  
11 (a)(3), the Secretary of the Treasury shall include in the  
12 applicable report—

13 (1) a description of bilateral diplomatic, regu-  
14 latory, or law enforcement engagements undertaken  
15 during the calendar year immediately preceding the  
16 year in which the report is submitted to remedy the  
17 deficiencies of the foreign jurisdiction;

18 (2) a summary of actions taken by the United  
19 States individually, or in conjunction with any appli-  
20 cable international body, to identify high-risk or  
21 non-cooperative jurisdictions with respect to digital  
22 asset illicit finance, including public statements iden-  
23 tifying those jurisdictions and measures to support  
24 their remediation;

1 (3) any commitments obtained from the foreign  
2 jurisdiction to address identified deficiencies, includ-  
3 ing timeliness and benchmarks; and

4 (4) an assessment of progress made toward full  
5 implementation of the standards identified under the  
6 National Strategy to Combat International Digital  
7 Asset Illicit Finance submitted under section 10507.

8 **SEC. 10509. AI INNOVATION LABS.**

9 (a) DEFINITIONS.—

10 (1) AI TEST PROJECT.—The term “AI test  
11 project” means a financial product, service, or activ-  
12 ity—

13 (A) that makes substantial use of artificial  
14 intelligence;

15 (B) that is, or may be, subject to a Fed-  
16 eral regulation or Federal statute; and

17 (C) for which a regulated entity submits  
18 an application for the waiver or modification of  
19 an applicable regulation subject to an alter-  
20 native compliance strategy.

21 (2) APPROPRIATE FINANCIAL REGULATORY  
22 AGENCY.—The term “appropriate financial regu-  
23 latory agency” means—

24 (A) the appropriate Federal banking agen-  
25 cy, as defined in section 3 of the Federal De-

1           posit Insurance Act (12 U.S.C. 1813), with re-  
2           spect to an institution described in subsection  
3           (q) of that section;

4                   (B) the Bureau of Consumer Financial  
5           Protection, with respect to a covered person, as  
6           defined in section 1002 of the Consumer Finan-  
7           cial Protection Act of 2010 (12 U.S.C. 5481),  
8           that does not have an appropriate financial reg-  
9           ulatory agency under subparagraph (A), (C), or  
10          (D) of this paragraph;

11                   (C) the National Credit Union Administra-  
12          tion, with respect to an insured credit union, as  
13          defined in section 101 of the Federal Credit  
14          Union Act (12 U.S.C. 1752); and

15                   (D) the Federal Housing Finance Agency,  
16          with respect to—

17                           (i) a Federal Home Loan Bank;

18                           (ii) the Federal Home Loan Bank  
19          System;

20                           (iii) the Federal National Mortgage  
21          Association; and

22                           (iv) the Federal Home Loan Mortgage  
23          Corporation.

24                   (3) ARTIFICIAL INTELLIGENCE; AI.—The terms  
25          “artificial intelligence” and “AI” have the meaning

1       given the term “artificial intelligence” in section  
2       5002 of the National Artificial Intelligence Initiative  
3       Act of 2020 (15 U.S.C. 9401).

4               (4) FINANCIAL PRODUCT OR SERVICE.—The  
5       term “financial product or service”—

6               (A) has the meaning given the term in sec-  
7       tion 1002 of the Consumer Financial Protection  
8       Act of 2010 (12 U.S.C. 5481);

9               (B) includes—

10              (i) activities that are financial in na-  
11              ture, as defined in section 4(k)(4) of the  
12              Bank Holding Company Act of 1956 (12  
13              U.S.C. 1843(k)(4)); and

14              (ii) any financial product or service  
15              provided by a person regulated by the  
16              Commission, as defined in section 1002 of  
17              the Consumer Financial Protection Act of  
18              2010 (12 U.S.C. 5481); and

19              (C) does not include the business of insur-  
20       ance.

21               (5) FINANCIAL REGULATORY AGENCY.—The  
22       term “financial regulatory agency” means—

23              (A) the Board of Governors of the Federal  
24       Reserve System;

1 (B) the Federal Deposit Insurance Cor-  
2 poration;

3 (C) the Office of the Comptroller of the  
4 Currency;

5 (D) the Bureau of Consumer Financial  
6 Protection;

7 (E) the National Credit Union Administra-  
8 tion; and

9 (F) the Federal Housing Finance Agency.

10 (6) REGULATED ENTITY.—The term “regulated  
11 entity” means an entity regulated by any financial  
12 regulatory agency.

13 (b) USE OF ARTIFICIAL INTELLIGENCE BY REGU-  
14 LATED FINANCIAL ENTITIES.—

15 (1) AI INNOVATION LABS.—

16 (A) ESTABLISHMENT.—Each financial reg-  
17 ulatory agency shall establish, or identify an of-  
18 fice, division, or department of the agency that  
19 shall serve as, an AI Innovation Lab to enable  
20 regulated entities to experiment with AI test  
21 projects without unnecessary or unduly burden-  
22 some regulation or expectation of enforcement  
23 actions, pursuant to the approval of an applica-  
24 tion under subparagraph (B).

25 (B) APPLICATIONS.—

1 (i) SUBMISSION.—

2 (I) IN GENERAL.—On and after  
3 the date that is 1 year after the date  
4 of enactment of this Act, a regulated  
5 entity may submit to the appropriate  
6 financial regulatory agency an appli-  
7 cation, on a form determined by the  
8 appropriate financial regulatory agen-  
9 cy, to engage in an AI test project  
10 through the AI Innovation Lab estab-  
11 lished or identified under subpara-  
12 graph (A).

13 (II) CONTENTS.—An application  
14 submitted under subclause (I) shall  
15 include—

16 (aa) a description of the AI  
17 test project proposed to be car-  
18 ried out by the regulated entity;

19 (bb) an alternative compli-  
20 ance strategy that—

21 (AA) identifies a regu-  
22 lation issued by the appro-  
23 priate financial regulatory  
24 agency that the regulated

1 entity requests be waived or  
2 modified; and

3 (BB) proposes an alter-  
4 native method for the regu-  
5 lated entity to comply with  
6 the regulation, including an  
7 explanation as to why the al-  
8 ternative method is essential  
9 to the operation of the entity  
10 and how the regulated entity  
11 would effectively manage  
12 risks associated with the AI  
13 test project;

14 (cc) an explanation of how  
15 under the strategy described in  
16 item (aa), the AI test project—

17 (AA) would serve the  
18 public interest, improve con-  
19 sumer or investor access to  
20 a financial product or serv-  
21 ice, or promote consumer or  
22 investor protection;

23 (BB) would enhance ef-  
24 ficiency or operations, foster  
25 innovation or competitive-

1                   ness, improve risk manage-  
2                   ment and security, or en-  
3                   hance regulatory compliance;  
4                   (CC) would not present  
5                   a systemic risk to the finan-  
6                   cial system of the United  
7                   States;

8                   (DD) is consistent with  
9                   the purposes of the anti-  
10                  money laundering and coun-  
11                  tering the financing of ter-  
12                  rorism obligations under  
13                  subchapter II of chapter 53  
14                  of title 31, United States  
15                  Code; and

16                  (EF) would not present  
17                  a national security risk to  
18                  the United States;

19                  (dd) a proposed date on  
20                  which the AI test project would  
21                  terminate and an explanation as  
22                  to why such termination date  
23                  would be appropriate;

286

- 1 (ee) proposed limitations on  
2 the size, scope, and growth of the  
3 AI test project;  
4 (ff) a detailed business plan;  
5 and  
6 (gg) an estimate of the eco-  
7 nomic impact of the AI test  
8 project if approved.

9 (III) JOINT APPLICATIONS.—Two  
10 or more regulated entities may submit  
11 a joint application to the same finan-  
12 cial regulatory agency under subclause  
13 (I).

14 (IV) REGULATIONS OF OTHER  
15 AGENCIES.—

16 (aa) IN GENERAL.—A regu-  
17 lated entity may submit an appli-  
18 cation under this subparagraph  
19 that includes an alternative com-  
20 pliance strategy for a regulation  
21 issued or enforced by a financial  
22 regulatory agency that is not the  
23 appropriate financial regulatory  
24 agency for the regulated entity.

1 (bb) REQUIREMENTS.—An  
2 application described in item (aa)  
3 shall be subject to the same re-  
4 quirements as an application de-  
5 scribed in subclause (II), except  
6 that—

7 (AA) the regulated enti-  
8 ty shall submit the applica-  
9 tion to the appropriate fi-  
10 nancial regulatory agency  
11 and the financial regulatory  
12 agency that issued or en-  
13 forces the regulation that is  
14 the subject of the alternative  
15 compliance strategy; and

16 (BB) the AI test  
17 project may not take effect  
18 unless the appropriate finan-  
19 cial regulatory agency and  
20 any other financial regu-  
21 latory agency that issued or  
22 enforces the regulation that  
23 is the subject of the alter-  
24 native compliance strategy  
25 jointly approve the applica-

1                                   tion using the process de-  
2                                   scribed in clause (ii).

3                                   (V) NOTICE.—A regulated entity  
4                                   that is regulated or supervised by  
5                                   more than 1 financial regulatory  
6                                   agency shall provide notice of any ap-  
7                                   plication submitted to the appropriate  
8                                   financial regulatory agency under this  
9                                   section to each financial regulatory  
10                                  agency by which it is regulated or su-  
11                                  pervised not later than 5 business  
12                                  days after the entity submits the ap-  
13                                  plication to the appropriate financial  
14                                  regulatory agency.

15                                  (ii) AGENCY REVIEW.—

16                                  (I) IN GENERAL.—Except as pro-  
17                                  vided in subclause (IV), not later than  
18                                  120 days after the date on which an  
19                                  application is submitted to the appro-  
20                                  priate financial regulatory agency  
21                                  under clause (i), the appropriate fi-  
22                                  nancial regulatory agency shall—

23                                               (aa) review the application;  
24                                               and

1 (bb) submit to the applicant  
2 in writing a determination of the  
3 agency.

4 (II) APPROVAL.—

5 (aa) IN GENERAL.—If the  
6 applicant shows that it is more  
7 likely than not that the applica-  
8 tion meets the requirements for  
9 establishing an alternative com-  
10 pliance strategy and satisfies the  
11 standards described in items (bb)  
12 and (cc) of clause (i)(II), the  
13 agency shall approve the applica-  
14 tion and notify the applicant in  
15 writing of—

16 (AA) the regulation  
17 that is the subject of the al-  
18 ternative compliance strat-  
19 egy;

20 (BB) the terms of the  
21 alternative compliance strat-  
22 egy for the AI test project;

23 (CC) the date on which  
24 the AI test project will ter-  
25minate;

1 (DD) any limitations on  
2 the size, scope, or growth of  
3 the AI test project; and

4 (EE) any additional  
5 limitations or conditions on  
6 the AI test project, as deter-  
7 mined by the appropriate fi-  
8 nancial regulatory agency.

9 (bb) EFFECT OF AP-  
10 PROVAL.—With respect to an AI  
11 test project, except as provided in  
12 item (cc), beginning on the date  
13 on which an application sub-  
14 mitted under clause (i) is ap-  
15 proved and ending on the date  
16 described in item (aa)(CC)—

17 (AA) the appropriate fi-  
18 nancial regulatory agency  
19 may enforce a regulation de-  
20 scribed in item (aa)(AA)  
21 only in the manner set out  
22 in the alternative compliance  
23 strategy described in item  
24 (aa)(BB); and

1 (BB) except as pro-  
2 vided in subclause (III), a fi-  
3 nancial regulatory agency  
4 that is not the appropriate  
5 financial regulatory agency  
6 may not enforce a regulation  
7 described in item (aa)(AA).

8 (cc) ENFORCEMENT BY AN-  
9 OTHER FINANCIAL REGULATORY  
10 AGENCY.—With respect to an AI  
11 test project, a financial regu-  
12 latory agency other than the ap-  
13 propriate financial regulatory  
14 agency that approves an applica-  
15 tion under clause (i)(IV) may en-  
16 force a regulation described in  
17 item (aa)(AA) if the alternative  
18 compliance strategy described in  
19 item (aa)(BB) provides for en-  
20 forcement by such financial regu-  
21 latory agency.

22 (dd) RULE OF CONSTRUC-  
23 TION.—Nothing in this clause  
24 may be construed to limit the au-  
25 thority of a financial regulatory

1 agency to take an enforcement  
2 action against a regulated entity  
3 with respect to fraud or market  
4 manipulation or for engaging in  
5 an unsafe or unsound practice re-  
6 lating to an AI test project.

7 (III) DENIAL.—

8 (aa) IN GENERAL.—If an  
9 agency denies an application sub-  
10 mitted under clause (i), the agen-  
11 cy—

12 (AA) shall submit to  
13 the applicant a written no-  
14 tice explaining the reason  
15 for denial; and

16 (BB) may not take an  
17 enforcement action related  
18 to the proposed AI test  
19 project against the applicant  
20 earlier than the date that is  
21 30 days after the date on  
22 which the agency submits  
23 the written notice described  
24 in subitem (AA).

1 (bb) RESUBMITTALS.—Each  
2 time an application submitted  
3 under clause (i) is denied, the  
4 regulated entity—

5 (AA) may submit an  
6 amended application after  
7 receiving feedback from the  
8 agency making such denial;  
9 and

10 (BB) may not resubmit  
11 more than 2 applications  
12 that are substantially similar  
13 to the denied application.

14 (cc) INJUNCTIVE RELIEF.—  
15 Notwithstanding item (aa)(BB),  
16 a financial regulatory agency, by  
17 and through its own attorneys,  
18 may file a civil action in an ap-  
19 propriate United States district  
20 court to enjoin an active AI test  
21 project if the agency determines  
22 that the AI test project presents  
23 an immediate danger to con-  
24 sumers or investors or presents a  
25 risk—

1 (AA) to financial mar-  
2 kets;

3 (BB) in the case of an  
4 AI test project engaged in  
5 by an insured depository in-  
6 stitution or an insured credit  
7 union, of loss to a Federal  
8 deposit or share insurance  
9 fund;

10 (CC) of a violation of  
11 anti-money laundering and  
12 countering the financing of  
13 terrorism obligations under  
14 subchapter II of chapter 53  
15 of title 31, United States  
16 Code; or

17 (DD) to the national  
18 security of the United  
19 States.

20 (IV) EXTENSION.—If the finan-  
21 cial regulatory agency needs addi-  
22 tional time, the agency may extend  
23 the approval deadline by 120 days.  
24 After the expiration of the 120-day  
25 extension period, if the agency has not

1 made a determination on the applica-  
2 tion, the application will automatically  
3 be deemed approved and effective.

4 (V) ADDITIONAL INFORMA-  
5 TION.—Not later than the initial or  
6 extended approval deadline, as appli-  
7 cable, a financial regulatory agency  
8 may request additional information  
9 from the applicant.

10 (iii) DATA SECURITY.—All data sup-  
11 plied by sponsors of AI test projects to a  
12 financial regulatory agency submitted  
13 under this section shall be stored and  
14 maintained in a secure manner by the fi-  
15 nancial regulatory agency, consistent with  
16 applicable data security standards.

17 (iv) REGULATIONS.—Not later than  
18 180 days after the date of enactment of  
19 this Act, each financial regulatory agency  
20 shall promulgate regulations that—

21 (I) shall be published in the Fed-  
22 eral Register and provide a 60-day pe-  
23 riod for public notice and comment;

24 (II) include—

1 (aa) procedures for modi-  
2 fying the AI test projects that  
3 are approved by the agency;

4 (bb) consequences for failure  
5 to comply with the terms of an  
6 alternative compliance strategy;

7 (cc) a requirement that an  
8 AI test project will terminate not  
9 earlier than 1 year after the AI  
10 test project is approved;

11 (dd) procedures to extend  
12 the termination date described in  
13 item (cc);

14 (ee) procedures for confiden-  
15 tiality; and

16 (ff) procedures for coordi-  
17 nating decisions relating to appli-  
18 cations submitted jointly by mul-  
19 tiple regulated entities or applica-  
20 tions submitted to more than one  
21 financial regulatory agency.

22 (2) REPORT.—Not later than 2 years after the  
23 date of enactment of this Act, and each year for 7  
24 years thereafter, each financial regulatory agency  
25 shall submit to the Committee on Banking, Housing,

1 and Urban Affairs of the Senate and the Committee  
2 on Financial Services of the House of Representa-  
3 tives an annual report on the outcomes of AI test  
4 projects. A report under this subsection may not in-  
5 clude the names of participating entities or any pro-  
6 prietary or confidential business information. A re-  
7 port under this subsection shall include aggregated  
8 findings, trends, and lessons learned from the AI  
9 test projects.

10 (3) RULE OF CONSTRUCTION.—Nothing in this  
11 section may be construed to limit the authority of a  
12 financial regulatory agency to take an enforcement  
13 action against a regulated entity with respect to  
14 fraud or market manipulation relating to an AI test  
15 project.

16 **TITLE VI—PROTECTING SOFT-**  
17 **WARE DEVELOPERS AND**  
18 **SOFTWARE INNOVATION**

19 **SEC. 10601. PROTECTING SOFTWARE DEVELOPERS.**

20 (a) AMENDMENT TO THE SECURITIES ACT OF  
21 1933.—The Securities Act of 1933 (15 U.S.C. 77a et  
22 seq.) is amended by inserting after section 27B (15 U.S.C.  
23 77z–2a) the following:

1   **“SEC. 27C. APPLICATION TO SOFTWARE DEVELOPERS.**

2       “(a) DISTRIBUTED LEDGER SYSTEM DEFINED.—In  
3 this section, the term ‘distributed ledger system’ has the  
4 meaning given the term in section 10001 of the Digital  
5 Asset Market Clarity Act.

6       “(b) APPLICATION TO SOFTWARE DEVELOPERS.—  
7 Notwithstanding any other provision of this Act, a person  
8 shall not be subject to this Act and the regulations pro-  
9 mulgated under this Act solely based on the person engag-  
10 ing in any of the following activities, whether singly or  
11 in combination, in relation to the operation of a distrib-  
12 uted ledger system or any component thereof:

13           “(1) Compiling network transactions or relay-  
14 ing, searching, sequencing, validating, or acting in a  
15 similar capacity.

16           “(2) Providing computational work, operating a  
17 node or oracle service, or procuring, offering, or uti-  
18 lizing network bandwidth, or providing other similar  
19 incidental services.”.

20       (b) AMENDMENT TO THE SECURITIES EXCHANGE  
21 ACT OF 1934.—The Securities Exchange Act of 1934 (15  
22 U.S.C. 78a et seq.) is amended by inserting after section  
23 15G (15 U.S.C. 78o–11) the following:

24   **“SEC. 15H. APPLICATION TO SOFTWARE DEVELOPERS.**

25       “(a) DEFINITIONS.—In this section:

1           “(1) CONSTITUTE.—The term ‘constitute’  
2       means to compile, assemble, integrate, or otherwise  
3       combine software components into a complete soft-  
4       ware system.

5           “(2) DECENTRALIZED FINANCE MESSAGING  
6       SYSTEM; DECENTRALIZED FINANCE TRADING PRO-  
7       TOCOL.—The terms ‘decentralized finance messaging  
8       system’ and ‘decentralized finance trading protocol’  
9       have the meanings given those terms in section 1a  
10      of the Commodity Exchange Act (7 U.S.C. 1a).

11          “(3) DIGITAL ASSET; DISTRIBUTED LEDGER  
12      APPLICATION; DISTRIBUTED LEDGER SYSTEM; DIS-  
13      TRIBUTED LEDGER PROTOCOL; DECENTRALIZED  
14      GOVERNANCE SYSTEM; SMART CONTRACT.—The  
15      terms ‘digital asset’, ‘distributed ledger application’,  
16      ‘distributed ledger system’, ‘distributed ledger pro-  
17      tocol’, ‘decentralized governance system’, and ‘smart  
18      contract’ have the meanings given those terms in  
19      section 10001 of the Digital Asset Market Clarity  
20      Act.

21          “(4) DEPLOY.—The term ‘deploy’ means to  
22      bring software or hardware onto a distributed ledger  
23      system for active use.

24          “(b) APPLICATION TO SOFTWARE DEVELOPERS.—  
25      Notwithstanding any other provision of this Act, a person

1 shall not be subject to this Act and the regulations pro-  
2 mulgated under this Act solely based on the person engag-  
3 ing in any of the following activities, whether singly or  
4 in combination, in relation to the operation of a distrib-  
5 uted ledger system or any component thereof:

6           “(1) Compiling network transactions or relay-  
7           ing, searching, sequencing, validating, or acting in a  
8           similar capacity.

9           “(2) Providing computational work, operating a  
10          node or oracle service, or procuring, offering, or uti-  
11          lizing network bandwidth, or providing other similar  
12          incidental services.

13          “(3) Developing, publishing, or constituting—

14               “(A) a distributed ledger system; or

15               “(B) software or systems that create or  
16               utilize hardware or software, including wallets  
17               or other systems, that facilitate the ability of a  
18               user to keep, safeguard, or have custody of the  
19               digital assets or private keys of the user.

20          “(c) RULE OF CONSTRUCTION.—Subsection (b)(3)  
21          does not extend to any activity covered in any of the activi-  
22          ties described in subparagraphs (A) through (D) of sub-  
23          section (d)(1), including activity taken following deploy-  
24          ment of such software or hardware.

25          “(d) CLARIFICATION.—

1           “(1) IN GENERAL.—The Commission shall, pur-  
2           suant to notice and comment rulemaking, clarify the  
3           circumstances under which a person shall not be  
4           subject to this Act by reason of engaging solely in  
5           1 or more of the following activities in relation to  
6           the operation of a decentralized finance trading pro-  
7           tocol or any component thereof:

8                   “(A) Providing a user interface that en-  
9                   ables a user to read and access data.

10                   “(B) Administering, maintaining, or other-  
11                   wise distributing a decentralized governance  
12                   system relating to a decentralized finance trad-  
13                   ing protocol, or a decentralized finance trading  
14                   protocol.

15                   “(C) Administering, maintaining, or other-  
16                   wise distributing a decentralized finance mes-  
17                   saging system or operating or participating in  
18                   a smart contract-based liquidity pool in a de-  
19                   centralized finance trading protocol.

20                   “(D) Administering, maintaining, or other-  
21                   wise distributing software or systems that cre-  
22                   ate or deploy hardware or software, including  
23                   wallets or other systems, that facilitate the abil-  
24                   ity of a user to keep, safeguard, or maintain

1 custody of the digital assets or related private  
2 keys of the user.

3 “(2) CONSIDERATIONS.—In providing the clari-  
4 fication under paragraph (1) the Commission shall—

5 “(A) ensure that the rules are consistent  
6 with the purposes of the securities laws, includ-  
7 ing the public interest, the protection of inves-  
8 tors, and the maintenance of fair and orderly  
9 markets;

10 “(B) provide that section 10108(a) of the  
11 Lummis-Gillibrand Responsible Financial Inno-  
12 vation Act of 2026 shall apply to such rules;

13 “(C) protect the rights of software devel-  
14 opers, publishers, and users to create, publish,  
15 and use code and software in a manner con-  
16 sistent with the First Amendment to the Con-  
17 stitution of the United States; and

18 “(D) provide legal clarity for the develop-  
19 ment, publication, and operation of distributed  
20 ledger systems and the components therein in a  
21 manner consistent with the purposes of this sec-  
22 tion.

23 “(3) RULE OF CONSTRUCTION.—Nothing in  
24 this subsection may be construed to grant the Com-  
25 mission authority over persons, systems, software, or

1 activities that do not otherwise fall within the juris-  
2 diction of the Commission under this Act, or to cre-  
3 ate a presumption that any such activity is subject  
4 to this Act.

5 “(e) ANTI-FRAUD, ANTI-MANIPULATION, AND FALSE  
6 REPORTING.—The determination that a person is not sub-  
7 ject to this Act under subsections (b) and (d) shall not  
8 apply to the anti-fraud, anti-manipulation, or false report-  
9 ing enforcement authorities of the Commission.

10 “(f) RULE OF CONSTRUCTION.—Nothing in this Act  
11 or the rules and regulations promulgated under this Act  
12 may be construed to apply any requirement of the securi-  
13 ties laws to a digital commodity, as defined in section  
14 10001 of the Digital Asset Market Clarity Act, or expand  
15 the authority of the Commission beyond that which the  
16 Commission had before the date of enactment of the Dig-  
17 ital Asset Market Clarity Act to regulate the activities de-  
18 scribed in subsection (d)(1).

19 “(g) FEDERAL PREEMPTION.—

20 “(1) IN GENERAL.—Notwithstanding any other  
21 provision of law, no securities, commodities, or dig-  
22 ital assets law of any State (or of any political sub-  
23 division of a State) shall apply to an activity de-  
24 scribed in subsection (b).

1           “(2) RULE OF CONSTRUCTION.—Nothing in  
2       paragraph (1) may be construed to apply to the  
3       anti-money laundering, anti-fraud, or anti-manipula-  
4       tion authorities of a State (or of any political sub-  
5       division of a State).”.

6       (c) APPLICABILITY.—This section, and the amend-  
7       ments made by this section, shall apply to conduct occur-  
8       ring before, on, or after the date of enactment of this Act.

9       **SEC. 10602. SAFE HARBOR FOR NONFUNGIBLE TOKENS.**

10       (a) DEFINITIONS.—In this section:

11           (1) NONFUNGIBLE TOKEN.—The term “non-  
12       fungible token” means a digital asset recorded on a  
13       distributed ledger that—

14           (A) is individually identifiable and distin-  
15       guishable from any other digital asset;

16           (B) represents ownership of, or rights in,  
17       a work of authorship, art, a collectible, a mem-  
18       bership, an access credential, a certificate of au-  
19       thenticity, an in-game or in-application item, or  
20       another similar specific item or discrete digital  
21       or physical good, service, or benefit;

22           (C) is not interchangeable on a 1-to-1  
23       basis with any other token or digital asset; and

24           (D) may be bought, sold, or transferred for  
25       consideration.

1           (2) PROMOTER.—The term “promoter” means  
2           a person or group that manages, controls, or oper-  
3           ates an enterprise in which capital is invested, or  
4           any person or group acting on behalf of such a per-  
5           son or group with respect to such an enterprise, in-  
6           cluding an affiliate, agent, or coordinated actor that  
7           contributes to the capital raising efforts of the enter-  
8           prise.

9           (b) SAFE HARBOR.—

10           (1) IN GENERAL.—Except as provided in para-  
11           graph (3), the offer, sale, resale, transfer, or convey-  
12           ance of a nonfungible token shall not be deemed to  
13           constitute an offer, sale, or distribution of a security  
14           or investment contract under the Securities Act of  
15           1933 (15 U.S.C. 77a et seq.), the Securities Ex-  
16           change Act of 1934 (15 U.S.C. 78a et seq.), or any  
17           equivalent State law, unless the transaction, in sub-  
18           stance, involves all of the elements of an investment  
19           contract.

20           (2) RULES OF CONSTRUCTION.—Neither of the  
21           following shall be considered to be a security under  
22           the Securities Act of 1933 (15 U.S.C. 77a et seq.)  
23           or the Securities Exchange Act of 1934 (15 U.S.C.  
24           78a et seq.):

1           (A) The resale or secondary market trans-  
2           fer of a nonfungible token, where the payment  
3           for that resale or transfer does not flow to a  
4           promoter or is not used to raise new capital for  
5           an enterprise.

6           (B) A nonfungible token that serves as a  
7           collectible, membership right, event ticket, ac-  
8           cess credential, or other non-investment-based  
9           use case solely because the nonfungible token  
10          may appreciate in value or depend in part on  
11          the continued efforts or the reputation of the  
12          creator or issuer of the nonfungible token.

13          (3) EXCEPTIONS.—The safe harbor under para-  
14          graph (1) shall not apply to—

15               (A) a mass-minted series of items with  
16               substantially similar or nearly identical traits  
17               that are marketed or sold interchangeably;

18               (B) a fractionalized interest in a nonfun-  
19               gible token; or

20               (C) an interest representing a beneficial or  
21               economic claim on a nonfungible token or an  
22               asset that a nonfungible token represents.

23          (4) RELIANCE; PROSPECTIVE EFFECT.—

24               (A) RELIANCE.—A person, other than an  
25               originator or related person, that reasonably

1           and in good faith relies on the safe harbor  
2           under this subsection shall not be subject to  
3           any civil or administrative penalties.

4                   (B) PROSPECTIVE EFFECT.—Any deter-  
5           mination by the Commission that the safe har-  
6           bor under this subsection does not apply to a  
7           particular circumstance shall—

8                           (i) be prospective only; and

9                           (ii) take effect not earlier than 60  
10          days after the date on which the Commis-  
11          sion publicly posts that determination.

12 **SEC. 10603. STUDY ON NONFUNGIBLE TOKENS.**

13          (a) DEFINITION.—In this section, the term “nonfun-  
14          gible token” has the meaning given the term in section  
15          10602.

16          (b) STUDY.—The Comptroller General of the United  
17          States shall carry out a study of nonfungible tokens that  
18          analyzes—

19                   (1) the nature, size, role, purpose, and use of  
20          nonfungible tokens;

21                   (2) the similarities and differences between non-  
22          fungible tokens and other digital commodities, in-  
23          cluding digital commodities and payment stablecoins,  
24          and how the markets for those digital commodities  
25          intersect;

1           (3) how nonfungible tokens are minted by  
2           issuers and subsequently distributed to purchasers;

3           (4) how nonfungible tokens are stored after  
4           being purchased by a consumer;

5           (5) the interoperability of nonfungible tokens  
6           between different distributed ledger systems;

7           (6) the scalability of different nonfungible token  
8           marketplaces;

9           (7) the benefits of nonfungible tokens, including  
10          verifiable digital ownership;

11          (8) the risks of nonfungible tokens, including—

12                (A) the infringement of intellectual prop-  
13                erty rights;

14                (B) cybersecurity risks; and

15                (C) market risks;

16          (9) whether and how nonfungible tokens have  
17          been, or could be, integrated with traditional mar-  
18          ketplaces, including marketplaces for music, real es-  
19          tate, gaming, events, and travel;

20          (10) whether and how nonfungible tokens have  
21          been, or could be, used to facilitate commerce or  
22          other activities through the representation of docu-  
23          ments, identification, contracts, licenses, and other  
24          commercial, governmental, or personal records;

1           (11) any risks to traditional markets from the  
2           integration described in paragraph (9); and

3           (12) the levels and types of illicit activity in  
4           nonfungible token markets.

5           (c) REPORT.—Not later than 1 year after the date  
6           of enactment of this Act, the Comptroller General of the  
7           United States shall make publicly available a report that  
8           includes the results of the study required under subsection  
9           (b).

10   **SEC. 10604. BLOCKCHAIN REGULATORY CERTAINTY ACT.**

11           (a) SHORT TITLE.—This section may be cited as the  
12           “Blockchain Regulatory Certainty Act”.

13           (b) DEFINITIONS.—In this section:

14               (1) DEVELOPER OR PROVIDER.—The term “de-  
15           veloper or provider” means any person or business  
16           that creates or publishes software to facilitate the  
17           creation of, or provide maintenance to, a distributed  
18           ledger, or a service associated with a distributed  
19           ledger.

20               (2) DISTRIBUTED LEDGER SERVICE.—The term  
21           “distributed ledger service” means any information,  
22           transaction, or computing service or system that  
23           provides or enables access to a distributed ledger  
24           system by multiple users, including a service or sys-  
25           tem that enables users to send, receive, exchange, or

1 store digital assets described by distributed ledger  
2 systems.

3 (3) NON-CONTROLLING DEVELOPER OR PRO-  
4 VIDER.—The term “non-controlling developer or pro-  
5 vider” means a developer or provider of a distributed  
6 ledger service that, in the regular course of oper-  
7 ations, does not have the legal right or the unilateral  
8 and independent ability to control, initiate upon de-  
9 mand, or effectuate transactions involving digital as-  
10 sets to which users are entitled, without the ap-  
11 proval, consent, or direction of any third party.

12 (c) TREATMENT.—Notwithstanding any other provi-  
13 sion of law, a non-controlling developer or provider—

14 (1) shall not be treated as—

15 (A) a money transmitting business, as de-  
16 fined in section 5330 of title 31, United States  
17 Code, and the regulations promulgated under  
18 that section; or

19 (B) engaged in money transmitting, as de-  
20 fined in section 1960 of title 18, United States  
21 Code; and

22 (2) on or after the date of enactment of this  
23 Act, shall not be otherwise subject to any registra-  
24 tion requirement that is substantially similar to a re-  
25 quirement (as in effect on the day before the date

1 of enactment of this Act) that applies to an entity  
2 described in subparagraph (A) or (B) of paragraph  
3 (1), solely on the basis of—

4 (A) creating or publishing software to fa-  
5 cilitate the creation of, or providing mainte-  
6 nance services to, a distributed ledger or a serv-  
7 ice associated with a distributed ledger;

8 (B) providing hardware or software to fa-  
9 cilitate a customer’s own custody or safekeeping  
10 of the digital assets of the customer; or

11 (C) providing infrastructure support to  
12 maintain a distributed ledger service.

13 (d) CLARIFICATION OF TREATMENT.—Subsection (c)  
14 shall not modify the application of section 1960(b)(1)(C)  
15 of title 18, United States Code, to any person (referred  
16 to in this subsection as the “initial person”) that acts with  
17 the specific intent to transfer, on behalf of another person,  
18 funds that are known by the initial person to be—

19 (1) derived from a criminal offense; or

20 (2) intended to be used to promote or support  
21 unlawful activity.

22 (e) RULES OF CONSTRUCTION.—Nothing in this sec-  
23 tion may be construed—

24 (1) to affect whether a developer or provider of  
25 a distributed ledger service is otherwise subject to

1 classification or treatment as a money transmitter,  
2 or as engaged in money transmitting, under applica-  
3 ble Federal or State law, including laws relating to  
4 anti-money laundering or countering the financing of  
5 terrorism, based on conduct outside the scope of  
6 subsection (c);

7 (2) to affect whether a developer or provider is  
8 otherwise subject to classification or treatment as a  
9 financial institution under subchapter II of chapter  
10 53 of title 31, United States Code, this division, any  
11 amendment made by this division, or any Act en-  
12 acted after the date of enactment of this Act, based  
13 on conduct outside the scope of subsection (c);

14 (3) to limit or expand any law pertaining to in-  
15 tellectual property;

16 (4) to prevent any State from enforcing any  
17 State law that is consistent with this section; or

18 (5) to create a cause of action or impose liabil-  
19 ity under any State or local law that is inconsistent  
20 with this section.

21 **SEC. 10605. KEEP YOUR COINS ACT.**

22 (a) **SHORT TITLE.**—This section may be cited as the  
23 “Keep Your Coins Act”.

24 (b) **DEFINITIONS.**—In this section:

1           (1) COVERED USER.—The term “covered user”  
2           means a United States individual who obtains digital  
3           assets to purchase goods or services on behalf of  
4           that individual, without regard to the method in  
5           which that individual obtained those digital assets.

6           (2) SELF-HOSTED WALLET.—The term “self-  
7           hosted wallet” means a digital interface—

8                   (A) that is used to secure and transfer dig-  
9                   ital assets; and

10                   (B) under which the owner of digital assets  
11                   secured and transferred under subparagraph  
12                   (A) retains independent control over those dig-  
13                   ital assets.

14           (c) SELF-CUSTODY.—A Federal agency may not pro-  
15           hibit, restrict, or otherwise impair the ability of a covered  
16           user to self-custody digital assets using a self-hosted wallet  
17           or other means to conduct transactions for any lawful pur-  
18           pose.

19           (d) RULE OF CONSTRUCTION.—Nothing in this sec-  
20           tion may be construed to limit the authority of the Sec-  
21           retary of the Treasury, the Commission, the Commodity  
22           Futures Trading Commission, the Board of Governors of  
23           the Federal Reserve System, the Comptroller of the Cur-  
24           rency, the Federal Deposit Insurance Corporation, or the  
25           National Credit Union Administration to carry out any en-

1 enforcement action or special measure authorized under ap-  
2 plicable law, including—

3 (1) the Bank Secrecy Act, section 9714 of the  
4 Combating Russian Money Laundering Act (31  
5 U.S.C. 5318A note), and section 7213A of the  
6 Fentanyl Sanctions Act (21 U.S.C. 2313a); or

7 (2) any other law relating to illicit finance,  
8 money laundering, terrorism financing, or United  
9 States sanctions.

## 10 **TITLE VII—PROTECTING** 11 **CUSTOMER PROPERTY**

### 12 **SEC. 10701. CUSTOMER PROPERTY PROTECTIONS FOR AN-** 13 **CILLARY ASSETS AND DIGITAL COMMODITIES** 14 **IN BANKRUPTCY.**

15 (a) DEFINITIONS FOR STOCKBROKER LIQUIDA-  
16 TION.—

17 (1) IN GENERAL.—Section 741 of title 11,  
18 United States Code, is amended—

19 (A) by redesignating paragraphs (5)  
20 through (9) as paragraphs (7) through (11), re-  
21 spectively;

22 (B) by redesignating paragraphs (1)  
23 through (4) as paragraphs (2) through (5), re-  
24 spectively;

1 (C) by inserting before paragraph (2), as  
2 so redesignated, the following:

3 “(1) ‘ancillary asset’ has the meaning given  
4 that term in section 10001 of the Digital Asset Mar-  
5 ket Clarity Act;”;

6 (D) in paragraph (3), as so redesignated—

7 (i) in subparagraph (A)(vi), by strik-  
8 ing “and” at the end;

9 (ii) by redesignating subparagraph  
10 (B) as subparagraph (C);

11 (iii) by inserting after subparagraph  
12 (A) the following:

13 “(B) entity with whom a person deals as  
14 principal or agent and that has a claim against  
15 such person on account of a digital commodity  
16 or an ancillary asset received, acquired, or held  
17 by such person from or for the securities ac-  
18 count or accounts of such entity for 1 or more  
19 of the purposes identified in clauses (i) through  
20 (vi) of subparagraph (A) of this paragraph;  
21 and”; and

22 (iv) in subparagraph (C), as so redesi-  
23 gnated—

24 (I) in clause (i)—

1 (aa) by inserting “, ancillary  
2 asset, or digital commodity” after  
3 “security”; and

4 (bb) by inserting “or (B)”  
5 after “subparagraph (A)”; and

6 (II) in clause (ii), by inserting  
7 “an ancillary asset, a digital com-  
8 modity,” after “a security,”;

9 (E) in paragraph (5), as so redesignated,  
10 in the matter preceding subparagraph (A), by  
11 inserting “ancillary asset, digital commodity,”  
12 after “cash, security,” each place it appears;

13 (F) by inserting after paragraph (5), as so  
14 redesignated, the following:

15 “(6) ‘digital commodity’ has the meaning given  
16 that term in section 10001 of the Digital Asset Mar-  
17 ket Clarity Act;”; and

18 (G) in paragraph (8), as so redesignated,  
19 in subparagraph (A)(i), by inserting “, ancillary  
20 asset positions, and digital commodities posi-  
21 tions” after “securities positions”.

22 (b) EXTENT OF CUSTOMER CLAIMS.—Section 746(b)  
23 of title 11, United States Code, is amended, in the matter  
24 preceding paragraph (1), by striking “cash or a security”

1 and inserting “cash, a security, an ancillary asset, or a  
2 digital commodity”.

3 (c) TECHNICAL AND CONFORMING AMENDMENTS.—

4 (1) Section 546(e) of title 11, United States  
5 Code, is amended—

6 (A) by striking “section 741(7)” and in-  
7 serting “section 741”; and

8 (B) by striking “section 761(4)” and in-  
9 serting “section 761”.

10 (2) Section 561(a) of title 11, United States  
11 Code, is amended—

12 (A) in paragraph (1), by striking “section  
13 741(7)” and inserting “section 741”; and

14 (B) in paragraph (2), by striking “section  
15 761(4)” and inserting “section 761”.

16 (3) Section 752(c) of title 11, United States  
17 Code, is amended by striking “section 741(4)(B)”  
18 and inserting “section 741(5)(B)”.

19 (d) CLARIFICATIONS.—For the avoidance of doubt—

20 (1) nothing in this section or an amendment  
21 made by this section may be construed to apply to  
22 securities or cash held by a broker-dealer and such  
23 assets and related claims shall be governed exclu-  
24 sively by the Securities Investor Protection Act of  
25 1970 (15 U.S.C. 78aaa et seq.);

1           (2) nothing in this section or an amendment  
2       made by this section may be construed to apply to  
3       deposits held by a bank or commodity contracts,  
4       which shall be governed by the relevant applicable  
5       law; and

6           (3) in any liquidation proceeding under sub-  
7       chapter III or IV of chapter 7 of title 11, United  
8       States Code, those provisions shall be construed to  
9       treat ancillary assets and digital commodities held  
10      for customers as customer property governed by title  
11      11, United States Code, and required to be distrib-  
12      uted according to such title.

13 **SEC. 10702. INSOLVENCY SAFE HARBOR.**

14       (a) DEFINITIONS.—In this section:

15           (1) COMMODITY BROKER; FINANCIAL INSTITU-  
16      TION; FINANCIAL PARTICIPANT; SECURITIES CLEAR-  
17      ING AGENCY; STOCKBROKER.—The terms “com-  
18      modity broker”, “financial institution”, “financial  
19      participant”, “securities clearing agency”, and  
20      “stockbroker” have the meanings given those terms  
21      in section 101 of title 11, United States Code.

22           (2) COMMODITY CONTRACT.—The term “com-  
23      modity contract” means a commodity contract de-  
24      scribed in paragraph (4)(A) of section 761 of title  
25      11, United States Code.

1 (b) SAFE HARBOR.—A purchase, sale, or loan of, a  
2 margin loan or other extension of credit on, or a repur-  
3 chase, reverse repurchase, or other transaction involving,  
4 a unit of a digital commodity occurring with a commodity  
5 broker, stockbroker, financial institution, financial partici-  
6 pant, or securities clearing agency shall be deemed to be—

7 (1) a commodity contract for purposes of—

8 (A) sections 362(b)(6), 362(o), 546(e),  
9 553, 556, 561, and 562 of title 11, United  
10 States Code;

11 (B) section 11 of the Federal Deposit In-  
12 surance Act (12 U.S.C. 1821);

13 (C) section 210 of the Dodd-Frank Wall  
14 Street Reform and Consumer Protection Act  
15 (12 U.S.C. 5390); and

16 (D) section 5(b)(2)(C) of the Securities In-  
17 vestor Protection Act of 1970 (15 U.S.C.  
18 78eee(b)(2)(C)); and

19 (2) a margin payment for purposes of section  
20 548(d)(2)(B) of title 11, United States Code.

## 21 **TITLE VIII—CUSTOMER** 22 **PROTECTION**

### 23 **SEC. 10801. EDUCATIONAL MATERIALS.**

24 The Commission and the Commodity Futures Trad-  
25 ing Commission shall require digital asset intermediaries

1 to provide clear and accessible educational materials to the  
2 public, including—

3 (1) an overview of how distributed ledger sys-  
4 tems function;

5 (2) a description of common risks associated  
6 with digital assets;

7 (3) a description of the differences between dig-  
8 ital asset markets and traditional financial markets;

9 (4) information on reporting and disclosure re-  
10 quirements related to digital asset transactions and  
11 securities which may be accompanied by network to-  
12 kens or ancillary assets; and

13 (5) guidance on recognizing fraudulent schemes  
14 and instructions for reporting suspected fraud.

15 **SEC. 10802. SAVINGS CLAUSES.**

16 (a) DEFINITIONS.—In this section:

17 (1) DIGITAL CONSUMER TOKEN.—The term  
18 “digital consumer token” means a digital asset that  
19 is primarily acquired for a consumptive purpose, in-  
20 cluding redemption for a specified good or service at  
21 the time of sale or within a reasonable time after  
22 sale, as defined by the Federal Trade Commission  
23 pursuant to rule.

1           (2) NONFUNGIBLE TOKEN.—The term “non-  
2 fungible token” means a digital asset recorded on a  
3 distributed ledger that—

4                   (A) is individually identifiable and distin-  
5 guishable from any other digital asset;

6                   (B) represents ownership of, or rights in,  
7 a work of authorship, art, a collectible, a mem-  
8 bership, an access credential, a certificate of au-  
9 thenticity, an in-game or in-application item, or  
10 another similar specific item or discrete digital  
11 or physical good, service, or benefit;

12                   (C) is not interchangeable on a 1-to-1  
13 basis with any other token or digital asset; and

14                   (D) may be bought, sold, or transferred for  
15 consideration.

16       (b) FEDERAL TRADE COMMISSION.—Nothing in this  
17 division, or any amendment made by this division, may  
18 be construed as limiting or abridging the jurisdiction of  
19 the Federal Trade Commission with respect to—

20                   (1) investigations or enforcement actions under  
21 the Federal Trade Commission Act (15 U.S.C. 41 et  
22 seq.) relating to unfair or deceptive acts or practices  
23 by persons relating to commerce in nonfungible to-  
24 kens or digital consumer tokens, including deceptive  
25 acts with respect to advertising and endorsements

1 relating to nonfungible tokens and digital consumer  
2 tokens;

3 (2) highlighting best practices relating to com-  
4 merce in nonfungible tokens or digital consumer to-  
5 kens;

6 (3) promoting responsible innovation;

7 (4) consumer education relating to fraudulent  
8 digital asset activity; or

9 (5) investigating unlawful restraints of trade in  
10 the digital asset industry.

11 (c) RULE OF CONSTRUCTION.—Nothing in this Act,  
12 or any amendment made by this Act, may be construed  
13 to expand, contract, or otherwise affect the jurisdiction or  
14 authority with respect to the Federal consumer financial  
15 laws under the Consumer Financial Protection Act of  
16 2010 (12 U.S.C. 5481 et seq.), as in effect on the day  
17 before the date of enactment of this Act, including with  
18 respect to subsection (i) or (j) of section 1027 of the Con-  
19 sumer Financial Protection Act of 2010 (12 U.S.C. 5517).

20 **SEC. 10803. STUDY ON EXPANDING FINANCIAL LITERACY.**

21 (a) STUDY.—The Commission and the Commodity  
22 Futures Trading Commission shall jointly conduct a study  
23 to identify—

1           (1) the existing (as of the day before the date  
2           of enactment of this Act) level of financial literacy  
3           among retail digital asset customers;

4           (2) methods to improve the timing, content, and  
5           format of financial literacy materials regarding dig-  
6           ital assets provided by the respective commissions;

7           (3) methods to improve coordination between  
8           the Commission and the Commodity Futures Trad-  
9           ing Commission with other agencies, including the  
10          Financial Literacy and Education Commission, non-  
11          profit organizations, and State and local jurisdic-  
12          tions, to better disseminate financial literacy mate-  
13          rials;

14          (4) the efficacy of current financial literacy ef-  
15          forts with a focus on rural communities and commu-  
16          nities with majority-minority populations;

17          (5) the most useful and understandable relevant  
18          information, including clear disclosures, that retail  
19          digital asset customers need to make informed finan-  
20          cial decisions before engaging with or purchasing a  
21          digital asset;

22          (6) the most effective public-private partner-  
23          ships in providing financial literacy regarding digital  
24          assets;

1           (7) the most relevant metrics to measure suc-  
2           cessful improvement of the financial literacy of an  
3           individual after engaging with financial literacy ef-  
4           forts; and

5           (8) in consultation with the Financial Literacy  
6           and Education Commission, a strategy (including, to  
7           the extent practicable, measurable goals and objec-  
8           tives) to increase financial literacy of investors re-  
9           garding digital assets.

10          (b) REPORT.—Not later than 1 year after the date  
11       of enactment of this Act, the Commission and the Com-  
12       modity Futures Trading Commission shall jointly submit  
13       to the Committee on Banking, Housing, and Urban Af-  
14       fairs and the Committee on Agriculture, Nutrition, and  
15       Forestry of the Senate and the Committee on Financial  
16       Services and the Committee on Agriculture of the House  
17       of Representatives a written report on the study required  
18       under subsection (a).

1 **SEC. 10804. CONSULTATION WITH SIPC REGARDING MAN-**  
2 **DATORY BROKER-DEALER DISCLOSURES TO**  
3 **INVESTORS CONCERNING THE STATUS OF**  
4 **PAYMENT STABLECOINS AND DIGITAL COM-**  
5 **MODITIES.**

6 (a) DEFINITION.—In this section, the term “payment  
7 stablecoin” has the meaning given the term in section 2  
8 of the GENIUS Act (12 U.S.C. 5901).

9 (b) RULES.—Not later than 270 days after the date  
10 of enactment of this Act, the Commission, after consulta-  
11 tion with the Commodity Futures Trading Commission  
12 and the Securities Investor Protection Corporation, shall  
13 issue rules requiring written disclosures regarding the  
14 treatment of customer assets in the event of an insolvency,  
15 resolution, or liquidation proceeding to be provided by a  
16 registered broker or dealer to an investor—

17 (1) before a digital commodity, a payment  
18 stablecoin, or a security involving a unit of a digital  
19 commodity is received, acquired, or held by the  
20 broker or dealer for the account of the investor; and

21 (2) after the provision of the disclosures under  
22 paragraph (1), at such frequency as the Commission  
23 may prescribe.

24 (c) CONTENTS.—The rules issued under subsection  
25 (b) shall include, as necessary or appropriate for the pro-  
26 tection of investors—

1           (1) a description of the manner in which any  
2       digital commodity, payment stablecoin, or security  
3       involving a unit of a digital commodity received, ac-  
4       quired, or held by a broker or dealer for the account  
5       of an investor would be treated in an insolvency, res-  
6       olution, or liquidation proceeding with respect to the  
7       broker or dealer under—

8                   (A) title II of the Dodd-Frank Wall Street  
9       Reform and Consumer Protection Act (12  
10      U.S.C. 5381 et seq.);

11                  (B) the Securities Investor Protection Act  
12      of 1970 (15 U.S.C. 78aaa et seq.); or

13                  (C) as applicable, chapter 7 or 11 of title  
14      11, United States Code; and

15           (2) how the treatment described in paragraph  
16      (1) differs from the treatment of securities and cash  
17      received, acquired, or held by the broker or dealer  
18      for the account of the applicable investor in the  
19      event of an insolvency, resolution, or liquidation pro-  
20      ceeding with respect to the broker or dealer under  
21      each provision of law described in subparagraph (A),  
22      (B), and (C) of paragraph (1).

1     **TITLE IX—LAW ENFORCEMENT**  
2                     **TOOLS**

3     **SEC. 10901. GUARDING UNPROTECTED AGING RETIREES**  
4                     **FROM DECEPTION.**

5             (a) SHORT TITLE.—This section may be cited as the  
6     “Guarding Unprotected Aging Retirees from Deception”  
7     or the “GUARD Act”.

8             (b) DEFINITIONS.—In this section:

9                 (1) ELDER FINANCIAL FRAUD.—The term  
10     “elder financial fraud” means the illegal or improper  
11     use of the money, property, or other resources of an  
12     elderly individual or adult with a disability for mone-  
13     tary or personal benefit, profit, or gain.

14             (2) ELIGIBLE FEDERAL GRANT FUNDS.—The  
15     term “eligible Federal grant funds” means funds re-  
16     ceived under any of the following:

17                 (A) Title IV of the Prioritizing Resources  
18     and Organization for Intellectual Property Act  
19     of 2008 (34 U.S.C. 30103 et seq.) (commonly  
20     known as the “Economic, High-Technology,  
21     White Collar, and Internet Crime Prevention  
22     National Training and Technical Assistance  
23     Program”), including relating to the use of  
24     technology to solve crimes and to facilitate  
25     prosecutions (commonly known as the “Internet

1 of Things (IoT) National Training and Tech-  
2 nical Assistance Program”).

3 (B) Part 23 to title 28, Code of Federal  
4 Regulations (commonly known as “Justice In-  
5 formation Sharing Training and Technical As-  
6 sistance Program”).

7 (C) Section 1401 of the Violence Against  
8 Women Act Reauthorization Act of 2022 (34  
9 U.S.C. 30107) to a local law enforcement agen-  
10 cy for enforcement of cybercrimes against indi-  
11 viduals.

12 (D) Section 1701 title I of the Omnibus  
13 Crime Control and Safe Streets Act of 1968  
14 (34 U.S.C. 10381), relating to developing and  
15 acquiring effective equipment, technologies, and  
16 interoperable communications that assist in re-  
17 sponding to and preventing crime (commonly  
18 known as the “COPS Technology and Equip-  
19 ment Program”).

20 (3) GENERAL FINANCIAL FRAUD.—The term  
21 “general financial fraud” means, in order to obtain  
22 money or other things of value—

23 (A) intentional misrepresentation of infor-  
24 mation or identity to deceive an individual;

1 (B) unlawful use of a credit card, debit  
2 card, or automated teller machine; or

3 (C) use of electronic means to transmit de-  
4 ceptive information.

5 (4) PIG BUTCHERING.—The term “pig butch-  
6 ering” means a confidence and investment fraud in  
7 which the victim is gradually lured into making in-  
8 creasing monetary contributions, generally in the  
9 form of cryptocurrency, to a seemingly sound invest-  
10 ment before the scammer disappears with the con-  
11 tributed monies.

12 (5) SCAM.—The term “scam” means a financial  
13 crime undertaken through the use of social engineer-  
14 ing that uses deceptive inducement to acquire—

15 (A) authorized access to funds; or

16 (B) personal or sensitive information that  
17 can facilitate the theft of financial assets.

18 (6) STATE.—The term “State” means each of  
19 the several States, the District of Columbia, and  
20 each territory of the United States.

21 (c) FEDERAL GRANTS USED FOR INVESTIGATING  
22 ELDER FINANCIAL FRAUD, PIG BUTCHERING, AND GEN-  
23 ERAL FINANCIAL FRAUD.—

24 (1) IN GENERAL.—State, local, and Tribal law  
25 enforcement agencies and grantees that receive eligi-

1       ble Federal grant funds may use such funds for in-  
2       vestigating elder financial fraud, pig butchering, and  
3       general financial fraud, including by—

4               (A) hiring and retaining analysts, agents,  
5       experts, and other personnel;

6               (B) providing training specific to complex  
7       financial investigations, including training on—

8               (i) coordination and collaboration be-  
9       tween State, local, Tribal, and Federal law  
10      enforcement agencies;

11              (ii) assisting victims of financial fraud  
12      and exploitation;

13              (iii) the use of blockchain intelligence  
14      tools and related capabilities relating to  
15      emerging technologies identified in the  
16      February 2024 “Critical and Emerging  
17      Technology List Update” of the Fast  
18      Track Action Subcommittee on Critical  
19      and Emerging Technologies of the Na-  
20      tional Science and Technology Council  
21      (commonly known as the “Critical and  
22      Emerging Technology List”); and

23              (iv) unique aspects of fraud investiga-  
24      tions, including transnational financial in-  
25      vestigations and emerging technologies

1 identified in the Critical and Emerging  
2 Technology List;

3 (C) obtaining software and technical tools  
4 to conduct financial fraud and exploitation in-  
5 vestigations;

6 (D) encouraging improved data collection  
7 and reporting;

8 (E) supporting training and tabletop exer-  
9 cises to enhance coordination and communica-  
10 tion between financial institutions and State,  
11 local, Tribal, and Federal law enforcement  
12 agencies for the purpose of stopping fraud and  
13 scams; and

14 (F) designating a financial sector liaison to  
15 serve as a point of contact for financial institu-  
16 tions to share and exchange with State, local,  
17 Tribal, and Federal law enforcement agencies  
18 information relevant to the investigation of  
19 fraud and scams.

20 (2) REPORT TO GRANT PROVIDER.—Each law  
21 enforcement agency and grantee that makes use of  
22 eligible Federal grant funds for a purpose specified  
23 under paragraph (1) shall, not later than 1 year  
24 after making such use of the funds, submit to the

1 Federal agency that provided the eligible Federal  
2 grant funds, a report containing—

3 (A) an explanation of the amount of funds  
4 so used, and the specific purpose for which the  
5 funds were used;

6 (B) statistics with respect to elder finan-  
7 cial fraud, pig butchering, and general financial  
8 fraud in the jurisdiction of the law enforcement  
9 agency, along with an analysis of how the use  
10 of the funds for a purpose specified under para-  
11 graph (1) affected such statistics; and

12 (C) an assessment of the ability of the law  
13 enforcement agency to deter elder financial  
14 fraud, pig butchering, and general financial  
15 fraud.

16 (d) REPORT ON GENERAL FINANCIAL FRAUD, PIG  
17 BUTCHERING, AND ELDER FINANCIAL FRAUD.—Not  
18 later than 1 year after the date of enactment of this Act,  
19 the Secretary of the Treasury, in consultation with the At-  
20 torney General, the Secretary of Homeland Security, and  
21 the appropriate Federal banking agencies and Federal  
22 functional regulators shall, jointly, submit to Congress a  
23 report on efforts and recommendations related to general  
24 financial fraud, pig butchering, elder financial fraud, and  
25 scams.

1 (e) REPORT ON THE STATE OF SCAMS IN THE  
2 UNITED STATES.—

3 (1) IN GENERAL.—Not later than 2 years after  
4 the date of enactment of this Act, the Secretary of  
5 the Treasury, in consultation with the Attorney Gen-  
6 eral, the Secretary of Homeland Security, and the  
7 appropriate Federal banking agencies and Federal  
8 functional regulators, shall submit a report to Con-  
9 gress on the state of scams in the United States  
10 that—

11 (A) estimates—

12 (i) the number of financial fraud, pig  
13 butchering, elder financial fraud, and  
14 scams committed against consumers in the  
15 United States each year, including—

16 (I) attempted scams, including  
17 through social media, online dating  
18 services, email, and impersonation of  
19 financial institutions and nonbank fi-  
20 nancial institutions; and

21 (II) successful scams, including  
22 through social media, online dating  
23 services, email, and impersonation of  
24 financial institutions and nonbank fi-  
25 nancial institutions;

1 (ii) the number of consumers each  
2 year that lose money to 1 or more scams;

3 (iii) the dollar amount of consumer  
4 losses to scams each year;

5 (iv) the percentage of scams each year  
6 that can be attributed to—

7 (I) overseas actors; and

8 (II) organized crime;

9 (v) the number of attempted scams  
10 each year that involve the impersonation of  
11 phone numbers associated with financial  
12 institutions and nonbank financial institu-  
13 tions; and

14 (vi) an estimate of the number of syn-  
15 thetic identities impersonating consumers  
16 in the United States each year;

17 (B) provides an overview of the Federal  
18 civil and criminal enforcement actions brought  
19 against the recipients of the proceeds of finan-  
20 cial fraud, pig butchering, elder financial fraud,  
21 and scams during the period covered by the re-  
22 port that includes—

23 (i) the number of such enforcement  
24 actions;

1 (ii) an evaluation of the effectiveness  
2 of such enforcement actions;

3 (iii) an identification of the types of  
4 claims brought against the recipients of  
5 the proceeds of financial fraud, pig butch-  
6 ering, elder financial fraud, and scams;

7 (iv) an identification of the types of  
8 penalties imposed through such enforce-  
9 ment actions;

10 (v) an identification of the types of re-  
11 lief obtained through such enforcement ac-  
12 tions; and

13 (vi) the number of such enforcement  
14 actions that are connected to a Suspicious  
15 Activity Report; and

16 (C) identifies amounts made available and  
17 amounts expended to address financial fraud,  
18 pig butchering, elder financial fraud, and scams  
19 during the period covered by the report by—

20 (i) the Bureau of Consumer Financial  
21 Protection;

22 (ii) the Department of Justice;

23 (iii) the Federal Bureau of Investiga-  
24 tion;

1 (iv) the Federal Communications  
2 Commission;

3 (v) the Board of Governors of the  
4 Federal Reserve Board;

5 (vi) the Federal Trade Commission;

6 (vii) the Department of the Treasury;

7 (viii) the Securities and Exchange  
8 Commission;

9 (ix) the Social Security Administra-  
10 tion;

11 (x) the United States Postal Inspec-  
12 tion Service;

13 (xi) the United States Secret Service;

14 (xii) the Department of Homeland Se-  
15 curity;

16 (xiii) the Federal Deposit Insurance  
17 Corporation; and

18 (xiv) the Office of the Comptroller of  
19 the Currency.

20 (2) SOLICITATION OF PUBLIC COMMENT.—In  
21 carrying out the report required under paragraph  
22 (1), the Secretary of the Treasury shall engage with  
23 interested stakeholders, including consumers, social  
24 media companies, email providers, telecommuni-

1 cations companies, financial institutions, and  
2 nonbank financial institutions.

3 (f) REPORT TO CONGRESS.—Each Federal agency  
4 that provides eligible Federal grant funds that are used  
5 for a purpose specified under subsection (c)(1) shall issue  
6 an annual report to the Committee on Banking, Housing,  
7 and Urban Affairs of the Senate, the Committee on Fi-  
8 nancial Services of the House of Representatives, the  
9 Committee on the Judiciary of the Senate, and the Com-  
10 mittee on the Judiciary of the House of Representatives  
11 containing the information received from law enforcement  
12 agencies under subsection (c)(2).

13 (g) FEDERAL LAW ENFORCEMENT AGENCIES AS-  
14 SISTING STATE, LOCAL, AND TRIBAL LAW ENFORCE-  
15 MENT AND FUSION CENTERS.—Federal law enforcement  
16 agencies may assist State, local, and Tribal law enforce-  
17 ment agencies and fusion centers in the use of distributed  
18 ledger analytics tools.

19 **SEC. 10902. GRANT PROGRAM FOR STATE AND LOCAL DIG-**  
20 **ITAL ASSET ENFORCEMENT CAPABILITIES.**

21 (a) IN GENERAL.—Section 501(a) of title I of the  
22 Omnibus Crime Control and Safe Streets Act of 1968 (34  
23 U.S.C. 10152(a)) is amended—

24 (1) in paragraph (1) by adding at the end the  
25 following:

1 “(L) Programs for the investigation and  
2 prosecution of crimes involving—

3 “(i) digital assets (as defined in sec-  
4 tion 10001 of the Digital Asset Market  
5 Clarity Act);

6 “(ii) distributed ledger systems (as  
7 defined in section 10001 of the Digital  
8 Asset Market Clarity Act);

9 “(iii) evasion of United States sanc-  
10 tions laws (as defined in section 10302 of  
11 the Digital Asset Market Clarity Act);

12 “(iv) fraud;

13 “(v) terrorism financing; and

14 “(vi) other illicit finance activity.

15 “(M) Programs to acquire distributed ledg-  
16 er analytics tools and related investigative tech-  
17 nology and to certify the use of distributed  
18 ledger analytics tools and related investigative  
19 technology.

20 “(N) Programs carried out under title IV  
21 of the Prioritizing Resources and Organization  
22 for Intellectual Property Act of 2008 (34  
23 U.S.C. 30103 et seq.) (commonly known as the  
24 ‘Economic, High-Technology, White Collar, and  
25 Internet Crime Prevention National Training

1           and Technical Assistance Program’), including  
2           programs relating to the use of technology to  
3           solve crimes and to facilitate prosecutions (com-  
4           monly known as the ‘Internet of Things (IoT)  
5           National Training and Technical Assistance  
6           Program’).”;

7           (2) by adding at the end the following:

8           “(3) GRANTS RELATING TO INVESTIGATION  
9           AND PROSECUTION OF CERTAIN CRIMES AND ACQUI-  
10          SITION OF CERTAIN TOOLS AND TECHNOLOGIES.—In  
11          making any grant using amounts appropriated pur-  
12          suant to section 10902(b) of the Digital Asset Mar-  
13          ket Clarity Act to carry out a program described in  
14          subparagraph (L), (M), or (N) of paragraph (1) of  
15          this subsection, the Attorney General shall consult  
16          with the Secretary of the Treasury.”.

17          (b) AUTHORIZATION OF APPROPRIATIONS.—There is  
18          authorized to be appropriated to the Attorney General to  
19          award grants under paragraph (1) of section 501(a) of  
20          title I of the Omnibus Crime Control and Safe Streets Act  
21          of 1968 (34 U.S.C. 10152(a)) for programs described in  
22          subparagraphs (L), (M), and (N) of that paragraph  
23          \$600,000,000 for each of fiscal years 2027 through 2031,  
24          to remain available until expended.

1   **SEC. 10903. DIGITAL ASSET LAW ENFORCEMENT AND NA-**  
2                   **TIONAL SECURITY TRAINING PROGRAM.**

3           (a) ESTABLISHMENT.—Not later than 180 days after  
4 the date of enactment of this Act, the Secretary of the  
5 Treasury and the Attorney General shall jointly establish  
6 and administer a digital asset law enforcement and na-  
7 tional security training program for—

8                   (1) Federal law enforcement officers, investiga-  
9           tors, prosecutors, analysts, and national security  
10          personnel;

11                  (2) State, local, Tribal, and territorial law en-  
12          forcement officers, investigators, prosecutors, and  
13          analysts;

14                  (3) personnel of the Department of the Treas-  
15          ury, the Department of Justice, the Securities and  
16          Exchange Commission, and the Commodity Futures  
17          Trading Commission;

18                  (4) personnel of State financial regulators and  
19          State attorneys general with responsibility for digital  
20          asset, money transmission, securities, commodities,  
21          banking, consumer protection, or illicit-finance mat-  
22          ters; and

23                  (5) such other government personnel as the  
24          Secretary of the Treasury and the Attorney General  
25          determine appropriate.

1 (b) PURPOSE.—The purpose of the program estab-  
2 lished under subsection (a) shall be to provide education,  
3 training, and technical assistance relating to—

4 (1) the provisions of this Act and the amend-  
5 ments made by this Act that relate to illicit finance,  
6 sanctions compliance, anti-money-laundering obliga-  
7 tions, countering the financing of terrorism, fraud,  
8 market manipulation, cybersecurity, customer pro-  
9 tection, and national security;

10 (2) the respective roles of the Department of  
11 the Treasury, the Department of Justice, the Securi-  
12 ties and Exchange Commission, and the Commodity  
13 Futures Trading Commission under this Act and the  
14 amendments made by this Act;

15 (3) the use of investigative, supervisory, report-  
16 ing, referral, information-sharing, and customer-pro-  
17 tection tools available under this Act, the amend-  
18 ments made by this Act, and other applicable Fed-  
19 eral law; and

20 (4) coordination among Federal, State, local,  
21 Tribal, and territorial law enforcement agencies and  
22 Federal financial regulators relating to digital asset  
23 investigations, enforcement matters, and national se-  
24 curity risks.

1 (c) RULE OF CONSTRUCTION.—Nothing in this sec-  
2 tion shall be construed to alter, limit, impair, or supersede  
3 the authority of the Securities and Exchange Commission,  
4 the Commodity Futures Trading Commission, the Sec-  
5 retary of the Treasury, the Attorney General, or any other  
6 Federal agency under any other provision of law.

7 **SEC. 10904. ESTABLISHMENT OF A DIGITAL ASSET CYBER**  
8 **INNOVATION CENTER.**

9 (a) ESTABLISHMENT.—

10 (1) IN GENERAL.—There is established within  
11 the Department of the Treasury a Digital Asset  
12 Cyber Innovation Center (referred to in this section  
13 as the “DACIC”), which shall be operated—

14 (A) in partnership with the Department of  
15 Justice, the Department of Homeland Security,  
16 the Federal Bureau of Investigation, the United  
17 States Secret Service, the Department of De-  
18 fense, the Commission, the Commodity Futures  
19 Trading Commission, and other relevant Fed-  
20 eral agencies (which may include components of  
21 the intelligence community (as defined in sec-  
22 tion 3 of the National Security Act of 1947 (50  
23 U.S.C. 3003))), as determined by the Secretary  
24 of the Treasury; and

1 (B) in collaboration with private sector en-  
2 tities.

3 (2) **ROLE.**—The DACIC shall be responsible for  
4 countering threats from state actors that target dig-  
5 ital assets for funding or otherwise leverage digital  
6 assets for illicit purposes, while simultaneously ad-  
7 vancing efforts by the United States to foster inno-  
8 vation, ensure digital economic safety, and support  
9 technological advancements in digital asset security  
10 and compliance.

11 (3) **TIMELINE.**—Not later than 1 year after the  
12 date of enactment of this Act, the DACIC shall be  
13 fully operational.

14 (b) **RISK ASSESSMENT AND EVALUATION.**—As part  
15 of the national strategy for combating terrorist and other  
16 illicit financing required under sections 261 and 262 of  
17 the Countering America’s Adversaries Through Sanctions  
18 Act (Public Law 115–44; 131 Stat. 934), as amended by  
19 section 6506 of the National Defense Authorization Act  
20 for Fiscal Year 2022 (Public Law 117–81; 135 Stat.  
21 2428), the Secretary of the Treasury shall, in coordination  
22 with the agencies described in subsection (a)(1)(A)—

23 (1) analyze sources of money laundering, sanc-  
24 tions evasion, and other illicit financial flows within

1 the digital asset space that have been generated by  
2 state actors;

3 (2) assess the effectiveness and impact of exist-  
4 ing tools, frameworks, and technologies in address-  
5 ing cyber threats and criminal activity within the  
6 digital asset space; and

7 (3) assess the rate of adoption of blockchain  
8 analytics tools.

9 (c) CYBERSECURITY AND FINANCIAL INTEGRITY AC-  
10 TIONS.—

11 (1) DISRUPTION OF CYBER ATTACKS AND IL-  
12 LICIT ACTIVITIES.—

13 (A) IN GENERAL.—The DACIC shall work  
14 to disrupt cyberattacks, scams, thefts, sanctions  
15 evasion, and money laundering within the dig-  
16 ital asset ecosystem, with a focus on state ac-  
17 tors.

18 (B) COORDINATION.—The DACIC shall—

19 (i) work in coordination with Federal  
20 departments and agencies to ensure that  
21 authorities from relevant Federal depart-  
22 ments and agencies are deployed effectively  
23 in conjunction with each other, alongside  
24 partnerships with private sector entities, to  
25 combat illicit activities; and

1 (ii) ensure that actions are consistent  
2 with the development of permissionless  
3 blockchain technologies.

4 (C) IDENTIFICATION AND DISRUPTION OF  
5 ATTEMPTS.—The DACIC shall focus on identi-  
6 fying and disrupting attempts by state actors,  
7 such as the Democratic People’s Republic of  
8 Korea and the Islamic Republic of Iran, includ-  
9 ing by—

10 (i) coordinating with international law  
11 enforcement and intelligence agencies to  
12 disrupt cybercrime activities linked to the  
13 Democratic People’s Republic of Korea or  
14 the Islamic Republic of Iran; and

15 (ii) coordinating with relevant stake-  
16 holders to neutralize efforts by the Demo-  
17 cratic People’s Republic of Korea and the  
18 Islamic Republic of Iran to use non-compli-  
19 ant international exchanges or over-the-  
20 counter desks as cash-out points.

21 (2) SEIZURE OF STOLEN FUNDS.—The DACIC  
22 shall support efforts to seize criminal proceeds de-  
23 rived from illicit digital asset transactions, ensuring  
24 that stolen funds are promptly identified, traced,

1 and recovered, and that such seizures are conducted  
2 in accordance with appropriate legal frameworks.

3 (d) INFORMATION SHARING AND COLLABORATION.—

4 (1) PRIVATE SECTOR COLLABORATION.—The  
5 DACIC shall facilitate continuous information ex-  
6 change with appropriate private sector entities, in-  
7 cluding digital asset exchanges, blockchain analytics  
8 firms, cybersecurity companies, web3 development  
9 platforms, and other relevant parties, which shall  
10 focus on the following:

11 (A) Vulnerabilities, cyber intrusions, and  
12 indicators of compromise (including by state ac-  
13 tors) in the digital asset ecosystem.

14 (B) Real-time collaboration to eliminate  
15 malicious cyber and digital asset campaigns by  
16 adversarial state actors.

17 (2) PUBLIC-PRIVATE COLLABORATION.—The  
18 DACIC shall engage with private sector consortia  
19 and other relevant entities to promote frequent, real-  
20 time information sharing between the public and pri-  
21 vate sectors, ensuring efficient responses to emerg-  
22 ing cyber threats.

23 (3) REWARDS FOR JUSTICE PROGRAM.—The  
24 DACIC shall establish a Rewards for Justice pro-  
25 gram specifically targeting digital asset threats, of-

1       fering appropriate incentives for white hat hackers  
2       and security researchers, including those who iden-  
3       tify vulnerabilities, provide actionable intelligence on  
4       threat actors, or assist in recovering stolen digital  
5       assets.

6               (4) EMERGENCY RESPONSE INITIATIVE.—The  
7       DACIC shall—

8               (A) establish an Emergency Response Ini-  
9       tiative for coordinated action during active dig-  
10      ital asset attacks or major security incidents,  
11      including by identifying clear lines of authority,  
12      communication channels, and predefined re-  
13      sponse options that can be rapidly implemented;  
14      and

15              (B) maintain links to a multidisciplinary  
16      team capable of rapid deployment during sig-  
17      nificant digital asset security incidents, includ-  
18      ing technical experts, legal advisors, blockchain  
19      forensics specialists, and coordination officers  
20      who can work with affected entities to contain  
21      attacks, preserve evidence, and initiate recovery  
22      efforts.

23              (5) INTERNATIONAL COOPERATION.—The  
24      DACIC shall establish an International Coordination  
25      Office responsible for actively engaging with foreign

1       partners, including international organizations,  
2       international regulators, financial institutions, and  
3       law enforcement agencies, and assisting in coordi-  
4       nating the response to cross-border threats, which  
5       may include pressuring non-compliant digital asset  
6       exchanges and over-the-counter desks that adver-  
7       sarial state actors, other entities, and persons sub-  
8       ject to sanctions imposed by the United States have  
9       utilized for illicit activity, including as cash-out  
10      points, promoting global compliance and deterrence.

11      (e) REGULATORY APPROVALS AND TESTING OF  
12      ONCHAIN SOLUTIONS.—The DACIC shall drive and sup-  
13      port the development of technical standards for digital  
14      asset security, working with public and private standards  
15      bodies such as the National Institute of Standards and  
16      Technology to establish widely accepted security bench-  
17      marks.

18      (f) ORGANIZATIONAL STRUCTURE AND STAFFING.—

19          (1) EXECUTIVE DIRECTOR.—The Secretary of  
20      the Treasury shall appoint an Executive Director of  
21      the DACIC to oversee the activities and operations  
22      of the DACIC, ensuring alignment with the mission  
23      and goals of the DACIC, who possess expertise in 1  
24      or more of the following:

25          (A) Cybersecurity.

1 (B) Enforcement.

2 (C) Digital asset markets.

3 (2) STAFFING.—

4 (A) IN GENERAL.—The DACIC shall be  
5 staffed with professionals from the agencies de-  
6 scribed in subsection (a)(1)(A).

7 (B) FOCAL POINT.—The DACIC shall not  
8 disrupt ongoing efforts within the agencies de-  
9 scribed in subsection (a)(1)(A), but shall serve  
10 as a focal point for combating thefts and money  
11 laundering from state actors to ensure that  
12 tools and authorities are used collaboratively  
13 and effectively to counter those threats.

14 (3) PARTNERSHIPS WITH WEB3 AND  
15 BLOCKCHAIN DEVELOPMENT.—The DACIC shall es-  
16 tablish strategic partnerships with blockchain ana-  
17 lytics firms, web3 development platforms, centralized  
18 and decentralized digital asset organizations, cyber-  
19 security companies, academic researchers, and any  
20 other relevant entities to stay at the forefront of  
21 technological developments in the digital asset sec-  
22 tor.

23 (g) BUDGET AND FUNDING.—There is authorized to  
24 be appropriated \$60,000,000 to the DACIC for fiscal year  
25 2026, and each fiscal year thereafter, to support the oper-

1 ations, staffing, and initiatives of the DACIC aimed at  
2 combating illicit activities in the digital asset space, in-  
3 cluding research, development, enforcement, and collabo-  
4 ration efforts.

5 (h) IMPLEMENTATION AND OVERSIGHT.—The  
6 DACIC shall submit to Congress an annual report on the  
7 activities, goals, and achievements of the DACIC for the  
8 period covered by the report, which shall provide—

9 (1) updates on efforts to disrupt cyber-attacks  
10 and combat money laundering and sanctions evasion,  
11 including metrics on threat actors disrupted, dollars  
12 recovered, and other relevant information;

13 (2) progress on the state of public-private co-  
14 operation in addressing digital asset illicit finance,  
15 including information sharing effectiveness, such as  
16 the speed of information sharing; and

17 (3) recommendations for legislative action.

18 **SEC. 10905. STRENGTHENING AGENCY FRAMEWORKS FOR**  
19 **ENFORCEMENT OF CRYPTOCURRENCY.**

20 (a) SHORT TITLE.—This section may be cited as the  
21 “Strengthening Agency Frameworks for Enforcement of  
22 Cryptocurrency Act” or the “SAFE Crypto Act”.

23 (b) DEFINITIONS.—In this section:

24 (1) **LAWFUL ORDER; PERMITTED PAYMENT**  
25 **STABLECOIN ISSUER.**—The terms “lawful order”

1 and “permitted payment stablecoin issuer” have the  
2 meanings given those terms, respectively, in section  
3 2 of the GENIUS Act (12 U.S.C. 5901), respec-  
4 tively.

5 (2) SECRETARY.—The term “Secretary” means  
6 the Secretary of the Treasury.

7 (3) TASK FORCE.—The term “Task Force”  
8 means the Task Force on Cryptocurrency Scams es-  
9 tablished under section 3(a).

10 (c) TASK FORCE ON CRYPTOCURRENCY SCAMS.—

11 (1) ESTABLISHMENT.—Not later than 180 days  
12 after the date of enactment of this Act, the Sec-  
13 retary shall establish a task force, to be known as  
14 the Task Force for Recognizing and Averting  
15 Cryptocurrency Scams.

16 (2) MEMBERSHIP.—

17 (A) COMPOSITION.—The Task Force shall  
18 be chaired by the Secretary, or a designee  
19 thereof, and shall consist of the following indi-  
20 viduals, or the designees of these individuals:

21 (i) The Attorney General.

22 (ii) The Director of the Financial  
23 Crimes Enforcement Network.

24 (iii) The Director of the United States  
25 Secret Service.

1 (iv) The head of any other relevant  
2 Federal department or agency, as deter-  
3 mined by the Secretary, in consultation  
4 with the Task Force.

5 (v) Representatives of permitted pay-  
6 ment stablecoin issuers.

7 (vi) Representatives of digital asset  
8 service providers.

9 (vii) Representatives of digital asset  
10 custodians.

11 (viii) Representatives of distributed  
12 ledger analytics companies (as defined in  
13 section 10204(b)).

14 (ix) Representatives of victims, scam  
15 support networks, or other relevant con-  
16 sumer protection stakeholders.

17 (x) Representatives of Federal, State,  
18 and local law enforcement.

19 (xi) Representatives of any other in-  
20 dustries, as determined necessary by the  
21 Secretary.

22 (xii) Representatives from 1 or more  
23 State bank regulatory authorities.

1 (B) TERM OF APPOINTMENT.—The term  
2 of a member of the Task Force shall continue  
3 until the termination of the Task Force.

4 (C) VACANCY.—Any vacancy occurring in  
5 the membership of the Task Force shall be  
6 filled in the same manner in which the original  
7 appointment was made.

8 (3) PURPOSES.—The purposes of the Task  
9 Force include the following:

10 (A) SCAM DETECTION AND PREVENTION.—  
11 The Task Force shall examine current trends  
12 and developments in the financial grooming  
13 scams involving digital assets, identify effective  
14 methods for preventing such scams, and issue  
15 recommendations to enhance efforts to identify  
16 and prevent such activities.

17 (B) CROSS-SECTOR APPROACH.—The Task  
18 Force shall adopt a cross-sector approach to en-  
19 sure its recommendations reflect the full scope  
20 of the issue, given that scams impact individ-  
21 uals across jurisdictions and a wide range of in-  
22 dustries, including financial services, tele-  
23 communications, and technology.

24 (C) STAKEHOLDER INSIGHT.—The Task  
25 Force shall include representation from—

1 (i) stakeholders with direct experience  
2 supporting victims of scams (including in-  
3 dividuals forced to engage in the scams  
4 and individuals impacted by the scams);  
5 and

6 (ii) industry participants with insight  
7 into—

8 (I) the organized crime networks  
9 perpetrating the scams;

10 (II) digital asset kiosks (as de-  
11 fined in section 5337(a) of title 31,  
12 United States Code, as added by sec-  
13 tion 10205(b) of this Act); and

14 (III) prevention strategies, in-  
15 cluding following the money to detect,  
16 deter, and dismantle the organized  
17 crime networks.

18 (D) INFORMATION SHARING AND INTER-  
19 DICTION NETWORKS.—The Task Force, in co-  
20 ordination with relevant Federal agencies, is en-  
21 couraged to promote participation by digital  
22 asset service providers and permitted payment  
23 stablecoin issuers in public-private, real-time in-  
24 formation sharing and interdiction networks de-  
25 signed to detect, disrupt, and prevent the off-

1           ramping of funds associated with scams, fraud,  
2           and other illicit activities.

3                   (E) ENHANCED ASSET RECOVERY MECHA-  
4           NISMS.—The Task Force shall work with per-  
5           mitted payment stablecoin issuers to ensure  
6           that the permitted payment stablecoin issuers  
7           have the technological capability to comply, and  
8           do comply, with the terms of any lawful order  
9           relating to payment stablecoins issued by any  
10          such permitted payment stablecoin issuer deter-  
11          mined to be proceeds of scams or other unlaw-  
12          ful conduct, consistent with applicable law, in-  
13          cluding the GENIUS Act (12 U.S.C. 5901 et  
14          seq.) and implementing regulations and due  
15          process protections.

16                  (4) MEETINGS.—The Task Force shall meet  
17          not less than 3 times during the 1-year period begin-  
18          ning on the date of enactment of this Act, and  
19          thereafter at such times and places, and by such  
20          means, as the Chair of the Task Force determines  
21          to be appropriate, which may include the use of re-  
22          mote conference technology.

23                  (5) DUTIES.—The duties of the Task Force  
24          shall include—

1 (A) evaluating opportunities to use data  
2 collected by the Internet Crime Complaint Cen-  
3 ter database of the Federal Bureau of Inves-  
4 tigation and the fraud reporting database of the  
5 Federal Trade Commission;

6 (B) evaluating best practices for combating  
7 methods (such as financial grooming scams,  
8 Ponzi schemes, money laundering, organized  
9 crime schemes, fraudulent Initial Coin Offer-  
10 ings, and rug pulls) used by scammers, includ-  
11 ing means of identifying, communicating with,  
12 and exploiting victims;

13 (C) assessing how international jurisdic-  
14 tions have tried to prevent scams involving dig-  
15 ital assets;

16 (D) identifying and reviewing current  
17 methods used to scam individuals, including  
18 users and consumers, using digital asset inter-  
19 mediaries;

20 (E) determining a strategy for education  
21 programs that better equip individuals, includ-  
22 ing consumers, to identify, avoid, and report  
23 digital asset scam attempts to the appropriate  
24 law enforcement or government authorities;

1 (F) coordinating efforts to ensure per-  
2 petrators of scams involving digital assets can  
3 be identified and pursued by law enforcement;

4 (G) consulting with other relevant stake-  
5 holders, including State, local, and Tribal agen-  
6 cies and financial services providers;

7 (H) determining whether any additional  
8 Federal legislation and full-time equivalents  
9 would be beneficial for law enforcement and in-  
10 dustry in mitigating scams involving digital as-  
11 sets; and

12 (I) working with international governments  
13 and law enforcement agencies to combat digital  
14 asset scams, including by targeting the orga-  
15 nized crime networks perpetrating scams, origi-  
16 nating abroad.

17 (6) COMPENSATION.—Each member of the  
18 Task Force shall serve without compensation, other  
19 than compensation to which entitled as an employee  
20 of the United States, as the case may be.

21 (7) REPORT.—

22 (A) IN GENERAL.—Not later than 1 year  
23 after the date on which the Secretary estab-  
24 lishes the Task Force, the Task Force shall  
25 submit to the Committee on Banking, Housing,

1 and Urban Affairs of the Senate, the Com-  
2 mittee on Agriculture, Nutrition, and Forestry  
3 of the Senate, the Committee on Financial  
4 Services of the House of Representatives, and  
5 the Committee on Agriculture of the House of  
6 Representatives and make publicly available on-  
7 line a report detailing—

8 (i) the results of the reviews and eval-  
9 uations of the Task Force under para-  
10 graph (5);

11 (ii) the strategy identified under para-  
12 graph (5);

13 (iii) any legislative, regulatory, or per-  
14 sonnel recommendations that would en-  
15 hance the ability to detect and prevent  
16 scams involving digital assets described in  
17 paragraph (5); and

18 (iv) recommendations to enhance co-  
19 operation among Federal, State, local, and  
20 Tribal authorities in the investigation and  
21 prosecution of scams and other financial  
22 crimes, including harmonizing data collec-  
23 tion, improving data sharing processes, im-  
24 proving reporting mechanisms and  
25 streams, estimating the number of com-

1           plaints and consumers affected, and evalu-  
2           ating the effectiveness of anti-scam train-  
3           ing programs.

4           (B) ANNUAL UPDATES.—After submitting  
5           an initial report required under subparagraph  
6           (A), the Task Force shall, on an annual basis,  
7           submit to the Committee on Banking, Housing,  
8           and Urban Affairs of the Senate, the Com-  
9           mittee on Agriculture, Nutrition, and Forestry  
10          of the Senate, the Committee on Financial  
11          Services of the House of Representatives, and  
12          the Committee on Agriculture of the House of  
13          Representatives and make publicly available on-  
14          line an updated version of the report.

15          (8) APPLICABLE LAW.—Chapter 4 of title 5,  
16          United States Code, shall not apply to the Task  
17          Force.

18          (9) SUNSET.—The Task Force shall terminate  
19          on the date that is 3 years after the date on which  
20          the Task Force submits the report required under  
21          paragraph (7)(A).

22   **SEC. 10906. COMPLIANCE WITH LAWFUL ORDERS REQUIR-**  
23                   **ING REISSUANCE.**

24          Section 2(16)(A) of the GENIUS Act (12 U.S.C.  
25   5901(16)(A)) is amended by striking “requires a person”

1 and all that follows through “by the person” and inserting  
2 “requires a person to prevent the transfer of payment  
3 stablecoins issued by the person, or seize, freeze, or burn  
4 such payment stablecoins and, as appropriate, reissue re-  
5 placement payment stablecoins”.

## 6 **TITLE X—OTHER MATTERS**

### 7 **SEC. 11001. JOINT ADVISORY COMMITTEE ON DIGITAL AS-** 8 **SETS.**

9 (a) ESTABLISHMENT.—The Commodity Futures  
10 Trading Commission and the Commission (referred to col-  
11 lectively in this section as the “Commissions”) shall jointly  
12 establish the Joint Advisory Committee on Digital Assets  
13 (referred to in this section as the “Committee”).

14 (b) PURPOSE.—

15 (1) IN GENERAL.—The Committee shall—

16 (A) provide the Commissions with official  
17 findings and nonbinding recommendations on—

18 (i) the rules, regulations, oversight,  
19 and other matters of the Commissions re-  
20 lating to digital assets, including with re-  
21 spect to regulatory harmonization between  
22 the Commissions;

23 (ii) how to further the regulatory har-  
24 monization of digital asset policy between

1 the Commissions or areas in which that  
2 harmonization should occur; and

3 (iii) the implementation by the Com-  
4 missions of this division, and the amend-  
5 ments made by this division, including with  
6 respect to regulatory harmonization be-  
7 tween the Commissions, memoranda of un-  
8 derstanding, and the CFTC-SEC Micro-In-  
9 novation Sandbox established pursuant to  
10 section 10501;

11 (B) develop and share objective methods  
12 and best practices for evaluating digital asset  
13 networks and activities, including, as appro-  
14 priate, technical features, economic design, and  
15 implications for market integrity, investor pro-  
16 tection, and operational resilience; and

17 (C) issue nonbinding recommendations to  
18 assist in resolving disputes between the Com-  
19 missions.

20 (c) REVIEW BY THE COMMISSIONS.—Each of the  
21 Commissions shall—

22 (1) review the findings and nonbinding rec-  
23 ommendations provided under subsection (b)(1)(A);

24 (2) promptly publish a public statement each  
25 time the Committee submits a finding or nonbinding

1 recommendation to the applicable Commission under  
2 subsection (b)(1)(A) that—

3 (A) assesses the finding or recommenda-  
4 tion; and

5 (B) if applicable, discloses the action or de-  
6 cision not to take action; and

7 (3) provide the Committee with a formal writ-  
8 ten response not later than 90 days after the date  
9 of submission of a finding or nonbinding rec-  
10 ommendation under subsection (b)(1)(A).

11 (d) MEMBERSHIP AND LEADERSHIP.—

12 (1) NON-FEDERAL MEMBERS; SIZE AND COM-  
13 POSITION.—

14 (A) IN GENERAL.—The Commissions shall  
15 appoint to the Committee not more than 14  
16 nongovernmental voting members who—

17 (i) represent a broad spectrum of in-  
18 terests, equally divided between the Com-  
19 missions; and

20 (ii) serve at the pleasure of the ap-  
21 pointing Commission.

22 (B) SPECIFIC MEMBERS.—For each of the  
23 Commissions, the appointees under subpara-  
24 graph (A) of this paragraph shall include—

1 (i) 2 individuals described in para-  
2 graph (2)(A);

3 (ii) 2 individuals described in para-  
4 graph (2)(B);

5 (iii) 1 individual described in para-  
6 graph (2)(C);

7 (iv) 2 individuals described in para-  
8 graph (2)(D); and

9 (v) 1 individual described in para-  
10 graph (2)(E).

11 (2) MEMBERS DESCRIBED.—A member de-  
12 scribed in this paragraph is—

13 (A) an individual who is employed by, or is  
14 a related person with respect to, a digital asset  
15 market participant;

16 (B) a person registered with either of the  
17 Commissions and that is engaged in activities  
18 relating to digital assets;

19 (C) an individual engaged in academic re-  
20 search relating to digital assets;

21 (D) a retail user of digital assets; and

22 (E) a State securities regulator.

23 (3) NIST.—The Director of the National Insti-  
24 tute of Standards and Technology, or the designee  
25 of the Director, shall serve in an advisory capacity

1 as a nonvoting, ex officio member of the Committee,  
2 and shall not be excluded from any proceedings,  
3 meetings, discussions, or deliberations of the Com-  
4 mittee, except that the chair of the Committee, upon  
5 an affirmative vote of the Committee, may exclude  
6 the Director or the designee from any proceedings,  
7 meetings, discussions, or deliberations of the Com-  
8 mittee when necessary to safeguard and promote the  
9 free exchange of confidential information.

10 (4) CO-DESIGNATED FEDERAL OFFICERS; COM-  
11 MISSIONER SUPPORT.—

12 (A) CO-DESIGNATED FEDERAL OFFI-  
13 CERS.—

14 (i) IN GENERAL.—Each Commission  
15 shall designate 1 Federal officer to serve  
16 as a co-designated Federal officer of the  
17 Committee.

18 (ii) SHARED DUTIES.—The duties re-  
19 quired by section 1009(e) of title 5, United  
20 States Code, to be carried out by a des-  
21 ignated officer or employee of the Federal  
22 Government with respect to the Committee  
23 shall be shared by the Federal officers of  
24 the Committee who are co-designated  
25 under clause (i).

1 (B) COMMISSIONER SUPPORT.—

2 (i) IN GENERAL.—Commissioners of  
3 the Commissions may be supported by offi-  
4 cers or employees of the respective Com-  
5 mission who may prepare or transmit ma-  
6 terials, coordinate with agency staff, liaise  
7 with Committee leadership, propose agenda  
8 items, gather information, and otherwise  
9 support the participation of that commis-  
10 sioner in Committee business, in an ex  
11 officio, nonvoting capacity.

12 (ii) RULE OF CONSTRUCTION.—An of-  
13 ficer or employee described in clause (i)  
14 shall not be considered to be a member of  
15 the Committee for purposes of chapter 10  
16 of title 5, United States Code.

17 (C) INFORMATION SHARING.—The co-des-  
18 ignated Federal officers under subparagraph  
19 (A) and the officers or employees of the respec-  
20 tive Commissions providing support under sub-  
21 paragraph (B) shall share information about  
22 digital asset activities under this division, in ac-  
23 cordance with section 10902, including with re-  
24 gard to preventing insider trading.

1           (5) COMMITTEE LEADERSHIP.—The members  
2           of the Committee shall elect, from among the mem-  
3           bership of the Committee, a secretary and an assist-  
4           ant secretary.

5           (6) ROTATING CHAIR.—The chair and vice  
6           chair of the Committee shall rotate annually between  
7           the Commissions, with the Commission designating  
8           the chair in even-numbered calendar years, the Com-  
9           modity Futures Trading Commission designating the  
10          chair in odd-numbered calendar years, the Commis-  
11          sion designating the vice chair in odd-numbered cal-  
12          endar years, and the Commodity Futures Trading  
13          Commission designating the vice chair in even-num-  
14          bered calendar years.

15          (7) TERMS; VACANCIES; HOLDOVER.—

16                (A) IN GENERAL.—Each non-Federal  
17                member of the Committee shall be appointed  
18                for a term of 4 years.

19                (B) SERVICE UNTIL NEW APPOINTMENT.—  
20                A member of the Committee may continue to  
21                serve after the expiration of the term of the  
22                member until a successor is appointed.

23                (C) VACANCIES.—A vacancy with respect  
24                to membership in the Committee shall be filled  
25                only for the remainder of the applicable term.

1 (D) REAPPOINTMENT.—A member of the  
2 Committee may be reappointed.

3 (8) STATUS OF MEMBERS.—A member of the  
4 Committee appointed under paragraph (1) shall not  
5 be deemed to be an employee or agent of either of  
6 the Commissions solely by reason of membership on  
7 the Committee.

8 (e) NO COMPENSATION FOR COMMITTEE MEM-  
9 BERS.—

10 (1) NON-FEDERAL MEMBERS.—All Committee  
11 members appointed under subsection (d)(1) shall—

12 (A) serve without compensation; and

13 (B) while away from the home or regular  
14 place of business of the member in the perform-  
15 ance of services for the Committee, be allowed  
16 travel expenses, including per diem in lieu of  
17 subsistence, in the same manner as persons em-  
18 ployed intermittently in Government service are  
19 allowed expenses under section 5703 of title 5,  
20 United States Code.

21 (2) NO COMPENSATION FOR CO-DESIGNATED  
22 FEDERAL OFFICERS.—The Federal officers co-des-  
23 ignated under subsection (d)(4)(A) shall serve with-  
24 out compensation in addition to that received for

1       their services as officers or employees of the United  
2       States.

3       (f) FREQUENCY OF MEETINGS.—The Committee  
4       shall meet—

5             (1) not less frequently than twice annually; and

6             (2) at such other times as either of the Com-  
7       missions may request.

8       (g) PROCEDURES; ADVISORY NATURE.—

9             (1) IN GENERAL.—The Committee shall operate  
10       pursuant to chapter 10 of title 5, United States  
11       Code, except as otherwise expressly provided by this  
12       section.

13            (2) ADVISORY NATURE OF RECOMMENDA-  
14       TIONS.—The recommendations of the Committee are  
15       advisory in nature, shall not create any legal rights  
16       or obligations, and shall not limit or delay the inde-  
17       pendent authority of either of the Commissions.

18       (h) TIME LIMITS.—The Commissions shall—

19             (1) not later than 90 days after the date of en-  
20       actment of this Act, adopt a joint charter for the  
21       Committee;

22             (2) not later than 120 days after the date of  
23       enactment of this Act, make the appointments re-  
24       quired under subsection (d)(1); and

1           (3) not later than 180 days after the date of  
2           enactment of this Act, hold the initial meeting of the  
3           Committee.

4           (i) FUNDING.—Subject to the availability of funds,  
5           the Commissions shall jointly fund the Committee.

6           (j) DURATION AND RENEWAL.—

7           (1) INITIAL PERIOD.—The Committee shall re-  
8           main in effect for 10 years beginning on the date of  
9           enactment of this Act.

10          (2) RENEWAL THEREAFTER.—At the conclu-  
11          sion of the 10-year period described in paragraph  
12          (1)—

13                (A) the Committee shall be subject to sub-  
14                sections (a) and (b) of section 1013 of title 5,  
15                United States Code; and

16                (B) the Commissions may renew the Com-  
17                mittee for successive 2-year periods by pub-  
18                lishing a notice in the Federal Register, con-  
19                sistent with chapter 10 of title 5, United States  
20                Code.

21   **SEC. 11002. MEMORANDUM OF UNDERSTANDING.**

22          (a) MEMORANDUM OF UNDERSTANDING.—The Com-  
23          mission shall enter into a memorandum of understanding  
24          with the Commodity Futures Trading Commission to en-  
25          sure—

1           (1) coordinated supervision and enforcement  
2           with respect to registrants of the Commission and  
3           the Commodity Futures Trading Commission, in-  
4           cluding with regard to—

5                 (A) the anti-fraud and anti-manipulation  
6                 authorities of the Commission, such as with re-  
7                 gard to insider trading; and

8                 (B) the market integrity authorities of the  
9                 Commodity Futures Trading Commission; and

10           (2) appropriate information sharing between  
11           the Commission and the Commodity Futures Trad-  
12           ing Commission to further the purposes of and com-  
13           pliance with this division, the amendments made by  
14           this division, the Securities Act of 1933 (15 U.S.C.  
15           77a et seq.) (as amended by this Act), the Securities  
16           Exchange Act of 1934 (15 U.S.C. 78a et seq.) (as  
17           amended by this Act), and the Commodity Exchange  
18           Act (7 U.S.C. 1 et seq.) (as amended by this Act).

19           (b) RULE OF CONSTRUCTION.—Nothing in this sec-  
20           tion may be construed to limit the anti-fraud, anti-manip-  
21           ulation, or false reporting enforcement authorities of the  
22           Commodity Futures Trading Commission with respect to  
23           a contract of sale of a commodity and persons effecting  
24           such contracts.

1       (c) RULE OF CONSTRUCTION.—Nothing in this divi-  
2 sion, or any amendment made by this division, may be  
3 construed to limit or prevent the continued application of  
4 applicable law regarding the insider trading of securities,  
5 including digital asset securities, including section 21A of  
6 the Securities Exchange Act of 1934 (15 U.S.C. 78u–1).

7       **SEC. 11003. FINCEN APPROPRIATIONS.**

8       (a) AUTHORIZATION OF APPROPRIATIONS.—For the  
9 purposes of developing policy relating to digital assets, ac-  
10 quiring information technology resources, funding the op-  
11 erations described in sections 10202 and 10203, and en-  
12 forcement of the laws within its jurisdiction relating to  
13 digital assets, there is authorized to be appropriated to  
14 the Financial Crimes Enforcement Network of the De-  
15 partment of the Treasury the following:

16               (1) \$30,000,000 for fiscal year 2026, to remain  
17       available until September 30, 2027.

18               (2) \$30,000,000 for fiscal year 2027, to remain  
19       available until September 30, 2028.

20               (3) \$30,000,000 for fiscal year 2028, to remain  
21       available until September 30, 2029.

22               (4) \$30,000,000 for fiscal year 2029, to remain  
23       available until September 30, 2030.

24               (5) \$30,000,000 for fiscal year 2030, to remain  
25       available until September 30, 2031.

1 (b) INCENTIVE PREMIUM FOR HIGHLY QUALIFIED  
2 INDIVIDUALS.—Notwithstanding any other provision of  
3 law or regulation, the Director of the Financial Crimes  
4 Enforcement Network of the Department of the Treasury  
5 may pay an annual incentive premium of not more than  
6 20 percent of the annual rate of basic pay for a position  
7 if necessary to attract highly qualified individuals for posi-  
8 tions that the Director has certified to the Director of the  
9 Office of Personnel Management reflect the needs of the  
10 Financial Crimes Enforcement Network.

11 **SEC. 11004. TECHNICAL CORRECTIONS TO THE GENIUS**  
12 **ACT.**

13 (a) CREDIT UNION PARITY.—The GENIUS Act (12  
14 U.S.C. 5901 et seq.) is amended—

15 (1) in section 2—

16 (A) in paragraph (17), by striking “na-  
17 tional currency or deposit (as defined in section  
18 3 of the Federal Deposit Insurance Act (12  
19 U.S.C. 1813)) denominated in a national cur-  
20 rency” and inserting “national currency or a  
21 deposit (as defined in section 3 of the Federal  
22 Deposit Insurance Act (12 U.S.C. 1813)) or ac-  
23 count (as defined in section 101 of the Federal  
24 Credit Union Act (12 U.S.C. 1752)) denomi-  
25 nated in a national currency”; and

1 (B) in paragraph (22), by striking “is a  
2 deposit (as defined in section 3 of the Federal  
3 Deposit Insurance Act (12 U.S.C. 1813)), in-  
4 cluding a deposit recorded using distributed  
5 ledger technology” and inserting “is a deposit  
6 (as defined in section 3 of the Federal Deposit  
7 Insurance Act (12 U.S.C. 1813)) or account (as  
8 defined in section 101 of the Federal Credit  
9 Union Act (12 U.S.C. 1752)), including a de-  
10 posit or account recorded using distributed  
11 ledger technology”; and

12 (2) in section 4(a)(1)(A)(ii), by striking “or in-  
13 sured shares” and inserting “, or an account (as de-  
14 fined in section 101 of the Federal Credit Union Act  
15 (12 U.S.C. 1752)),”.

16 (b) REMOVAL OF DEADLINE FOR STATE-LEVEL REG-  
17 ULATORY REGIME APPLICATIONS.—Section 4(c)(4)(A) of  
18 the GENIUS Act (12 U.S.C. 5903(c)(4)(A)) is amend-  
19 ed—

20 (1) by striking “not later than 1 year after”  
21 and inserting “beginning on”; and

22 (2) by striking “shall” and inserting “may”.

23 (c) CONSISTENT TREATMENT OF TIMELY REDEMP-  
24 TIONS.—Section 4(a)(1)(B)(i) of the GENIUS Act (12  
25 U.S.C. 5903(a)(1)(B)(i)) is amended by striking “imposed

1 by a State qualified payment stablecoin regulator, the Cor-  
2 poration, the Comptroller, or the Board, consistent with  
3 section 7” and inserting the following: “imposed—

4 “(I) on a State qualified payment  
5 stablecoin issuer that has not  
6 transitioned to Federal oversight pur-  
7 suant to section 4(d), by its State  
8 payment stablecoin regulator or by  
9 the Board or the Comptroller, con-  
10 sistent with section 7;

11 “(II) on a State qualified pay-  
12 ment stablecoin issuer that has  
13 transitioned to Federal oversight pur-  
14 suant to section 4(d), by its State  
15 payment stablecoin regulator or by its  
16 primary Federal payment stablecoin  
17 regulator; or

18 “(III) on any other permitted  
19 payment stablecoin issuer, by its pri-  
20 mary Federal payment stablecoin reg-  
21 ulator”.

22 (d) CORRECTED SCOPE OF FEDERAL ENFORCEMENT  
23 AUTHORITIES FOR STATE QUALIFIED PAYMENT  
24 STABLECOIN ISSUERS THAT HAVE TRANSITIONED TO  
25 FEDERAL OVERSIGHT.—Section 6(b)(6) of the GENIUS

1 Act (12 U.S.C. 5905(b)(6)) is amended by inserting “,  
2 unless such State qualified payment stablecoin issuer has  
3 transitioned to Federal oversight pursuant to section  
4 4(d)” after “State qualified payment stablecoin issuer”.

5 (e) IMPROVING REGULATORY CERTAINTY OF FED-  
6 ERAL REGULATOR AUTHORITIES OVER STATE QUALIFIED  
7 PAYMENT STABLECOIN ISSUERS FOLLOWING UNUSUAL  
8 AND EXIGENT CIRCUMSTANCES.—Section 7(e) of the GE-  
9 NIUS Act (12 U.S.C. 5906(e)) is amended—

10 (1) in paragraph (1)—

11 (A) in subparagraph (A), by inserting  
12 “that is a depository institution or subsidiary of  
13 a depository institution” after “State qualified  
14 payment stablecoin issuer”; and

15 (B) in subparagraph (C)—

16 (i) by inserting “that is a depository  
17 institution or subsidiary of a depository in-  
18 stitution” after “State qualified payment  
19 stablecoin issuer” each place it appears;  
20 and

21 (ii) by striking “limiting” and insert-  
22 ing “and which may limit”; and

23 (2) in paragraph (2)—

24 (A) in subparagraph (A), by inserting “or  
25 an institution-affiliated party of such issuer”

1 after “State qualified payment stablecoin issuer  
2 that is a nonbank entity”;

3 (B) in subparagraph (C), by striking “lim-  
4 iting” and inserting “and which may limit”;  
5 and

6 (C) in subparagraph (D)(i)(I), by striking  
7 “Federal qualified payment stablecoin issuer”  
8 each place it appears and inserting “State  
9 qualified payment stablecoin issuer”.

10 (f) NO EXEMPTION FROM LAWFUL ORDER RE-  
11 QUIREMENT.—Section 18(a) of the GENIUS Act (12  
12 U.S.C. 5916(a)) is amended in the matter preceding para-  
13 graph (1) by inserting “, except subsection (b)(2) of that  
14 section,” after “section 3”.

15 (g) EQUAL TREATMENT OF AML/CFT AND SANC-  
16 TIONS OBLIGATIONS.—Section 4(a)(5) of the GENIUS  
17 Act (12 U.S.C. 5903(a)(5)) is amended—

18 (1) in subparagraph (A) by inserting “and a  
19 foreign payment stablecoin issuer registered with the  
20 Comptroller” after “A permitted payment stablecoin  
21 issuer”; and

22 (2) in subparagraph (B) by inserting “and for-  
23 eign payment stablecoin issuers registered with the  
24 Comptroller” after “permitted payment stablecoin  
25 issuers”.

1 (h) CONSISTENCY OF TREATMENT UNDER THE  
2 BANK SECRECY ACT.—Section 5312(c)(1) of title 31,  
3 United States Code, is amended by adding at the end the  
4 following:

5 “(B) Any permitted payment stablecoin  
6 issuer or foreign payment stablecoin issuer reg-  
7 istered with the Office of the Comptroller of the  
8 Currency.”.

9 (i) CLARIFYING ENFORCEMENT AUTHORITIES OF  
10 THE SECRETARY OF THE TREASURY.—Section 4(a)(5)(C)  
11 of the GENIUS Act (12 U.S.C. 5903(a)(5)(C)) is amend-  
12 ed by adding at the end the following: “For the avoidance  
13 of doubt, the Secretary of the Treasury may use applicable  
14 authorities under the Bank Secrecy Act and Federal laws  
15 relating to economic sanctions, prevention of money laun-  
16 dering, customer identification, and due diligence, as ap-  
17 propriate, to enforce rules issued by the Secretary to im-  
18 plement subparagraph (A).”.

19 (j) CLARIFICATION REGARDING UNSAFE AND UN-  
20 SOUND PRACTICES BY FOREIGN PAYMENT STABLECOIN  
21 ISSUERS.—Section 18(c)(2) of the GENIUS Act (12  
22 U.S.C. 5916(c)(2) is amended to read as follows:

23 “(2) ONGOING MONITORING AND SAFETY AND  
24 SOUNDNESS.—A foreign payment stablecoin issuer  
25 registered with the Comptroller shall—

1                   “(A) be subject to reporting, supervision,  
2                   and examination requirements as determined by  
3                   the Comptroller;

4                   “(B) not engage in any unsafe or unsound  
5                   practice; and

6                   “(C) consent to United States jurisdiction  
7                   relating to the enforcement of this Act.”.

8           (k) CORRECTING ERRORS IN ELIGIBLE RESERVE AS-  
9   SETS.—Section 4(a)(1)(A) of the GENIUS Act (12 U.S.C.  
10 5903(a)(1)(A)) is amended—

11           (1) in clause (v), by inserting “, or cash,” after  
12           “Treasury notes, bills, or bonds”; and

13           (2) in clause (vi), by inserting “or (vii) through  
14           (viii)” after “clauses (i) through (v)”.

15           (l)           CORRECTION                   RELATING                   TO  
16   REHYPOTHECATION.—Section 4(a)(2)(C) of the GENIUS  
17   Act (12 U.S.C. 5903(a)(2)(C)) is amended by striking  
18   “with a maturity of 93 days or less” after “repurchase  
19   agreements” and inserting “with a maturity of 93 days  
20   or less” after “Treasury bills”.

21           (m) PROVIDING REGULATORY CLARITY FOR TREAT-  
22   MENT OF ISSUERS LOCATED IN UNITED STATES TERRI-  
23   TORIES.—

24           (1) DEFINITIONS.—Section 2(12)(A) of the  
25   GENIUS Act (12 U.S.C. 5901(12)(A)) is amended

1 by striking “, a territory of the United States, Puer-  
2 to Rico, Guam, American Samoa, or the Virgin Is-  
3 lands”.

4 (2) EXCEPTION FOR FOREIGN PAYMENT  
5 STABLECOIN ISSUERS.—Section 18(a)(1) of the GE-  
6 NIUS Act (12 U.S.C. 5916(a)(1)) is amended by  
7 striking “, a territory of the United States, Puerto  
8 Rico, Guam, American Samoa, or the Virgin Is-  
9 lands”.

10 (n) CORRECTING SECTION REFERENCE FOR MONTH-  
11 LY AUDITS.—Section 4(a)(3)(A) of the GENIUS Act (12  
12 U.S.C. 5903(a)(3)(A)) is amended by striking “paragraph  
13 (1)(D)” and inserting “paragraph (1)(C)”.

14 (o) CORRECTING SCOPE OF STABLECOIN CERTIFI-  
15 CATION REVIEW COMMITTEE APPROVAL OF FOREIGN  
16 NON-FINANCIAL SERVICES COMPANIES.—Section  
17 4(a)(12) of the GENIUS Act (12 U.S.C. 5903(a)(12)) is  
18 amended—

19 (1) in the paragraph heading, by striking “PUB-  
20 LIC”; and

21 (2) in subparagraph (C)—

22 (A) by striking “public” each place it ap-  
23 pears; and

1 (B) by inserting “and its wholly or major-  
2 ity owned subsidiaries or affiliates” after “fi-  
3 nancial activities”.

4 (p) CLARIFYING CRITERIA OF NON-FINANCIAL SERV-  
5 ICES PUBLIC COMPANIES EVALUATION.—Section  
6 4(a)(12) of the GENIUS Act (12 U.S.C. 5903(a)(12)) is  
7 amended—

8 (1) in subparagraph (B)(i)(I) by striking “it”  
9 and inserting “issuance of payment stablecoins by  
10 the company”; and

11 (2) in subparagraph (C)(i)(I) by striking “it”  
12 and inserting “issuance of payment stablecoins by  
13 the company”.

14 (q) FOREIGN COMPARABILITY REJECTION AND RE-  
15 SCISSION.—Section 18 of the GENIUS Act (12 U.S.C.  
16 5916) is amended—

17 (1) in subsection (b)(4)(A), by inserting “and  
18 supervisory” after “regulatory”; and

19 (2) in subsection (c)(1)(C)(iv), by striking “for-  
20 eign payment stablecoin” and inserting “issuance of  
21 payment stablecoins by the foreign payment  
22 stablecoin issuer”.

23 (r) CORRECTED BILATERAL AGREEMENT PROC-  
24 ESS.—The GENIUS Act (12 U.S.C. 5901 et seq.) is  
25 amended—

1 (1) in section 3(b)(2), by inserting “or bilateral  
2 agreement” after “reciprocal arrangement”; and

3 (2) in section 18(a)(3), by inserting “or bilat-  
4 eral agreement” after “reciprocal arrangement”.

5 (s) UNIFORMITY IN SAFE HARBORS.—Section 3(c) of  
6 the GENIUS Act (12 U.S.C. 5902(c)) is amended—

7 (1) in paragraph (1), by inserting “or sub-  
8 section (b)(1)” after “subsection (a)”; and

9 (2) in paragraph (2), by inserting “or sub-  
10 section (b)(1)” after “subsection (a)”.

11 (t) CLARIFICATION REGARDING MONETARY  
12 VALUE.—Section 2(18)(A) of the GENIUS Act (12  
13 U.S.C. 5901(18)(A)) is amended by striking “authorized  
14 or adopted” and inserting “issued.”

15 (u) CLARIFICATION REGARDING EFFECTIVE  
16 DATE.—Section 20(d) of the GENIUS Act (Public law  
17 119–27; 139 Stat. 466; 12 U.S.C. 5901 note) is amended  
18 by striking “the primary Federal payment stablecoin regu-  
19 lators” and inserting “all primary Federal payment  
20 stablecoin regulators”.

21 (v) FEDERAL FLOOR FOR DIGITAL ASSET  
22 CUSTODIANS.—

23 (1) DEFINITIONS.—In this subsection:

24 (A) HOME STATE; HOST STATE.—The  
25 terms “home State” and “host State” have the

1 meanings given those terms, respectively, in sec-  
2 tion 16 of the GENIUS Act (12 U.S.C. 5915),  
3 except that the reference in that section to a  
4 depository institution shall be deemed to mean  
5 a State supervised institution, as defined in this  
6 subsection.

7 (B) NATIONAL BANK.—The term “national  
8 bank” means a national banking association.

9 (C) STATE SUPERVISED INSTITUTION.—  
10 The term “State supervised institution”  
11 means—

12 (i) a State depository institution, as  
13 defined under section 3 of the Federal De-  
14 posit Insurance Act (12 U.S.C. 1813);

15 (ii) a State non-depository trust com-  
16 pany subject to prudential regulation and  
17 supervision by a State bank supervisor, as  
18 defined under section 3 of the Federal De-  
19 posit Insurance Act (12 U.S.C. 1813); or

20 (iii) a State credit union subject to  
21 prudential regulation and supervision by a  
22 State credit union supervisor, as defined  
23 under section 6003 of the Anti-Money  
24 Laundering Act of 2020 (31 U.S.C. 5311  
25 note).

1           (2) EFFECT ON STATE LAW.—A State super-  
2       vised institution may provide custodial or safe-  
3       keeping services for digital assets, and services di-  
4       rectly related thereto, to the same extent and under  
5       the same conditions as a national bank.

6           (3) CUSTODY STANDARDS.—A state supervised  
7       institution providing custodial or safekeeping serv-  
8       ices for digital assets, and services directly related  
9       thereto, under paragraph (2) shall—

10           (A) comply with applicable Federal stand-  
11       ards (or home State standards that are sub-  
12       stantially similar to, or exceed, such Federal  
13       standards, pursuant to certification under para-  
14       graph (4)) relating to capital, liquidity, govern-  
15       ance, safety and soundness, consumer protec-  
16       tion, privacy, anti-money laundering, cybersecu-  
17       rity, information technology, third-party risk  
18       management, independent audits, and similar  
19       standards, to the extent applicable to a national  
20       bank;

21           (B) comply with applicable Federal stand-  
22       ards (or similar tailored, risk-based home State  
23       standards) relating to resolution planning, busi-  
24       ness continuity and functional separation of the  
25       custodial or safekeeping function from trading,

1           asset management and other market-facing ac-  
2           tivities, provided that, a State supervised insti-  
3           tution shall be subject to Federal or home State  
4           standards under this paragraph prior to oper-  
5           ating under the same conditions as a national  
6           bank for purposes of paragraph (2));

7           (C) clearly provide in customer agreements  
8           for intended treatment of custodial or safe-  
9           keeping accounts under the Uniform Commer-  
10          cial Code, including the requirements specified  
11          under subparagraph (D);

12          (D) comply with the requirements of para-  
13          graphs (b) and (c) of section 10 of the GE-  
14          NIUS Act (12 U.S.C. 5909), provided that, for  
15          purposes of this section—

16               (i) digital assets shall be treated in  
17               the same manner as payment stablecoins  
18               (whether or not the digital assets are used  
19               as collateral); and

20               (ii) requirements relating to payment  
21               stablecoin reserves and subsection (c)(3) of  
22               that section shall not apply;

23          (E) maintain control over customer digital  
24          assets held in custody, including the dispositive  
25          ability to effectuate transactions that involve a

1 change in the beneficial ownership of the asset;  
2 and

3 (F) be subject to supervision and examina-  
4 tion by each host State to the same extent as  
5 a national bank.

6 (4) SUBSTANTIALLY SIMILAR STANDARDS.—

7 (A) IN GENERAL.—Beginning on the date  
8 that is 180 days after the effective date of this  
9 Act, a State bank supervisor or State credit  
10 union supervisor may submit to the Stablecoin  
11 Certification Review Committee created under  
12 the GENIUS Act (12 U.S.C. 5901 et seq.) a  
13 written request that the Committee issue a  
14 written determination on whether the standards  
15 of the State are substantially similar to, or ex-  
16 ceed, applicable Federal standards for purposes  
17 of paragraph (3)(A). The State bank supervisor  
18 or State credit union supervisor shall provide all  
19 applicable laws, regulations, guidance, and  
20 other materials as part of the request.

21 (B) EFFECT OF WRITTEN DETERMINA-  
22 TION.—If the Stablecoin Certification Review  
23 Committee does not issue a written determina-  
24 tion under subparagraph (A) within 100 days  
25 of receipt of a complete request under that

1 paragraph, determining that the standards of  
2 such State are not substantially similar to, or  
3 do not exceed, applicable Federal standards, the  
4 State supervised institutions of such State may  
5 operate under the same conditions as a national  
6 bank for purposes of paragraph (1).

7 (5) RULES OF CONSTRUCTION.—Nothing in  
8 this subsection shall be construed as—

9 (A) affecting the applicability of any law of  
10 the home State of a State supervised institu-  
11 tion, the authority of such State to supervise or  
12 examine such institution, or the applicability of  
13 any Federal law which may otherwise apply; or

14 (B) limiting the ability of a depository in-  
15 stitution to hold cash on deposit relating to a  
16 custodial or safekeeping account, provided such  
17 treatment is consistent with Federal law.

18 (6) REPEAL.—Subsection (d) of section 16 of  
19 the GENIUS Act (12 U.S.C. 5915) is repealed.

20 **SEC. 11005. RULEMAKINGS.**

21 Except as otherwise provided, not later than 1 year  
22 after the date of enactment of this Act, each applicable  
23 regulator shall adopt rules to carry out this division, and  
24 the amendments made by this division, through appro-  
25 priate notice and comment rulemaking.

1 **DIVISION B—DIGITAL COM-**  
2 **MODITY INTERMEDIARIES**  
3 **ACT**

4 **SEC. 20001. SHORT TITLE.**

5 This division may be cited as the “Digital Commodity  
6 Intermediaries Act”.

7 **TITLE XI—DEFINITIONS;**  
8 **RULEMAKING**

9 **SEC. 20101. DEFINITIONS UNDER THE COMMODITY EX-**  
10 **CHANGE ACT.**

11 (a) IN GENERAL.—Section 1a of the Commodity Ex-  
12 change Act (7 U.S.C. 1a) is amended—

13 (1) by redesignating paragraphs (2), (3)  
14 through (14), (15), (16) through (34), (35), (36)  
15 through (39), and (40) through (51) as paragraphs  
16 (4), (9) through (20), (24), (39) through (57), (59),  
17 (61) through (64), and (66) through (77), respec-  
18 tively;

19 (2) by inserting after paragraph (1) the fol-  
20 lowing:

21 “(2) ANCILLARY ASSET.—The term ‘ancillary’  
22 has the meaning given the term in section 4B(a) of  
23 the Securities Act of 1933.

24 “(3) ANCILLARY ASSET ORIGINATOR.—The  
25 term ‘ancillary asset originator’ has the meaning

1       given the term in section 4B(a) of the Securities Act  
2       of 1933.”;

3           (3) by inserting after paragraph (4) (as so re-  
4       designated) the following:

5           “(5) ASSOCIATED PERSON OF A DIGITAL COM-  
6       MODITY BROKER.—

7           “(A) IN GENERAL.—Except as provided in  
8       subparagraph (B), the term ‘associated person  
9       of a digital commodity broker’ means a person  
10      who is associated with a digital commodity  
11      broker as a partner, officer, employee, or agent  
12      (or any person occupying a similar status or  
13      performing similar functions) in any capacity  
14      that involves—

15           “(i) the solicitation or acceptance of  
16      an order for the purchase or sale of a dig-  
17      ital commodity; or

18           “(ii) the supervision of any person en-  
19      gaged in the solicitation or acceptance of  
20      an order for the purchase or sale of a dig-  
21      ital commodity.

22           “(B) EXCLUSION.—The term ‘associated  
23      person of a digital commodity broker’ does not  
24      include any person associated with a digital

1 commodity broker the functions of which are  
2 solely clerical or ministerial.

3 “(6) ASSOCIATED PERSON OF A DIGITAL COM-  
4 MODITY DEALER.—

5 “(A) IN GENERAL.—Except as provided in  
6 subparagraph (B), the term ‘associated person  
7 of a digital commodity dealer’ means a person  
8 who is associated with a digital commodity deal-  
9 er as a partner, officer, employee, or agent (or  
10 any person occupying a similar status or per-  
11 forming similar functions) in any capacity that  
12 involves—

13 “(i) the solicitation or acceptance of a  
14 contract for the purchase or sale of a dig-  
15 ital commodity; or

16 “(ii) the supervision of any person en-  
17 gaged in the solicitation or acceptance of a  
18 contract for the purchase or sale of a dig-  
19 ital commodity.

20 “(B) EXCLUSION.—The term ‘associated  
21 person of a digital commodity dealer’ does not  
22 include any person associated with a digital  
23 commodity dealer the functions of which are  
24 solely clerical or ministerial.

1           “(7) ASSOCIATED PERSON OF A DIGITAL COM-  
2       MODITY POOL OPERATOR.—

3           “(A) IN GENERAL.—Except as provided in  
4       subparagraph (B), the term ‘associated person  
5       of a digital commodity pool operator’ means a  
6       person who is associated with a digital com-  
7       modity pool operator as a partner, officer, em-  
8       ployee, or agent (or any person occupying a  
9       similar status or performing similar functions)  
10      in any capacity that involves—

11           “(i) the solicitation or acceptance of  
12      an order for the purchase or sale of a dig-  
13      ital commodity; or

14           “(ii) the supervision of any person en-  
15      gaged in the solicitation or acceptance of  
16      an order for the purchase or sale of a dig-  
17      ital commodity.

18           “(B) EXCLUSION.—The term ‘associated  
19      person of a digital commodity pool operator’  
20      does not include any person associated with a  
21      digital commodity pool operator the functions of  
22      which are solely clerical or ministerial or that  
23      do not directly involve the exercise of invest-  
24      ment discretion or the solicitation or acceptance  
25      of investments in the applicable pool.

1           “(8) ASSOCIATED PERSON OF A DIGITAL COM-  
2       MODITY TRADING ADVISOR.—

3           “(A) IN GENERAL.—Except as provided in  
4       subparagraph (B), the term ‘associated person  
5       of a digital commodity trading advisor’ means  
6       a person who is associated with a digital com-  
7       modity trading advisor as a partner, officer,  
8       employee, or agent (or any person occupying a  
9       similar status or performing similar functions)  
10      in any capacity that involves—

11           “(i) the solicitation or acceptance of a  
12      contract for the purchase or sale of a dig-  
13      ital commodity; or

14           “(ii) the supervision of any person en-  
15      gaged in the solicitation or acceptance of a  
16      contract for the purchase or sale of a dig-  
17      ital commodity.

18           “(B) EXCLUSION.—The term ‘associated  
19      person of a digital commodity trading advisor’  
20      does not include any person associated with a  
21      digital commodity trading advisor the functions  
22      of which are solely clerical or ministerial or that  
23      do not directly involve the exercise of invest-  
24      ment discretion or the solicitation or acceptance  
25      of investments in the applicable pool.”;

1 (4) by inserting after paragraph (20) (as so re-  
2 designated) the following:

3 “(21) DECENTRALIZED FINANCE MESSAGING  
4 SYSTEM.—

5 “(A) IN GENERAL.—The term ‘decentral-  
6 ized finance messaging system’ means a soft-  
7 ware application that provides a user with the  
8 ability to create or submit an instruction, com-  
9 munication, or message to a decentralized fi-  
10 nance trading protocol.

11 “(B) ADDITIONAL REQUIREMENTS.—The  
12 term ‘decentralized finance messaging system’  
13 does not include any system that provides any  
14 person other than the user with—

15 “(i) control over the funds of the user;

16 or

17 “(ii) the authority to execute any of  
18 the transactions of the user.

19 “(22) DECENTRALIZED FINANCE TRADING PRO-  
20 TOCOL.—

21 “(A) IN GENERAL.—The term ‘decentral-  
22 ized finance trading protocol’ means a distrib-  
23 uted ledger system through which multiple par-  
24 ticipants can execute a financial transaction—

1 “(i) in accordance with an automated  
2 rule or algorithm that is predetermined  
3 and non-discretionary; and

4 “(ii) without reliance on a person  
5 other than the user to maintain custody or  
6 control of the digital assets subject to the  
7 financial transaction.

8 “(B) EXCLUSIONS.—

9 “(i) IN GENERAL.—The term ‘decen-  
10 tralized finance trading protocol’ does not  
11 include a distributed ledger system if—

12 “(I) a person or group of persons  
13 under common control or acting pur-  
14 suant to an agreement to act in con-  
15 cert has the authority, directly or in-  
16 directly, through any contract, ar-  
17 rangement, understanding, relation-  
18 ship, or otherwise, to control or mate-  
19 rially alter the functionality, oper-  
20 ation, or rules of consensus or agree-  
21 ment of the distributed ledger system;

22 “(II) the distributed ledger sys-  
23 tem does not operate, execute, and en-  
24 force its operations and transactions  
25 based solely on pre-established, trans-

1 parent rules encoded directly within  
2 the source code of the distributed  
3 ledger system; or

4 “(III) a person or group of per-  
5 sons under common control has the  
6 unilateral authority, via operation of  
7 the distributed ledger system, to re-  
8 strict, censor, or prohibit the use of  
9 the distributed ledger system, includ-  
10 ing any applicable system-based user  
11 activity.

12 “(ii) SPECIAL RULE.—For purposes of  
13 clause (i), a decentralized governance sys-  
14 tem shall not be considered to be a person  
15 or a group of persons under common con-  
16 trol or acting pursuant to an agreement to  
17 act in concert.

18 “(23) DECENTRALIZED GOVERNANCE SYS-  
19 TEM.—The term ‘decentralized governance system’  
20 has the meaning given the term in section 10001 of  
21 the Digital Asset Market Clarity Act.”;

22 (5) by inserting after paragraph (24) (as so re-  
23 designated) the following:

1           “(25) DIGITAL ASSET.—The term ‘digital asset’  
2       has the meaning given the term in section 2 of the  
3       GENIUS Act (12 U.S.C. 5901).

4           “(26) DIGITAL ASSET CUSTODIAN.—The term  
5       ‘digital asset custodian’ means a person who, as a  
6       regular business, holds, maintains, or safeguards  
7       digital assets for others.

8           “(27) DIGITAL COMMODITY.—

9               “(A) IN GENERAL.—The term ‘digital com-  
10       modity’ means any fungible digital asset that  
11       can be exclusively possessed and transferred,  
12       person to person, without necessary reliance on  
13       an intermediary, and is recorded on a distrib-  
14       uted ledger.

15           “(B) NETWORK TOKENS AND ANCILLARY  
16       ASSETS.—The term ‘digital commodity’ includes  
17       a network token, including a network token  
18       that is an ancillary asset (as those terms are  
19       defined in section 4B(a) of the Securities Act of  
20       1933).

21           “(C) MEME COINS.—

22               “(i) IN GENERAL.—The term ‘digital  
23       commodity’ includes a meme coin unless  
24       the meme coin is excluded from the defini-  
25       tion 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 fol-  
lowing:

13 “(i) DISQUALIFYING FINANCIAL  
14 RIGHTS.—Disqualifying financial rights de-  
15 scribed in section 4B(a)(7)(B) of the Secu-  
16 rities 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—

22 “(I) a security future (as defined  
23 in section 2(a) of the Securities Act of  
24 1933 (15 U.S.C. 77b(a)));

25 “(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))).

9 “(iii) PERMITTED PAYMENT  
10 STABLECOIN.—A payment stablecoin (as  
11 defined in section 2 of the GENIUS Act  
12 (Public Law 119–27; 139 Stat. 419)) that  
13 is issued by a permitted payment  
14 stablecoin issuer (as defined in that sec-  
15 tion).

16 “(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.

22 “(II) An account (as defined in  
23 section 101 of the Federal Credit  
24 Union Act (12 U.S.C. 1752)), regard-

1 less of the technology used to record  
2 the account.

3 “(v) COMMODITY.—A digital asset  
4 that references, represents an interest in,  
5 or is functionally equivalent to—

6 “(I) an agricultural commodity;

7 “(II) an excluded commodity,  
8 other than a security; or

9 “(III) an exempt commodity,  
10 other than the digital commodity  
11 itself, as shall be further defined by  
12 the Commission.

13 “(vi) COMMODITY DERIVATIVE.—A  
14 digital asset that, based on its terms and  
15 other characteristics, is, represents, or is  
16 functionally equivalent to an agreement,  
17 contract, or transaction that is—

18 “(I) a contract of sale of a com-  
19 modity for future delivery or an op-  
20 tion thereon;

21 “(II) a security futures product;

22 “(III) a swap;

23 “(IV) an agreement, contract, or  
24 transaction described in subparagraph  
25 (C)(i) or (D)(i) of section 2(c)(2);

1 “(V) a commodity option author-  
2 ized under section 4c; or

3 “(VI) a leverage transaction au-  
4 thorized under section 19.

5 “(vii) POOLED INVESTMENT VEHI-  
6 CLE.—

7 “(I) IN GENERAL.—A digital  
8 asset that, based on its terms and  
9 other characteristics, is, represents, or  
10 is functionally equivalent to an inter-  
11 est in—

12 “(aa) a commodity pool; or

13 “(bb) a pooled investment  
14 vehicle.

15 “(II) POOLED INVESTMENT VE-  
16 HICLE DEFINED.—In this clause, the  
17 term ‘pooled investment vehicle’  
18 means—

19 “(aa) any investment com-  
20 pany (as defined in section 3(a)  
21 of the Investment Company Act  
22 of 1940 (15 U.S.C. 80a-3(a)));

23 “(bb) any company (as de-  
24 fined in section 2 of such Act (15  
25 U.S.C. 80a-2)) that would be an

400

1 investment company under sec-  
2 tion 3(a) of such Act (15 U.S.C.  
3 80a-3(a)), but for the exclusions  
4 provided from that definition by  
5 section 3(c) of such Act (15  
6 U.S.C. 80a-3(c)), if for purposes  
7 of this subclause the company  
8 were assumed to be an issuer (as  
9 defined in section 2 of such Act  
10 (15 U.S.C. 80a-2)); or

11 “(cc) any entity or person  
12 that is not an investment com-  
13 pany but holds or will hold assets  
14 other than securities.

15 “(viii) GOOD, COLLECTIBLE, AND  
16 OTHER NONCOMMODITY DIGITAL ASSET.—

17 “(I) IN GENERAL.—A digital  
18 asset that has value, utility, or signifi-  
19 cance beyond its mere existence as a  
20 digital asset, including the digital  
21 equivalent of a tangible or intangible  
22 good or a nonfungible token (as de-  
23 fined in section 10602(a) of the Dig-  
24 ital Asset Market Clarity Act), such  
25 as—

1                   “(aa) a work of art, a musi-  
2                   cal composition, a literary work,  
3                   or other intellectual property;

4                   “(bb) collectibles, merchan-  
5                   dise, virtual land, and in-game or  
6                   in-application assets;

7                   “(cc) affinity, rewards, or  
8                   loyalty points, including airline  
9                   miles or credit card points; or

10                  “(dd) rights, licenses, and  
11                  tickets.

12                  “(II) EXCEPTION.—Whenever a  
13                  good, collectible, or other digital asset  
14                  or class of goods, collectibles, or other  
15                  digital assets is traded in such a man-  
16                  ner or form akin to the trading of a  
17                  digital commodity, such as a mass-  
18                  minted series of items with substan-  
19                  tially similar or nearly identical traits  
20                  that are marketed or sold inter-  
21                  changeably and are primarily specula-  
22                  tive in nature, it shall be considered  
23                  to be and regulated as a digital com-  
24                  modity under this Act.

25                  “(28) DIGITAL COMMODITY BROKER.—

1                   “(A) IN GENERAL.—The term ‘digital com-  
2                   modity broker’ means any person who—

3                   “(i) as a regular business, in a digital  
4                   commodity cash or spot market—

5                   “(I)(aa) solicits or accepts an  
6                   order from a person who is not an eli-  
7                   gible contract participant for the pur-  
8                   chase or sale of a unit of a digital  
9                   commodity; and

10                  “(bb) in conjunction with the ac-  
11                  tivity described in item (aa), accepts  
12                  or maintains control over the funds or  
13                  other property or assets of the person  
14                  or the execution of the transaction;

15                  “(II) solicits or accepts an order  
16                  from a person who is not an eligible  
17                  contract participant on behalf of a  
18                  digital commodity dealer for the pur-  
19                  chase or sale of a unit of a digital  
20                  commodity; or

21                  “(III) solicits or accepts an order  
22                  from a person who is not an eligible  
23                  contract participant for the purchase  
24                  or sale of a unit of a digital com-  
25                  modity on or subject to the rules of a

1 registered digital commodity ex-  
2 change; or

3 “(ii) is registered with the Commis-  
4 sion as a digital commodity broker.

5 “(B) EXCEPTIONS.—The term ‘digital  
6 commodity broker’ does not include a person  
7 solely because the person—

8 “(i) enters into 1 or more digital com-  
9 modity transactions that are attributable  
10 or solely incidental to making, sending, re-  
11 ceiving, or facilitating payments, whether  
12 involving a payment service provider or on  
13 a peer-to-peer basis; or

14 “(ii) is a bank (as defined in section  
15 3(a) of the Securities Exchange Act of  
16 1934 (15 U.S.C. 78c(a))) engaging in cer-  
17 tain banking activities with respect to a  
18 digital commodity in the same or a similar  
19 manner as a bank is excluded from the  
20 definition of a broker under section 3(a)(4)  
21 of that Act (15 U.S.C. 78c(a)(4)), as de-  
22 termined by the Commission.

23 “(C) FURTHER DEFINITION.—The Com-  
24 mission, by rule or regulation, may exclude  
25 from the term ‘digital commodity broker’ any

1 person or class of persons if the Commission  
2 determines that the rule or regulation is in the  
3 public interest and will effectuate the purposes  
4 of this Act.

5 “(29) DIGITAL COMMODITY DEALER.—

6 “(A) IN GENERAL.—The term ‘digital com-  
7 modity dealer’ means any person who—

8 “(i) as a regular business, in a spot or  
9 cash digital commodity market, enters into,  
10 or offers to enter into, a purchase or sale  
11 of a unit of a digital commodity—

12 “(I) with a counterparty that is  
13 not an eligible contract participant;  
14 and

15 “(II) not on or through a reg-  
16 istered digital commodity exchange or  
17 decentralized finance trading protocol;  
18 or

19 “(ii) is registered with the Commis-  
20 sion as a digital commodity dealer.

21 “(B) EXCEPTION.—The term ‘digital com-  
22 modity dealer’ does not include a person solely  
23 because the person—

24 “(i) enters into 1 or more digital com-  
25 modity transactions that are attributable

1 or solely incidental to making, sending, re-  
2 ceiving, or facilitating payments, whether  
3 involving a payment service provider or on  
4 a peer-to-peer basis; or

5 “(ii) is a bank (as defined in section  
6 3(a) of the Securities Exchange Act of  
7 1934 (15 U.S.C. 78c(a))) engaging in cer-  
8 tain banking activities with respect to a  
9 digital commodity in the same or a similar  
10 manner as a bank is excluded from the  
11 definition of a dealer under section 3(a)(5)  
12 of that Act (15 U.S.C. 78c(a)(5)), as de-  
13 termined by the Commission.

14 “(C) FURTHER DEFINITION.—The Com-  
15 mission, by rule or regulation, may exclude  
16 from the term ‘digital commodity dealer’ any  
17 person or class of persons if the Commission  
18 determines that the rule or regulation is in the  
19 public interest and will effectuate the purposes  
20 of this Act.

21 “(30) DIGITAL COMMODITY EXCHANGE.—

22 “(A) IN GENERAL.—The term ‘digital com-  
23 modity exchange’ means a trading facility that  
24 offers or seeks to offer a cash or spot market  
25 in at least 1 digital commodity.

1           “(B) FURTHER DEFINITION.—The Com-  
2 mission, by rule or regulation, may exclude  
3 from the term ‘digital commodity exchange’ any  
4 person or class of persons if the Commission  
5 determines that the rule or regulation is in the  
6 public interest and will effectuate the purposes  
7 of this Act.

8           “(31) DIGITAL COMMODITY POOL.—

9           “(A) IN GENERAL.—The term ‘digital com-  
10 modity pool’ means any investment trust, syn-  
11 dicate, or similar form of enterprise operated  
12 for the purpose of trading in a digital com-  
13 modity.

14           “(B) EXCLUSIONS.—The term ‘digital  
15 commodity pool’ does not include an investment  
16 trust, syndicate, or similar form of enterprise—

17           “(i) in which each person who partici-  
18 pates is, at the time of investment, an eli-  
19 gible contract participant, subject to the  
20 condition that, if the eligible contract par-  
21 ticipant is a commodity pool, corporation,  
22 partnership, proprietorship, organization,  
23 trust, or other entity, any natural person  
24 participant or investor in the eligible con-  
25 tract participant shall be an eligible con-

1                   tract participant described in paragraph  
2                   (40)(A)(xi); or

3                   “(ii) that is a decentralized govern-  
4                   ance system.

5                   “(C) FURTHER DEFINITION.—The Com-  
6                   mission, by rule or regulation, may exclude  
7                   from the term ‘digital commodity pool’ any in-  
8                   vestment trust, syndicate, or similar form of en-  
9                   terprise if the Commission determines that the  
10                  rule or regulation will effectuate the purposes of  
11                  this Act.

12                  “(32) DIGITAL COMMODITY POOL OPERATOR.—

13                  “(A) IN GENERAL.—The term ‘digital com-  
14                  modity pool operator’ means any person—

15                  “(i) engaged in a business that is of  
16                  the nature of a digital commodity pool,  
17                  and who, in connection therewith, solicits,  
18                  accepts, or receives from others funds, se-  
19                  curities, or property, either directly or  
20                  through capital contributions, the sale of  
21                  stock or other forms of securities, or other-  
22                  wise, for the purpose of trading in a digital  
23                  commodity; or

1 “(ii) who is registered with the Com-  
2 mission as a digital commodity pool oper-  
3 ator.

4 “(B) EXCLUSIONS.—The term ‘digital  
5 commodity pool operator’ does not include any  
6 person engaged in a business that is of the na-  
7 ture of a digital commodity pool, investment  
8 trust, syndicate, or similar form of enterprise—

9 “(i) that engages in a digital com-  
10 modity trade solely incidentally to the op-  
11 eration of a commercial enterprise and not  
12 for the purpose of investment, including  
13 payments, custodial services, and to hedge  
14 or mitigate commercial risk; or

15 “(ii) that is, or that is a subsidiary of,  
16 an issuer that—

17 “(I) offers securities registered  
18 with the Securities and Exchange  
19 Commission under the Securities Act  
20 of 1933 (15 U.S.C. 77a et seq.);

21 “(II) has a class of securities  
22 registered with the Securities and Ex-  
23 change Commission pursuant to sub-  
24 section (b) or (g) of section 12, or sec-

1                   tion 15, of the Securities Exchange  
2                   Act of 1934 (15 U.S.C. 78l, 78o); or  
3                   “(III) is registered under the In-  
4                   vestment Company Act of 1940 (15  
5                   U.S.C. 80a–1 et seq.).

6                   “(C) FURTHER DEFINITION.—The Com-  
7                   mission, by rule or regulation, may exclude  
8                   from the term ‘digital commodity pool operator’  
9                   any person engaged in a business that is of the  
10                  nature of a digital commodity pool, investment  
11                  trust, syndicate, or similar form of enterprise if  
12                  the Commission determines that the rule or reg-  
13                  ulation will effectuate the purposes of this Act.

14                  “(33) DIGITAL COMMODITY TRADING ADVI-  
15                  SOR.—

16                  “(A) IN GENERAL.—Except as otherwise  
17                  provided in this paragraph, the term ‘digital  
18                  commodity trading advisor’ means any person  
19                  who—

20                  “(i) for compensation or profit, en-  
21                  gages in the business of advising others, ei-  
22                  ther directly or through publications,  
23                  writings, or electronic media, as to the  
24                  value of or the advisability of trading in a  
25                  digital commodity;

1 “(ii) for compensation or profit, and  
2 as part of a regular business, issues or  
3 promulgates analyses or reports concerning  
4 any of the activities referred to in clause  
5 (i); or

6 “(iii) is registered with the Commis-  
7 sion as a digital commodity trading advi-  
8 sor.

9 “(B) EXCLUSIONS.—Subject to subpara-  
10 graph (C), the term ‘digital commodity trading  
11 advisor’ does not include—

12 “(i) any bank or trust company or  
13 any person acting as an employee thereof;

14 “(ii) any news reporter, news col-  
15 umnist, or news editor of the print or elec-  
16 tronic media, or any lawyer, accountant, or  
17 teacher;

18 “(iii) any floor broker, futures com-  
19 mission merchant, digital commodity  
20 broker, digital commodity dealer, or quali-  
21 fied digital asset custodian;

22 “(iv) the publisher or producer of any  
23 print or electronic data of general and reg-  
24 ular dissemination, including its employees;

1 “(v) the fiduciary of any defined ben-  
2 efit plan that is subject to the Employee  
3 Retirement Income Security Act of 1974  
4 (29 U.S.C. 1001 et seq.);

5 “(vi) any contract market or digital  
6 commodity exchange;

7 “(vii) any investment adviser reg-  
8 istered with the Securities and Exchange  
9 Commission; or

10 “(viii) such other persons not within  
11 the intent of this paragraph, as the Com-  
12 mission may specify by rule, regulation, or  
13 order.

14 “(C) INCIDENTAL SERVICES.—Subpara-  
15 graph (B) shall apply only if the furnishing of  
16 such services by persons referred to in subpara-  
17 graph (B) is solely incidental to the conduct of  
18 their business or profession.

19 “(D) ADVISORS.—The Commission, by  
20 rule or regulation, may exclude from the term  
21 ‘digital commodity trading advisor’ any person  
22 advising as to the value of a digital commodity  
23 or issuing reports or analyses concerning a dig-  
24 ital commodity if the Commission determines

1           that the rule or regulation will effectuate the  
2           purposes of this paragraph and this Act.

3           “(34) DISTRIBUTED LEDGER.—The term ‘dis-  
4           tributed ledger’ has the meaning given the term in  
5           section 10001 of the Digital Asset Market Clarity  
6           Act.

7           “(35) DISTRIBUTED LEDGER APPLICATION.—  
8           The term ‘distributed ledger application’ has the  
9           meaning given the term in section 10001 of the Dig-  
10          ital Asset Market Clarity Act.

11          “(36) DISTRIBUTED LEDGER PROTOCOL.—The  
12          term ‘distributed ledger protocol’ has the meaning  
13          given the term in section 10001 of the Digital Asset  
14          Market Clarity Act.

15          “(37) DISTRIBUTED LEDGER SERVICE.—The  
16          term ‘distributed ledger service’ means any informa-  
17          tion, transaction, or computing service or system  
18          that provides or enables access to a distributed ledg-  
19          er system by multiple users, including a service or  
20          system that enables users to send, receive, exchange,  
21          or store digital assets described by distributed ledger  
22          systems.

23          “(38) DISTRIBUTED LEDGER SYSTEM.—The  
24          term ‘distributed ledger system’ has the meaning

1 given the term in section 10001 of the Digital Asset  
2 Market Clarity Act.”;

3 (6) by inserting after paragraph (57) (as so re-  
4 designated) the following:

5 “(58) MIXED DIGITAL ASSET TRANSACTION.—  
6 The term ‘mixed digital asset transaction’ means a  
7 transaction in which a digital commodity is traded  
8 for a security.”;

9 (7) by inserting after paragraph (59) (as so re-  
10 designated) the following:

11 “(60) NETWORK TOKEN.—The term ‘network  
12 token’ has the meaning given the term in section  
13 4B(a) of the Securities Act of 1933.”;

14 (8) by inserting after paragraph (64) (as so re-  
15 designated) the following:

16 “(65) QUALIFIED DIGITAL ASSET CUSTO-  
17 DIAN.—The term ‘qualified digital asset custodian’  
18 means a digital asset custodian that—

19 “(A) holds digital assets on behalf of a  
20 person registered under this Act or a customer  
21 of a person registered under this Act; and

22 “(B) is in compliance with the require-  
23 ments for qualified digital asset custodians in  
24 section 5j.”; and

25 (9) in paragraph (66) (as so redesignated)—

1 (A) in subparagraph (E), by striking  
2 “and” at the end;

3 (B) in subparagraph (F), by striking the  
4 period at the end and inserting “; and”; and

5 (C) by adding at the end the following:

6 “(G) a digital commodity exchange reg-  
7 istered under section 5i.”.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Section 1a of the Commodity Exchange Act  
10 (7 U.S.C. 1a) is amended—

11 (A) in paragraph (40)(A) (as redesignated  
12 by subsection (a)(1)), in the matter preceding  
13 clause (i), by striking “(18)(A)” and inserting  
14 “(41)(A)”; and

15 (B) in paragraph (41)(A)(vii)(III)(aa) (as  
16 redesignated by subsection (a)(1)), by striking  
17 “(17)(A)” and inserting “(40)(A)”.

18 (2) Section 4(c)(1)(A)(i)(I) of the Commodity  
19 Exchange Act (7 U.S.C. 6(c)(1)(A)(i)(I)) is amended  
20 by striking “paragraphs (2), (3), (4), (5), and (7),  
21 paragraph (18)(A)(vii)(III), paragraphs (23), (24),  
22 (31), (32), (38), (39), (41), (42), (46), (47), (48),  
23 and (49) of section 1a” and inserting “paragraphs  
24 (4), (9), (10), (11), (13), (41)(A)(vii)(III), (46),

1 (47), (54), (55), (63), (64), (67), (68), (72), (73),  
2 (74), and (75) of section 1a”.

3 (3) Section 4q(a)(1) of the Commodity Ex-  
4 change Act (7 U.S.C. 6q(a)(1)) is amended by strik-  
5 ing “1a(9)” and inserting “1a(15)”.

6 (4) Section 4s of the Commodity Exchange Act  
7 (7 U.S.C. 6s) is amended—

8 (A) in subsection (f)(1)(D), by striking  
9 “1a(47)(A)(v)” and inserting “1a(73)(A)(v)”;  
10 and

11 (B) in subsection (h)(5)(A)(i), in the mat-  
12 ter preceding subclause (I), by striking “1a(18)  
13 of this Act” and inserting “1a(41)”.

14 (5) Section 4t(b)(1)(C) of the Commodity Ex-  
15 change Act (7 U.S.C. 6t(b)(1)(C)) is amended by  
16 striking “1a(47)(A)(v),” and inserting  
17 “1a(73)(A)(v),”.

18 (6) Section 5 of the Commodity Exchange Act  
19 (7 U.S.C. 7) is amended—

20 (A) in subsection (d)(23), by striking  
21 “1a(47)(A)(v)” and inserting “1a(73)(A)(v)”;  
22 and

23 (B) in subsection (e)(1), by striking  
24 “1a(9)” and inserting “1a(15)”.

1           (7) Section 5b(k)(3)(A) of the Commodity Ex-  
2       change Act (7 U.S.C. 7a-1(k)(3)(A)) is amended by  
3       striking “1a(47)(A)(v))” and inserting  
4       “1a(73)(A)(v))”.

5           (8) Section 5h(f)(10)(A)(iii) of the Commodity  
6       Exchange Act (7 U.S.C. 7b-3(f)(10)(A)(iii)) is  
7       amended by striking “1a(47)(A)(v))” and inserting  
8       “1a(73)(A)(v))”.

9           (9) Section 21(f)(4)(C) of the Commodity Ex-  
10      change Act (7 U.S.C. 24a(f)(4)(C)) is amended by  
11      striking “1a(48))” and inserting “1a(74))”.

12          (10) Section 5(e) of the Securities Act of 1933  
13      (15 U.S.C. 77e(e)) is amended by striking “section  
14      1a(18) of the Commodity Exchange Act (7 U.S.C.  
15      1a(18))” and inserting “section 1a of the Com-  
16      modity Exchange Act (7 U.S.C. 1a))”.

17          (11) Section 3C(g)(3)(A)(v) of the Securities  
18      Exchange Act of 1934 (15 U.S.C. 78c-  
19      3(g)(3)(A)(v)) is amended by striking “section  
20      1a(10) of the Commodity Exchange Act;” and in-  
21      serting “section 1a of the Commodity Exchange Act  
22      (7 U.S.C. 1a);”.

23          (12) Section 6(g)(5)(B)(i) of the Securities Ex-  
24      change Act of 1934 (15 U.S.C. 78f(g)(5)(B)(i)) is  
25      amended—

1 (A) in subclause (I), by striking “section  
2 1a(18)(B)(ii) of the Commodity Exchange Act”  
3 and inserting “subparagraph (B)(ii) of section  
4 1a(41) of the Commodity Exchange Act (7  
5 U.S.C. 1a(41))”; and

6 (B) in subclause (II), by striking “such  
7 section 1a(18))” and inserting “that section”).

8 (13) Section 15F(h)(5)(A)(i) of the Securities  
9 Exchange Act of 1934 (15 U.S.C. 78o–  
10 10(h)(5)(A)(i)) is amended, in the matter preceding  
11 subclause (I), by striking “1a(18)” and inserting  
12 “1a(41)”.

13 (14) Section 712 of the Wall Street Trans-  
14 parency and Accountability Act of 2010 (15 U.S.C.  
15 8302) is amended—

16 (A) in subsection (a)(8), by striking  
17 “1a(47)(D)” each place it appears and insert-  
18 ing “1a(73)(D)”; and

19 (B) in subsection (d)(1), by striking  
20 “1a(47)(A)(v)” each place it appears and in-  
21 serting “1a(73)(A)(v)”.

22 (15) Section 752(a) of the Dodd-Frank Wall  
23 Street Reform and Consumer Protection Act (15  
24 U.S.C. 8325(a)) is amended by striking “section  
25 1a(39) of the Commodity Exchange Act),” and in-

1       serting “section 1a of the Commodity Exchange Act  
2       (7 U.S.C. 1a)),”.

3               (16) Section 403 of the Legal Certainty for  
4       Bank Products Act of 2000 (7 U.S.C. 27a) is  
5       amended—

6               (A) in subsection (a)(2), by striking  
7               “1a(47)(A)(v)” and inserting “1a(73)(A)(v)”;  
8               and

9               (B) in each of subsections (b)(1) and  
10              (c)(2), by striking “1a(47)” and inserting  
11              “1a(73)”.

12   **SEC. 20102. DEFINITIONS UNDER THIS DIVISION.**

13       In this division—

14              (1) the terms “ancillary asset”, “ancillary asset  
15       originator”, “decentralized finance messaging sys-  
16       tem”, “decentralized finance trading protocol”, “dig-  
17       ital asset”, “digital commodity”, “digital commodity  
18       broker”, “digital commodity dealer”, “digital com-  
19       modity exchange”, and “mixed digital asset trans-  
20       action” have the meanings given those terms, re-  
21       spectively, in section 1a of the Commodity Exchange  
22       Act (7 U.S.C. 1a); and

23              (2) the terms “decentralized governance sys-  
24       tem”, “distributed ledger”, and “distributed ledger

1 service” have the meanings given those terms, re-  
2 spectively, in section 10001.

3 **SEC. 20103. RULEMAKINGS.**

4 (a) **JOINT RULEMAKING FOR EXCHANGES AND**  
5 **INTERMEDIARIES.**—The Commodity Futures Trading  
6 Commission and the Securities and Exchange Commission  
7 shall jointly issue rules to exempt persons dually registered  
8 with the Commodity Futures Trading Commission and the  
9 Securities and Exchange Commission from duplicative,  
10 conflicting, or unduly burdensome provisions of this Act,  
11 the securities laws (as defined in section 3(a) of the Secu-  
12 rities Exchange Act of 1934 (15 U.S.C. 78c(a))), and the  
13 Commodity Exchange Act (7 U.S.C. 1 et seq.), and the  
14 rules under those Acts, to the extent that the exemption  
15 would—

16 (1) foster the development of fair and orderly  
17 markets in digital assets;

18 (2) be necessary or appropriate for the protec-  
19 tion of customers; and

20 (3) be consistent with the protection of inves-  
21 tors.

22 (b) **JOINT RULEMAKING FOR MIXED DIGITAL ASSET**  
23 **TRANSACTIONS.**—The Commodity Futures Trading Com-  
24 mission and the Securities and Exchange Commission  
25 shall jointly issue rules applicable to mixed digital asset

1 transactions under this Act and the amendments made by  
2 this Act, including by further defining such term.

3 (c) JOINT RULEMAKING, PROCEDURES, OR GUID-  
4 ANCE FOR DELISTING.—Not later than 180 days after the  
5 date of enactment of this Act, the Commodity Futures  
6 Trading Commission and the Securities and Exchange  
7 Commission (referred to in this subsection as the “Com-  
8 missions”) shall jointly issue rules, procedures, or guid-  
9 ance (as determined appropriate by the Commissions) re-  
10 garding the process to delist an asset for trading under  
11 section 20104 if the Commissions determine that the list-  
12 ing is inconsistent with the Commodity Exchange Act (7  
13 U.S.C. 1 et seq.), the securities laws (as defined in section  
14 3(a) of the Securities Exchange Act of 1934 (15 U.S.C.  
15 78c(a))) (including regulations under those laws), or this  
16 Act.

17 (d) CONFLICTS OF INTEREST RULEMAKING.—

18 (1) RULEMAKING.—The Commodity Futures  
19 Trading Commission shall issue rules establishing  
20 requirements for the identification, mitigation, and  
21 resolution of material conflicts of interest among  
22 and across persons required to be registered with the  
23 Commodity Futures Trading Commission, including  
24 conflicts of interest related to market regulation  
25 functions and vertically integrated market structures

1       and their varying responsibilities, without prohib-  
2       iting affiliation or preventing multiple registrations  
3       solely because of common ownership or control.

4           (2) MINIMUM STANDARDS.—The rules issued  
5       under paragraph (1) shall, at a minimum, to the ex-  
6       tent necessary and appropriate to mitigate or resolve  
7       material conflicts of interest—

8           (A) establish governance, personnel, or fi-  
9       nancial resource separation among affiliated en-  
10      tities that perform distinct regulated functions  
11      that present conflicts of interest with each other  
12      not otherwise mitigated or resolved by other  
13      safeguards;

14          (B) impose appropriate restrictions on a  
15      trading facility or an affiliated entity thereof  
16      from engaging in self-dealing;

17          (C) require appropriate safeguards for cus-  
18      tody and use of customer assets to prevent con-  
19      flicts arising from commingling or misuse;

20          (D) mandate disclosure and management  
21      of material conflicts, including those involving  
22      affiliated entities or proprietary trading;

23          (E) ensure independent oversight and deci-  
24      sion-making in market operations and compli-  
25      ance; and

1 (F) provide for graduated penalties, includ-  
2 ing disgorgement and registration conditions,  
3 suspensions, or revocations for repeated viola-  
4 tions, in a manner consistent with sections 6b,  
5 6c, and 8a of the Commodity Exchange Act (7  
6 U.S.C. 13a, 13a–1, 12a).

7 (e) CREDIT RULEMAKING.—After the Secretary of  
8 the Treasury, the Board of Governors of the Federal Re-  
9 serve System, the Securities and Exchange Commission,  
10 and the Commodity Futures Trading Commission (re-  
11 ferred to in this subsection as the “agencies”) have sub-  
12 mitted their report on the financial stability risks arising  
13 from the extension and maintenance of credit on digital  
14 assets, including the agencies’ legislative and regulatory  
15 recommendations with respect to any reported financial  
16 stability risks posed by the extension and maintenance of  
17 credit on digital assets, to the Committee on Banking,  
18 Housing, and Urban Affairs of the Senate, the Committee  
19 on Agriculture, Nutrition, and Forestry of the Senate, the  
20 Committee on Financial Services of the House of Rep-  
21 resentatives, and the Committee of Agriculture of the  
22 House of Representatives pursuant to section 10313, the  
23 Commodity Futures Trading Commission shall prescribe  
24 rules and regulations based on the agencies’ recommenda-  
25 tions, as appropriate, to mitigate financial stability risks

1 arising from the extension and maintenance of credit on  
2 digital assets.

3 (f) ANCILLARY ASSET MANIPULATION RULE-  
4 MAKING.—

5 (1) RULEMAKING REQUIRED.—The Commodity  
6 Futures Trading Commission, in consultation with  
7 the Securities and Exchange Commission, shall pro-  
8 mulgate rules to further define manipulation, at-  
9 tempted manipulation, other deceptive or manipula-  
10 tive conduct, abusive conduct, or other unfair and  
11 deceptive practices with respect to an ancillary asset  
12 under section 6(c) of the Commodity Exchange Act  
13 (7 U.S.C. 9).

14 (2) OBLIGATIONS.—The rulemaking under  
15 paragraph (1) shall establish conduct obligations ap-  
16 plicable to ancillary asset originators and persons ex-  
17 ercising control or substantial influence over ancil-  
18 lary assets, such as prohibitions on trading while in  
19 possession of material non-public information and on  
20 conflicted or self-dealing conduct.

21 (3) CONSIDERATION OF ORIGINATOR CON-  
22 DUCT.—In promulgating rules under paragraph (1),  
23 the Commodity Futures Trading Commission shall  
24 address the extent to which conduct by an ancillary  
25 asset originator or any related person may con-

1       tribute to such conduct identified under paragraph  
2       (2).

3       (g) RULEMAKING ON DISQUALIFICATIONS.—

4           (1) NO AUTOMATIC EFFECT.—No provision of  
5       any statute, rule, or regulation described in para-  
6       graph (3) that provides, upon the occurrence of a  
7       specified event, for the automatic disqualification  
8       from, or ineligibility for, any registration, right, or  
9       privilege, service in any capacity, or membership in  
10      a self-regulatory organization (referred to in this  
11      subsection as a “disqualifying provision”) shall have  
12      effect with respect to any person (other than a nat-  
13      ural person) unless the Federal agency or self-regu-  
14      latory organization responsible for administering  
15      such disqualifying provision (referred to in this sub-  
16      section as a “regulatory authority”) makes a deter-  
17      mination to apply the disqualifying provision with  
18      respect to the particular matter in accordance with  
19      the process established under paragraph (2).

20      (2) JOINT AGENCY RULEMAKING.—

21           (A) IN GENERAL.—Not later than 360  
22      days after the date of enactment of this Act,  
23      the Commodity Futures Trading Commission  
24      and the Securities and Exchange Commission  
25      shall jointly issue rules or regulations regarding

1 the disqualifying provisions to establish a proc-  
2 ess for each regulatory authority to determine,  
3 prior to the disposition of any applicable mat-  
4 ter, whether to apply the relevant disqualifying  
5 provision.

6 (B) REQUIREMENTS.—The rules or regula-  
7 tions issued under subparagraph (A) shall—

8 (i) provide for consistency across reg-  
9 ulatory authorities in the administration of  
10 disqualifying provisions;

11 (ii) require the party subject to a dis-  
12 qualifying provision to provide to the rel-  
13 evant regulatory authority written notice  
14 that the party is subject to the disquali-  
15 fying provision not later than 30 calendar  
16 days after the occurrence of the event  
17 specified in the disqualifying provision;

18 (iii) provide for a nonpublic process,  
19 as appropriate to protect confidentiality, in  
20 cases in which a regulatory action that  
21 would trigger a disqualifying provision has  
22 not yet been made public;

23 (iv) provide that an event may not re-  
24 sult in the application of a disqualifying  
25 provision to a person (other than a natural

1 person) unless that application, in whole or  
2 in part, to that person is necessary and ap-  
3 propriate in the public interest and for the  
4 protection of investors;

5 (v) take into consideration applicable  
6 mitigating factors;

7 (vi) provide that a disqualifying provi-  
8 sion may be determined to apply only if  
9 the event triggering the disqualifying pro-  
10 vision occurred in the same legal entity  
11 that would become subject to the applica-  
12 tion of the disqualifying provision and re-  
13 lates to the conduct of the business line  
14 that is directly affected by the disquali-  
15 fying provision; and

16 (vii) balance the scope of the rules or  
17 regulations with ensuring adequate inves-  
18 tor protections and safeguards.

19 (3) PROVISIONS DESCRIBED.—The provisions  
20 referred to in paragraph (1) are—

21 (A) the Commodity Exchange Act (7  
22 U.S.C. 1 et seq.);

23 (B) the Securities Act of 1933 (15 U.S.C.  
24 77a et seq.);

1 (C) the Securities Exchange Act of 1934  
2 (15 U.S.C. 78a et seq.);

3 (D) the Investment Company Act of 1940  
4 (15 U.S.C. 80a–1 et seq.);

5 (E) the Investment Advisers Act of 1940  
6 (15 U.S.C. 80b–1 et seq.);

7 (F) any rule or regulation issued under  
8 any provision of law described in subparagraphs  
9 (A) through (E); and

10 (G) any rule of a self-regulatory organiza-  
11 tion issued under the authority of a provision,  
12 rule, or regulation described in subparagraphs  
13 (A) through (F).

14 (h) RULEMAKING FOR DUAL-REGISTERED ENTI-  
15 TIES.—

16 (1) CONFLICTS OF INTEREST POLICIES AND  
17 PROCEDURES.—Each person or entity dual-reg-  
18 istered with the Commodity Futures Trading Com-  
19 mission as permitted under section 15(p) of the Se-  
20 curities Exchange Act of 1934, as added by this Act,  
21 shall establish, maintain, and, as applicable, enforce  
22 and comply with written policies and procedures rea-  
23 sonably designed to mitigate any conflicts of inter-  
24 est, including with respect to transactions or ar-  
25 rangements with affiliates registered with the Secu-

1       rities and Exchange Commission, taking into consid-  
2       eration the nature of the business of such person or  
3       entity.

4           (2) EXEMPTION FROM DUPLICATIVE, CON-  
5       FLICTING, OR UNDULY BURDENSOME PROVISIONS.—  
6       The Securities and Exchange Commission shall pre-  
7       scribe rules for a person or entity with multiple reg-  
8       istrations, where at least one such registration in-  
9       cludes any dual registration permitted under section  
10      15(p) of the Securities Exchange Act of 1934, as  
11      added by this Act, to exempt the person or entity  
12      from duplicative, conflicting, or unduly burdensome  
13      provisions of the Securities Exchange Act of 1934  
14      and rules thereunder, to the extent such an exemp-  
15      tion would protect investors, maintain fair, orderly,  
16      and efficient markets, and facilitate capital forma-  
17      tion.

18           (3) IMPLEMENTING ORGANIZATIONS.—The Se-  
19      curities and Exchange Commission shall require any  
20      registered national securities association that has as  
21      a member a registered broker or registered dealer  
22      that is registered with the Commodity Futures  
23      Trading Commission as a digital commodity broker  
24      or digital commodity dealer as permitted under sec-  
25      tion 15(p)(1) of the Securities Exchange Act of

1       1934, as added by this Act, or otherwise transacts  
2       in permitted payment stablecoins to revise such rules  
3       as may be necessary to further the purposes of and  
4       compliance with this section.

5           (4) MEMORANDUM OF UNDERSTANDING.—The  
6       Securities and Exchange Commission shall enter  
7       into a memorandum of understanding with the Com-  
8       modity Futures Trading Commission to ensure—

9           (A) non-duplicative supervision and en-  
10       forcement with respect to registrants of the Se-  
11       curities and Exchange Commission dual-reg-  
12       istered with the Commodity Futures Trading  
13       Commission as permitted under section 15(p) of  
14       the Securities Exchange Act of 1934, as added  
15       by this Act; and

16           (B) appropriate information sharing be-  
17       tween the Commissions to further the purposes  
18       of and compliance with this section, the Securi-  
19       ties Exchange Act of 1934, and the Commodity  
20       Exchange Act.

21           (5) RULE OF CONSTRUCTION.—Nothing in this  
22       section shall be construed to limit the anti-fraud,  
23       anti-manipulation, or false reporting enforcement  
24       authorities of the Commodity Futures Trading Com-

1 mission with respect to a contract of sale of a com-  
2 modity and persons effecting such contracts.

3 **SEC. 20104. NOTICE OF INTENT TO REGISTER FOR DIGITAL**  
4 **COMMODITY EXCHANGES, BROKERS, AND**  
5 **DEALERS.**

6 (a) IN GENERAL.—

7 (1) NOTICE OF INTENT TO REGISTER.—Any  
8 person may file a notice of intent to register with  
9 the Commodity Futures Trading Commission (re-  
10 ferred to in this section as the “Commission”) as  
11 a—

12 (A) digital commodity exchange, for a per-  
13 son intending to register as a digital commodity  
14 exchange under section 5i of the Commodity  
15 Exchange Act;

16 (B) digital commodity broker, for a person  
17 intending to register as a digital commodity  
18 broker under section 4u of that Act; or

19 (C) digital commodity dealer, for a person  
20 intending to register as a digital commodity  
21 dealer under section 4u of that Act.

22 (2) CONDITIONS.—A person filing a notice of  
23 intent to register under paragraph (1) shall be in  
24 compliance with this section if the person—

1 (A) submits to the Commission and con-  
2 tinues to materially update a statement of the  
3 nature of the registrations the filer intends to  
4 pursue;

5 (B) submits to the Commission and con-  
6 tinues to materially update the information re-  
7 quired by subsections (b) and (c);

8 (C) complies with subsections (d) and (g);

9 (D) in the case of a person filing a notice  
10 of intent to register as a digital commodity  
11 broker or digital commodity dealer, is a member  
12 of a futures association registered under section  
13 17 of the Commodity Exchange Act (7 U.S.C.  
14 21), and complies with the rules of the associa-  
15 tion, including the rules of the association per-  
16 taining to conflicts of interest, customer disclo-  
17 sures, financial responsibility, operational resil-  
18 ience, cybersecurity, and protection of customer  
19 assets;

20 (E) in the case of a person filing a notice  
21 of intent to register as a digital commodity ex-  
22 change that does not also file a notice of intent  
23 to register as a digital commodity broker, limits  
24 direct transactions on the exchange to trans-  
25 actions taking place among digital commodity

1           brokers (acting as agent) and digital commodity  
2           dealers and eligible contract participants (act-  
3           ing as principal);

4                   (F) in the case of a person filing a notice  
5           of intent to register as a digital commodity ex-  
6           change that also files a notice of intent to reg-  
7           ister as a digital commodity broker, intermedi-  
8           ates in its capacity as a digital commodity  
9           broker all transactions on the exchange not oth-  
10          erwise taking place among digital commodity  
11          brokers (acting as agent) and digital commodity  
12          dealers and eligible contract participants (act-  
13          ing as principal);

14                   (G) submits to examination and super-  
15          vision by the Commission and, in the case of a  
16          person filing a notice of intent to register as a  
17          digital commodity broker or digital commodity  
18          dealer, any registered futures association des-  
19          ignated by the Commission; and

20                   (H) biannually certifies compliance with all  
21          requirements applicable under this section.

22           (3) REGISTRATION PROCESS.—Within 30 days  
23          after the date of enactment of this Act, the Commis-  
24          sion shall adopt, by rule, regulation, or order, a

1 process for the filing of notices of intent to register  
2 pursuant to paragraph (1)

3 (b) DISCLOSURE OF GENERAL INFORMATION.—A  
4 person filing a notice of intent to register under subsection  
5 (a) shall disclose to the Commission the following:

6 (1) Information concerning the management of  
7 the person, including information describing—

8 (A) the ownership and management of the  
9 person;

10 (B) the financial condition of the person;

11 (C) affiliated entities;

12 (D) potential conflicts of interest;

13 (E) the address of the person, including—

14 (i) the place of incorporation;

15 (ii) principal place of business; and

16 (iii) an address for service of process;

17 and

18 (F) a list of the States in which the person  
19 has operations.

20 (2) Information concerning the operations of  
21 the person, including—

22 (A) a general description of the person's  
23 business and the terms of service for United  
24 States customers;

1 (B) a description of the person's account  
2 approval process;

3 (C) any rulebook or other customer order  
4 fulfilment rules;

5 (D) risk management procedures;

6 (E) a description of the product listing  
7 process; and

8 (F) anti-money laundering policies and  
9 procedures.

10 (c) LISTINGS.—

11 (1) IN GENERAL.—Except as provided in para-  
12 graph (2), a person filing a notice of intent to reg-  
13 ister under subsection (a) may continue to offer, so-  
14 licit, trade, facilitate, execute, clear, report, or other-  
15 wise deal in any digital asset offered on or through  
16 the facilities of the person before filing a notice  
17 under this section, until the date that is 180 days  
18 after the effective date of the final rules of the Com-  
19 mission for the registration of digital commodity ex-  
20 changes, digital commodity brokers, or digital com-  
21 modity dealers, as appropriate, subject to the condi-  
22 tions that—

23 (A) in the case of a digital commodity ex-  
24 change, the person shall comply with subpara-  
25 graphs (A) and (C) of section 5i(c)(3) of the

1 Commodity Exchange Act as though the person  
2 was registered with the Commission; and

3 (B) in the case of a digital commodity  
4 broker or digital commodity dealer, the person  
5 shall comply with section 4u(d) of the Com-  
6 modity Exchange Act as though the person was  
7 registered with the Commission.

8 (2) DELISTING.—A person filing a notice of in-  
9 tent to register under subsection (a) shall cease of-  
10 fering, soliciting, trading, facilitating, executing,  
11 clearing, reporting, or otherwise dealing in any dig-  
12 ital asset required to be delisted pursuant to a joint  
13 delisting process established under section 20103(c).

14 (d) REQUIREMENTS.—A person filing a notice of in-  
15 tent to register under subsection (a) shall comply with the  
16 following requirements:

17 (1) STATUTORY DISQUALIFICATIONS.—Except  
18 to the extent otherwise specifically provided by Com-  
19 mission or registered futures association rule, regu-  
20 lation, or order, the person shall not permit an indi-  
21 vidual who is subject to a statutory disqualification  
22 under paragraph (2) or (3) of section 8a of the  
23 Commodity Exchange Act (7 U.S.C. 12a) to effect  
24 or be involved in effecting transactions on behalf of  
25 the person, if the person knew, or in the exercise of

1       reasonable care should have known, of the statutory  
2       disqualification.

3           (2) BOOKS AND RECORDS.—The person shall  
4       keep their books and records open to inspection and  
5       examination by the Commission and by any reg-  
6       istered futures association of which the person is a  
7       member.

8           (3) CUSTOMER DISCLOSURES.—The person  
9       shall disclose to customers—

10           (A) if the person has filed a notice of reg-  
11       istration as is a digital commodity broker or  
12       digital commodity dealer, information about—

13               (i) the material risks and characteris-  
14       tics of the assets listed for trading on the  
15       person;

16               (ii) the material risks and characteris-  
17       tics of the transactions facilitated by the  
18       person; and

19               (iii) the location and manner in which  
20       the digital assets of the customer will be  
21       and are custodied; and

22           (B) any material incentives or conflicts of  
23       interest that person is unable to resolve; and

24           (C) in their disclosure documents, offering  
25       documents, and promotional material—

1 (i) in a prominent manner, that they  
2 are not registered with or regulated by the  
3 Commission; and

4 (ii) the contact information for the  
5 whistleblower, complaint, and reparation  
6 programs of the Commission.

7 (4) COMMUNICATIONS.—The person shall com-  
8 municate in a fair and balanced manner based on  
9 principles of fair dealing and good faith.

10 (5) FINANCIAL RESPONSIBILITY.—

11 (A) DIGITAL COMMODITY EXCHANGES.—A  
12 person filing a notice of intent to register as a  
13 digital commodity exchange shall comply with  
14 section 5i(c)(11)(B) of the Commodity Ex-  
15 change Act as though it was registered with the  
16 Commission as a digital commodity exchange.

17 (B) DIGITAL COMMODITY BROKERS AND  
18 DIGITAL COMMODITY DEALERS.—A person fil-  
19 ing a notice of intent to register as a digital  
20 commodity broker or a digital commodity dealer  
21 shall comply with financial responsibility re-  
22 quirements established by a registered futures  
23 association that are consistent with the require-  
24 ments applicable to a futures commission mer-  
25 chant or swap dealer.

1           (6) OPERATIONAL RESILIENCE AND CYBERSE-  
2           CURITY.—

3           (A) DIGITAL COMMODITY EXCHANGES.—A  
4           person filing a notice of intent to register as a  
5           digital commodity exchange shall comply with  
6           section 5i(c)(14) of the Commodity Exchange  
7           Act as though it was registered with the Com-  
8           mission.

9           (B) DIGITAL COMMODITY BROKERS AND  
10          DIGITAL COMMODITY DEALERS.—A person fil-  
11          ing a notice of intent to register as a digital  
12          commodity broker or a digital commodity dealer  
13          shall comply with operational resilience and cy-  
14          bersecurity requirements established by a reg-  
15          istered futures association that are consistent  
16          with the requirements applicable to a futures  
17          commission merchant or swap dealer.

18          (7) CUSTOMER ASSETS.—

19               (A) IN GENERAL.—The person shall—

20                   (i) protect and ensure the safety of  
21                   the customer money, assets, and property,  
22                   including to minimize the risk of loss to  
23                   the customer or unreasonable delay in cus-  
24                   tomer access to money, assets, and prop-  
25                   erty of the customer;

(ii) treat and deal with all money, as-  
sets, and property, including any rights as-  
sociated with any such money, assets, or  
property, of any customer received as be-  
longing to the customer;

6 (iii) calculate the total digital asset  
7 obligations of the person, and at all times  
8 hold money, assets, or property equal to or  
9 in excess of the total digital asset obliga-  
10 tions;

(iv) not commingle such money, assets, and property held to meet the total commodity obligation with the funds of the person or use the money, assets, or property to margin, secure, or guarantee any trade or contract, or to secure or extend the credit, of any customer or person other than the one for whom the same are held, except that—

(I) the money, assets, and property of any customer may be commingled with that of any other customer, if separately accounted for; and

24 (II) the share of the money, as-  
25 sets, and property, as in the normal

1 course of business are necessary to  
2 margin, guarantee, secure, transfer,  
3 adjust, or settle a contract of sale of  
4 a commodity asset, may be withdrawn  
5 and applied to do so, including the  
6 payment of commissions, brokerage,  
7 interest, taxes, storage, and other  
8 charges lawfully accruing in connec-  
9 tion with the contract of sale of a dig-  
10 ital commodity;

11 (v) establish, maintain, and enforce  
12 written policies and procedures reasonably  
13 designed to ensure the segregation, safe-  
14 guarding, and prompt return of customer  
15 assets; and

16 (vi) submit such reports regarding  
17 customer assets, financial condition, and  
18 compliance as the Commission or reg-  
19 istered futures association may require.

20 (B) ADDITIONAL RESOURCES.—

21 (i) IN GENERAL.—This section shall  
22 not prevent or be construed to prevent the  
23 person from adding to the customer  
24 money, assets, and property required to be  
25 segregated under subparagraph (A) addi-

1            tional amounts of money, assets, or prop-  
2            erty from the account of the person as the  
3            person determines necessary to hold  
4            money, assets, or property equal to or in  
5            excess of the total digital asset obligations  
6            of the person.

7            (ii) TREATMENT AS CUSTOMER  
8            FUNDS.—Any money, assets, or property  
9            deposited pursuant to clause (i) shall be  
10           considered customer property within the  
11           meaning of this subsection.

12           (C) PARTICIPATION IN DISTRIBUTED  
13           LEDGER SERVICES.—

14           (i) USE OF FUNDS.—A person filing a  
15           notice of intent to register under sub-  
16           section (a) (or a designee of such person)  
17           may use a unit of a digital commodity be-  
18           longing to a customer to provide a distrib-  
19           uted ledger service for a distributed ledger  
20           system to which the unit of the digital  
21           commodity relates if, for each use—

22           (I) the customer expressly per-  
23           mits the use, in writing, to the person;  
24           and

1 (II) the person complies with  
2 clause (ii).

3 (ii) CUSTOMER CHOICE.—The person  
4 may not—

5 (I) require a customer to provide  
6 the permission referred to in clause (i)  
7 as a condition of doing business with  
8 the person; or

9 (II) penalize a customer for not  
10 providing the permission referred to  
11 in clause (i).

12 (e) PAYMENT OF FEES.—A person who has filed a  
13 notice of intent to register under subsection (a) shall pay  
14 all fees required under section 8e of the Commodity Ex-  
15 change Act.

16 (f) COMPLIANCE.—

17 (1) IN GENERAL.—Beginning on the date that  
18 is 90 days after adoption of the rules described in  
19 subsection (g), a person who has filed a notice of in-  
20 tent to register under subsection (a) and is in com-  
21 pliance with this section shall be considered to be  
22 registered with the Commission for purposes of sec-  
23 tions 5i(k) and 4u(m) of the Commodity Exchange  
24 Act.

1           (2) NONCOMPLIANCE.—Paragraph (1) shall not  
2       apply if, after notice from the Commission and a  
3       reasonable opportunity to correct the deficiency, a  
4       person who has submitted a notice of intent to reg-  
5       ister is not in compliance with this section.

6           (3) ANTI-FRAUD AND ANTI-MANIPULATION.—  
7       Paragraph (1) shall not be construed to limit any  
8       anti-fraud, anti-manipulation, or false reporting en-  
9       forcement authority of the Commission, the Securi-  
10      ties and Exchange Commission, a registered futures  
11      association, or a national securities association.

12          (4) DELISTING.—Paragraph (1) shall not be  
13      construed to limit the authority of the Commission  
14      and the Securities and Exchange Commission to  
15      jointly require a person to delist an asset for trading  
16      if the Commission and the Securities and Exchange  
17      Commission determines that the listing is incon-  
18      sistent with the Commodity Exchange Act (7 U.S.C.  
19      1 et seq.), the securities laws (including regulations  
20      under those laws), or this Act.

21          (5) STATE ENFORCEMENT BACKSTOP.—A State  
22      official authorized to bring a suit in equity or an ac-  
23      tion at law pursuant to section 6d of the Commodity  
24      Exchange Act (7 U.S.C. 13a–2) shall equally be au-  
25      thorized to investigate and bring a suit or action,

1 consistent with that section, regarding any violation  
2 of this section or any rule, regulation, or order  
3 issued under this section.

4 (6) PROVISIONAL REGISTRATION SUNSET.—

5 (A) IN GENERAL.—Notwithstanding sec-  
6 tions 5i(k) and 4u(m) of the Commodity Ex-  
7 change Act, a State or local agency may adopt  
8 and enforce rules regarding—

9 (i) registration or licensing of digital  
10 commodity exchanges, digital commodity  
11 brokers, and digital commodity dealers, if  
12 the Commission has not adopted rules pur-  
13 suant to sections 5i(a)(1)(B)(ii) and  
14 4u(b)(2) of the Commodity Exchange Act  
15 by the provisional registration sunset date;

16 (ii) listing of digital assets by a digital  
17 commodity exchange, if the Commission  
18 has not adopted rules pursuant to section  
19 5i(c)(3) by the provisional registration sun-  
20 set date;

21 (iii) customer disclosures and commu-  
22 nications, if the Commission has not  
23 adopted rules pursuant to sections 5i(d)  
24 and 4u(i)(2) of the Commodity Exchange

1 Act by the provisional registration sunset  
2 date;

3 (iv) financial resources or capital, if  
4 the Commission has not adopted rules pur-  
5 suant to sections 5i(c)(11)(A) and 4u(c) of  
6 the Commodity Exchange Act by the provi-  
7 sional registration sunset date;

8 (v) operational resilience or cybersecu-  
9 rity, if the Commission has not adopted  
10 rules pursuant to sections 5i(c)(14) and  
11 4u(i)(1)(B) of the Commodity Exchange  
12 Act by the provisional registration sunset  
13 date; or

14 (vi) segregation of customer property,  
15 if the Commission has not adopted rules  
16 pursuant to sections 5i(f) and 4u(l) of the  
17 Commodity Exchange Act by the provi-  
18 sional registration sunset date.

19 (B) DEFINITION OF PROVISIONAL REG-  
20 ISTRATION SUNSET DATE.—In this paragraph,  
21 the term “provisional registration sunset date”  
22 means the date that is 2 years after the date  
23 of enactment of this Act, unless the Commis-  
24 sion determines by order that extraordinary cir-

1           cumstances warrant a single extension not to  
2           exceed 1 additional year.

3           (g) REGISTRATION.—

4           (1) IN GENERAL.—A person may not file a no-  
5           tice of intent to register under subsection (a) after  
6           the Commission has finalized the rules of the Com-  
7           mission for the registration of digital commodity ex-  
8           changes, digital commodity brokers, or digital com-  
9           modity dealers, as appropriate.

10          (2) TRANSITION TO REGISTRATION.—Sub-  
11          section (f)(1) shall not apply to a person who has  
12          submitted a notice of intent to register under sub-  
13          section (a) if—

14                (A) the Commission—

15                   (i) determines, after notice from the  
16                   Commission and a reasonable opportunity  
17                   for a hearing and to correct the deficiency,  
18                   that the person has failed to comply with  
19                   the requirements of this section; or

20                   (ii) denies the application of the per-  
21                   son to register; or

22                (B) the digital commodity exchange, digital  
23                commodity broker, or digital commodity dealer  
24                that filed a notice of intent to register failed to  
25                apply for registration as such with the Commis-

1           sion within 180 days after the effective date of  
2           the final rules of the Commission for the reg-  
3           istration of digital commodity exchanges, digital  
4           commodity brokers, or digital commodity deal-  
5           ers, as appropriate.

6       (h) RULEMAKING.—

7           (1) IN GENERAL.—Not later than 180 days  
8           after the date of enactment of this Act, a registered  
9           futures association shall adopt and enforce rules ap-  
10          plicable to persons required by subsection (a)(2) to  
11          be members of the association, including rules per-  
12          taining to conflicts of interest, customer disclosures,  
13          financial responsibility, operational resilience, cyber-  
14          security, and protection of customer assets, subject  
15          to the condition that, in the case of a person that  
16          has filed a notice of intent to register as a digital  
17          commodity exchange in addition to a digital com-  
18          modity broker or digital commodity dealer, the au-  
19          thority of the registered futures association shall not  
20          extend to the business and obligations of the person  
21          as a digital commodity exchange.

22          (2) FEES.—The rules adopted under paragraph  
23          (1) may provide for dues in accordance with section  
24          17(b)(6) of the Commodity Exchange Act (7 U.S.C.  
25          21(b)(6)).

1           (3) EFFECT.—A registered futures association  
2       shall submit to the Commission any rule adopted  
3       under paragraph (1), which shall take effect pursu-  
4       ant to the requirements of section 17(j) of the Com-  
5       modity Exchange Act (7 U.S.C. 21(j)).

6       (i) LIABILITY OF THE FILER.—It shall be unlawful  
7       for any person to provide false information in support of  
8       a filing under this section if the person knew or reasonably  
9       should have known that the information was false.

10       (j) WHISTLEBLOWER ENFORCEMENT.—For purposes  
11       of section 23 of the Commodity Exchange Act (7 U.S.C.  
12       26), the term “this Act” includes this section.

13       (k) EFFECTIVE DATE.—Notwithstanding section  
14       30101, this section and any amendment made by this sec-  
15       tion, or any provision of the Commodity Exchange Act in-  
16       corporated by reference into this section, shall take effect  
17       on the date of enactment of this Act.

18       (l) NO LIMIT OF AUTHORITY.—Nothing in this sec-  
19       tion, or any rule or regulation promulgated under this sec-  
20       tion, may be construed to limit the authority of the Com-  
21       modity Futures Trading Commission to grant exemptions  
22       pursuant to section 4(c) of the Commodity Exchange Act  
23       (7 U.S.C. 6(c)).

24       (m) EXEMPTIVE AUTHORITY.—In order to promote  
25       responsible innovation and fair competition, or protect

1 customers, the Commission may exempt any persons or  
2 class of persons who have filed a notice of registration pur-  
3 suant to subsection (a) from any of the requirements of  
4 this section or the Commodity Exchange Act (7 U.S.C.  
5 1 et seq.) or any rules or regulations promulgated under  
6 this section or that Act, as applicable.

7 **SEC. 20105. COMMODITY EXCHANGE ACT SAVINGS PROVI-**  
8 **SIONS.**

9 (a) IN GENERAL.—Except as expressly provided in  
10 this Act or an amendment made by this Act, nothing in  
11 this Act or any amendment made by this Act shall affect  
12 or apply to, or be interpreted to affect or apply to—

13 (1) any agreement, contract, or transaction that  
14 is subject to the Commodity Exchange Act (7 U.S.C.  
15 1a et seq.) as—

16 (A) a contract of sale of a commodity for  
17 future delivery or an option on such a contract  
18 (as those terms are defined in section 1a of the  
19 Commodity Exchange Act (7 U.S.C. 1a));

20 (B) a swap (as defined in that section);

21 (C) a security futures product (as defined  
22 in that section);

23 (D) an option authorized under section 4c  
24 of that Act (7 U.S.C. 6c);

1 (E) an agreement, contract, or transaction  
2 described in section 2(c)(2)(C)(i) of that Act (7  
3 U.S.C. 2(c)(2)(C)(i)); or

4 (F) a leverage transaction authorized  
5 under section 19 of that Act (7 U.S.C. 23); or

6 (2) the activities of any person with respect to  
7 any agreement, contract, or transaction described in  
8 paragraph (1).

9 (b) PROHIBITIONS ON SPOT DIGITAL COMMODITY  
10 ENTITIES.—Nothing in this Act authorizes, or shall be in-  
11 terpreted to authorize, a digital commodity exchange, dig-  
12 ital commodity broker, or digital commodity dealer to en-  
13 gage in any activities involving any transaction, contract,  
14 or agreement described in subsection (a)(1), solely by vir-  
15 tue of being registered as a digital commodity exchange,  
16 digital commodity broker, or digital commodity dealer.

17 (c) EFFECT.—An agreement, contract, or transaction  
18 described in subsection (a)(1) shall not be regulated as  
19 a digital commodity agreement, contract, or transaction  
20 solely because it is issued, recorded, represented, or trans-  
21 ferred on a distributed ledger or other similar technology.

22 **SEC. 20106. ADMINISTRATIVE REQUIREMENTS.**

23 Section 4c(a) of the Commodity Exchange Act (7  
24 U.S.C. 6c(a)) is amended—

25 (1) in paragraph (3)—

1 (A) in subparagraph (B), by striking “or”  
2 at the end;

3 (B) in subparagraph (C), by striking the  
4 period and inserting “; or”; and

5 (C) by adding at the end the following:

6 “(D) a contract of sale of a digital com-  
7 modity.”; and

8 (2) in paragraph (4)—

9 (A) in subparagraph (A)—

10 (i) in clause (ii), by striking “or” at  
11 the end;

12 (ii) in clause (iii), by striking the pe-  
13 riod and inserting “; or”; and

14 (iii) by adding at the end the fol-  
15 lowing:

16 “(iv) a contract of sale of a digital  
17 commodity.”;

18 (B) in subparagraph (B)—

19 (i) in clause (ii), by striking “or” at  
20 the end;

21 (ii) in clause (iii), by striking the pe-  
22 riod and inserting “; or”; and

23 (iii) by adding at the end the fol-  
24 lowing:

1 “(iv) a contract of sale of a digital  
2 commodity.”; and

3 (C) in subparagraph (C)—

4 (i) by redesignating clauses (i)  
5 through (iii) as subclauses (I) through  
6 (III), respectively, and indenting appro-  
7 priately;

8 (ii) in the matter preceding subclause  
9 (I) (as so redesignated), by striking “It  
10 shall” and inserting the following:

11 “(i) IN GENERAL.—It shall”;

12 (iii) in clause (i) (as so designated)—

13 (I) in subclause (II), by striking  
14 “or” at the end; and

15 (II) in subclause (III), by strik-  
16 ing “a swap, provided, however, that  
17 nothing” and inserting the following:

18 “a swap; or

19 “(IV) a contract of sale of a dig-  
20 ital commodity.

21 “(ii) EFFECT.—Nothing”; and

22 (iv) in clause (ii) (as so designated),  
23 by striking “clauses (i), (ii), or (iii)” and  
24 inserting “any of subclauses (I) through  
25 (IV) of clause (i)”.

1   **SEC. 20107. IMPLEMENTATION.**

2           (a) GLOBAL RULEMAKING TIMEFRAME.—Unless oth-  
3   erwise provided in this division or an amendment made  
4   by this division, the Commodity Futures Trading Commis-  
5   sion and the Securities and Exchange Commission, or  
6   both, shall individually, and jointly where required, pro-  
7   mulgate rules and regulations required of each Commis-  
8   sion under this division or an amendment made by this  
9   division not later than 360 days after the date of enact-  
10   ment of this Act.

11          (b) RULES AND REGISTRATION BEFORE FINAL EF-  
12   FECTIVE DATES.—

13           (1) IN GENERAL.—In order to prepare for the  
14   implementation of this division and the amendments  
15   made by this division, the Commodity Futures Trad-  
16   ing Commission and the Securities and Exchange  
17   Commission may, before any effective date provided  
18   in this division or an amendment made by this divi-  
19   sion—

20           (A) promulgate rules, regulations, or or-  
21   ders permitted or required by this division or  
22   the amendments made by this division;

23           (B) conduct studies and prepare reports  
24   and recommendations required by this division  
25   or the amendments made by this division;

1 (C) register persons under this division or  
2 the amendments made by this division; and

3 (D) exempt persons, agreements, contracts,  
4 or transactions from provisions of this division  
5 or the amendments made by this division, in ac-  
6 cordance with this division or those amend-  
7 ments.

8 (2) LIMITATION ON EFFECTIVENESS.—An ac-  
9 tion by the Commodity Futures Trading Commission  
10 or the Securities and Exchange Commission under  
11 paragraph (1) shall not become effective before the  
12 effective date otherwise applicable to the action  
13 under this division or the amendments made by this  
14 division.

15 (c) SENSE OF CONGRESS.—It is the sense of Con-  
16 gress that prior to implementation of this division, the  
17 Commodity Futures Trading Commission—

18 (1) be fully constituted as described in section  
19 2(a)(2) of the Commodity Exchange Act (7 U.S.C.  
20 2(a)(2)) to carry out all existing responsibilities and  
21 those directed by this division, with not fewer than  
22 2 of the Commissioners nominated, prior to such ap-  
23 pointments, following consultation and coordination  
24 with the ranking minority member of the Committee

1 on Agriculture, Nutrition, and Forestry of the Sen-  
2 ate; and

3 (2) be appropriately staffed to ensure sufficient  
4 regulatory capacity, expertise, and enforcement read-  
5 iness necessary to implement this division and the  
6 amendments made by this division.

7 **SEC. 20108. SENSE OF CONGRESS.**

8 It is the sense of Congress that nothing in this divi-  
9 sion or any amendment made by this division should be  
10 interpreted to authorize any entity to regulate any com-  
11 modity, other than a digital commodity, on any spot mar-  
12 ket.

13 **SEC. 20109. FEDERAL PREEMPTION.**

14 (a) IN GENERAL.—Notwithstanding any other provi-  
15 sion of law, the Commodity Futures Trading Commission  
16 shall have exclusive jurisdiction over any person registered  
17 under this division with respect to activities and trans-  
18 actions subject to this division.

19 (b) PRESERVATION OF AUTHORITY.—Nothing in this  
20 Act or the amendments made by this Act shall affect the  
21 ability of a State or local agency to investigate and bring  
22 enforcement actions—

23 (1) against a person registered with the Com-  
24 modity Futures Trading Commission regarding  
25 fraud, deceit, manipulation, or any other violation of

1 the Commodity Exchange Act (7 U.S.C. 1 et seq.)  
2 or any rule, regulation, or order of the Commodity  
3 Futures Trading Commission under that Act, in ac-  
4 cordance with section 6d of that Act (7 U.S.C. 13a-  
5 2); or

6 (2) against any unregistered person for a viola-  
7 tion of any generally applicable State or local law,  
8 including a law relating to fraud, deceit, unfair or  
9 deceptive acts or practices, consumer protection,  
10 banking, payments, property, contracts, criminal  
11 law, or unlawful conduct or practices.

12 **TITLE XII—REGISTRATION FOR**  
13 **DIGITAL COMMODITY INTER-**  
14 **MEDIARIES AT THE COM-**  
15 **MODITY FUTURES TRADING**  
16 **COMMISSION**

17 **SEC. 20201. COMMISSION JURISDICTION OVER DIGITAL**  
18 **COMMODITY TRANSACTIONS.**

19 (a) SAVINGS CLAUSE.—Section 2(a)(1) of the Com-  
20 modity Exchange Act (7 U.S.C. 2(a)(1)) is amended by  
21 adding at the end the following:

22 “(J)(i) Except as expressly provided in this  
23 Act, nothing in the Digital Commodity Inter-  
24 mediaries Act or any amendment made by that

1 Act shall affect or apply to, or be interpreted to  
2 affect or apply to—

3 “(I) any agreement, contract, or  
4 transaction that is subject to this Act as—

5 “(aa) a contract of sale of a com-  
6 modity for future delivery or an op-  
7 tion on such a contract;

8 “(bb) a swap;

9 “(cc) a security futures product;

10 “(dd) an option authorized under  
11 section 4e;

12 “(ee) an agreement, contract, or  
13 transaction described in subparagraph  
14 (C)(i) or (D)(i) of subsection (c)(2);

15 or

16 “(ff) a leverage transaction au-  
17 thorized under section 19; or

18 “(II) the activities of any person with  
19 respect to any such agreement, contract, or  
20 transaction.

21 “(ii) An agreement, contract, or trans-  
22 action described in clause (i)(I) shall not be  
23 regulated as a digital commodity agreement,  
24 contract, or transaction solely because it is  
25 issued, recorded, represented, or transferred on

1           a distributed ledger or other similar tech-  
2           nology.”.

3           (b) LIMITATION ON AUTHORITY OVER PERMITTED  
4 PAYMENT STABLECOINS.—Section 2(c)(1) of the Com-  
5 modity Exchange Act (7 U.S.C. 2(c)(1)) is amended—

6           (1) in the matter preceding subparagraph (A),  
7           by striking “section, 5b, or” and inserting “section  
8           5b or”;

9           (2) in subparagraph (F), by striking “or” at  
10          the end;

11          (3) in subparagraph (G), by striking the period  
12          and inserting “; or”; and

13          (4) by adding at the end the following:

14               “(H) a payment stablecoin (as defined in  
15               section 2 of the GENIUS Act (Public Law  
16               119–27; 139 Stat. 419)) that is issued by a  
17               permitted payment stablecoin issuer (as defined  
18               in that section) (referred to in this subsection  
19               as a ‘permitted payment stablecoin’).”.

20          (c) COMMISSION JURISDICTION OVER FINANCING  
21 AGREEMENTS.—Section 2(c)(2) of the Commodity Ex-  
22 change Act (7 U.S.C. 2(c)(2)) is amended—

23          (1) in subparagraph (D)—

24               (A) in clause (ii)—

1 (i) in subclause (I), by inserting after  
2 “paragraph (1)” the following: “(other  
3 than an agreement, contract, or trans-  
4 action in a permitted payment  
5 stablecoin)”;

6 (ii) in subclause (III), in the matter  
7 preceding item (aa), by inserting “of a  
8 commodity other than a digital commodity  
9 or a permitted payment stablecoin” after  
10 “sale”; and

11 (iii) by striking subclause (IV) and in-  
12 serting the following:

13 “(IV) a contract of sale of a dig-  
14 ital commodity or a permitted pay-  
15 ment stablecoin that results in actual  
16 delivery within 2 days or such other  
17 period as the Commission may deter-  
18 mine by rule or regulation based upon  
19 the typical commercial practice in  
20 cash or spot markets for the digital  
21 commodity or permitted payment  
22 stablecoin involved.”;

23 (B) by redesignating clause (iv) as clause  
24 (v); and

1 (C) by inserting after clause (iii) the fol-  
2 lowing:

3 “(iv) AGREEMENTS FOR MARGIN FI-  
4 NANCING.—Notwithstanding clause (iii), a  
5 digital commodity broker or digital com-  
6 modity dealer may, subject to the require-  
7 ments of section 4u(c)(2), offer to or enter  
8 into an agreement for margin financing  
9 with a customer for the purchase or sale of  
10 a digital commodity, provided any pur-  
11 chase or sale made pursuant to the agree-  
12 ment shall result in the delivery of the dig-  
13 ital commodity into or from an account  
14 carried for the customer by the digital  
15 commodity broker or digital commodity  
16 dealer, respectively, as determined by the  
17 Commission by rule or regulation, based on  
18 commercial spot market practices.”; and

19 (2) by adding at the end the following:

20 “(F) COMMISSION JURISDICTION WITH RE-  
21 SPECT TO DIGITAL COMMODITY TRANS-  
22 ACTIONS.—

23 “(i) IN GENERAL.—Subject to sec-  
24 tions 6d and 12(e), the Commission shall  
25 have exclusive jurisdiction with respect to

1 any account, agreement, contract, or trans-  
2 action involving a contract of sale of a dig-  
3 ital commodity in interstate commerce, in-  
4 cluding in a digital commodity cash or spot  
5 market, that is offered, solicited, traded,  
6 facilitated, executed, cleared, reported, or  
7 otherwise dealt in—

8 “(I) on or subject to the rules of  
9 a registered entity or an entity that is  
10 required to be registered as a reg-  
11 istered entity; or

12 “(II) by any other entity reg-  
13 istered, or required to be registered,  
14 with the Commission.

15 “(ii) LIMITATIONS.—Clause (i) shall  
16 not apply with respect to—

17 “(I) custodial or depository ac-  
18 tivities for a digital commodity of an  
19 entity regulated by—

20 “(aa) an appropriate Fed-  
21 eral banking agency;

22 “(bb) a State bank super-  
23 visor (as defined in section 3 of  
24 the Federal Deposit Insurance  
25 Act (12 U.S.C. 1813)); or

1 “(cc) the Securities and Ex-  
2 change Commission;

3 “(II) an offer or sale of an in-  
4 vestment contract involving a digital  
5 commodity or a securities offer or sale  
6 involving a digital commodity; or

7 “(III) a mixed digital asset  
8 transaction.

9 “(G) AGREEMENTS, CONTRACTS, AND  
10 TRANSACTIONS IN STABLECOINS.—

11 “(i) TREATMENT OF PERMITTED PAY-  
12 MENT STABLECOINS ON COMMISSION-REG-  
13 ISTERED ENTITIES.—Subject to clauses (ii)  
14 and (iii), the Commission shall have juris-  
15 diction over a cash or spot agreement, con-  
16 tract, or transaction in a permitted pay-  
17 ment stablecoin that is offered, offered to  
18 enter into, entered into, executed, solicited,  
19 or accepted, or for which the execution of  
20 is confirmed—

21 “(I) on or subject to the rules of  
22 a registered entity; or

23 “(II) by any other entity reg-  
24 istered with the Commission.

1                   “(ii)       PERMITTED       PAYMENT  
2                   STABLECOIN TRANSACTION RULES.—This  
3                   Act shall apply to a transaction described  
4                   in clause (i) only for the purpose of regu-  
5                   lating the offer, execution, solicitation, or  
6                   acceptance of a cash or spot permitted  
7                   payment stablecoin transaction on a reg-  
8                   istered entity or by any other entity reg-  
9                   istered with the Commission, as if the per-  
10                  mitted payment stablecoin were a digital  
11                  commodity.

12               “(iii) NO AUTHORITY OVER PER-  
13               MITTED PAYMENT STABLECOINS.—Not-  
14               withstanding clauses (i) and (ii), the Com-  
15               mission shall not make a rule or regula-  
16               tion, impose a requirement or obligation on  
17               a registered entity or other entity reg-  
18               istered with the Commission, or impose a  
19               requirement or obligation on a permitted  
20               payment stablecoin issuer regarding the  
21               operation of a permitted payment  
22               stablecoin issuer or a permitted payment  
23               stablecoin.”.

24           (d) SENSE OF CONGRESS.—It is the sense of Con-  
25   gress that the Commission should consider any agreement,

1 contract, or transaction in a digital commodity to be swap  
2 for all purposes of this Act if the agreement, contract, or  
3 transaction is—

4 (1) entered into, or offered, between eligible  
5 contract participants; and

6 (2) entered into, or offered, on a leveraged or  
7 margined basis or financed by the offeror, the  
8 counterparty, or a person acting in concert with the  
9 offeror or counterparty.

10 (e) NETWORK TOKENS AND ANCILLARY ASSETS.—

11 Section 2 of the Commodity Exchange Act (7 U.S.C. 2)  
12 is amended by adding at the end the following:

13 “(k) TREATMENT OF NETWORK TOKENS AND ANCIL-  
14 LARY ASSETS.—

15 “(1) IN GENERAL.—The offer or sale of a net-  
16 work token, other than the offer or sale of an invest-  
17 ment contract pursuant to which an ancillary asset  
18 is offered or sold by an ancillary asset originator or  
19 an underwriter with respect to an investment con-  
20 tract pursuant to which such ancillary asset was  
21 originally sold, shall be considered an offer or sale  
22 of a digital commodity.

23 “(2) LISTING.—Notwithstanding other provi-  
24 sion of law, a digital commodity exchange shall not  
25 be prohibited from listing a network token and an

1 ancillary asset solely because the digital commodity  
2 is a network token or an ancillary asset, respectively,  
3 unless with respect to an ancillary asset, the Securi-  
4 ties and Exchange Commission has notified the  
5 Commission that the digital asset originator of the  
6 ancillary asset has failed to comply with the disclo-  
7 sure requirements of section 4B(b) of the Securities  
8 Act of 1933 for that ancillary asset.”.

9 (f) EXEMPTIVE AUTHORITY.—

10 (1) IN GENERAL.—Section 4(c)(1) of the Com-  
11modity Exchange Act (7 U.S.C. 6(c)(1)) is amended  
12 by adding after subparagraph (B) the following:

13 “For purposes of this paragraph, an agreement, contract,  
14 or transaction that is subject to the jurisdiction of the  
15 Commission under any of the amendments made to this  
16 Act by the Digital Commodity Intermediaries Act shall be  
17 subject to subsection (a). For purposes of an exemption  
18 granted with respect to an agreement, contract, or trans-  
19 action described in the preceding sentence, the Commis-  
20 sion may exercise its authority notwithstanding paragraph  
21 (2)(B)(i).”.

22 (2) NO LIMIT OF AUTHORITY.—Nothing in this  
23 Act, any amendment made by this Act, or any rule  
24 or regulation promulgated under this Act or any  
25 amendment made by this Act may be construed to

1 limit the authority of the Commodity Futures Trad-  
2 ing Commission to grant exemptions pursuant to  
3 section 4(c) of the Commodity Exchange Act (7  
4 U.S.C. 6(c)).

5 (g) CONFORMING AMENDMENTS.—

6 (1) Paragraph (15) of section 1a of the Com-  
7 modity Exchange Act (7 U.S.C. 1a) (as amended by  
8 section 17(f) of the GENIUS Act (Public Law 119–  
9 27; 139 Stat. 463) and as redesignated by section  
10 20101(a)(1)) is amended by striking the second sen-  
11 tence.

12 (2) Section 2(a)(1)(A) of the Commodity Ex-  
13 change Act (7 U.S.C. 2(a)(1)(A)) is amended, in the  
14 first sentence, by striking “section 19 of this Act”  
15 and inserting “subparagraph (F) or (G) of sub-  
16 section (c)(2) or section 19”.

17 **SEC. 20202. REQUIRING FUTURES COMMISSION MER-**  
18 **CHANTS TO USE QUALIFIED DIGITAL ASSET**  
19 **CUSTODIANS.**

20 Section 4d of the Commodity Exchange Act (7 U.S.C.  
21 6d) is amended—

22 (1) in subsection (a)(2)—

23 (A) in the first proviso, by striking “any  
24 bank or trust company” and inserting “any

1 bank, trust company, or qualified digital asset  
2 custodian, as applicable,”; and

3 (B) by inserting “: *Provided further*, That  
4 any such property that is a digital asset shall  
5 be held in a qualified digital asset custodian”  
6 before the period at the end; and

7 (2) in subsection (f)(3)(A)(i), by striking “any  
8 bank or trust company or with a” and inserting  
9 “any bank, trust company, qualified digital asset  
10 custodian, or”.

11 **SEC. 20203. TRADING CERTIFICATION AND APPROVAL FOR**  
12 **DIGITAL COMMODITIES.**

13 Section 5c of the Commodity Exchange Act (7 U.S.C.  
14 7a–2) is amended—

15 (1) in subsection (a)(1), by striking “5(d) and  
16 5b(c)(2)” and inserting “5(d), 5b(c)(2), and 5i(c)”;

17 (2) in subsection (b)—

18 (A) in each of paragraphs (1) and (2), by  
19 inserting “digital commodity exchange,” before  
20 “derivatives”; and

21 (B) in paragraph (3), by inserting “digital  
22 commodity exchange,” before “derivatives” each  
23 place it appears;

24 (3) in subsection (c)—

1 (A) in paragraph (2), by inserting “or par-  
2 ticipants” before “(in”;

3 (B) in paragraph (4)(B), by striking  
4 “1a(10)” and inserting “1a(16)”; and

5 (C) in paragraph (5), by adding at the end  
6 the following:

7 “(D) SPECIAL RULES FOR DIGITAL COM-  
8 MODITY CONTRACTS.—In certifying any new  
9 rule or rule amendment, or listing any new con-  
10 tract or instrument, in connection with a con-  
11 tract of sale of a commodity for future delivery,  
12 option, swap, or other agreement, contract, or  
13 transaction, that is based on or references a  
14 digital commodity, a registered entity may  
15 make or rely on a certification under subsection  
16 (d) for the digital commodity.”; and

17 (4) by inserting after subsection (c) the fol-  
18 lowing:

19 “(d) CERTIFICATIONS FOR DIGITAL COMMODITY  
20 TRADING.—

21 “(1) IN GENERAL.—Notwithstanding subsection  
22 (c), for the purposes of listing or offering a digital  
23 commodity for trading in a digital commodity cash  
24 or spot market, an eligible entity shall submit a  
25 written certification to the Commission that the dig-

1       ital commodity meets the requirements of this Act  
2       (including the regulations prescribed under this  
3       Act).

4           “(2) CONTENTS OF THE CERTIFICATION.—In  
5       making a written certification under this subsection,  
6       an eligible entity shall furnish to the Commission a  
7       concise explanation and analysis of how the digital  
8       commodity meets the requirements of section  
9       5i(c)(3).

10          “(3) MODIFICATIONS.—

11           “(A) IN GENERAL.—An eligible entity shall  
12       modify a certification made under paragraph  
13       (1) to account for material changes in any in-  
14       formation provided in connection with the re-  
15       quirements of section 5i(c)(3).

16           “(B)     RECERTIFICATION.—Modifications  
17       required by this subsection shall be subject to  
18       the same disapproval and review process as a  
19       new certification under paragraphs (4) and (5).

20          “(4) DISAPPROVAL.—

21           “(A) IN GENERAL.—The written certifi-  
22       cation described in paragraph (1) shall become  
23       effective unless the Commission finds that the  
24       listing of the digital commodity is inconsistent

1 with the requirements of this Act or the rules  
2 and regulations prescribed under this Act.

3 “(B) ANALYSIS REQUIRED.—The Commis-  
4 sion shall include, with any findings referred to  
5 in subparagraph (A), a detailed analysis of the  
6 factors on which the decision was based.

7 “(C) PUBLIC FINDINGS.—The Commission  
8 shall make public any disapproval decision, and  
9 any related findings and analysis, made under  
10 this paragraph.

11 “(5) REVIEW.—

12 “(A) IN GENERAL.—Unless the Commis-  
13 sion makes a disapproval decision under para-  
14 graph (4), the written certification described in  
15 paragraph (1) shall become effective, pursuant  
16 to the certification by the eligible entity and no-  
17 tice of the certification to the public (in a man-  
18 ner determined by the Commission) on the date  
19 that is—

20 “(i) 20 business days after the date  
21 the Commission receives the certification  
22 (or such shorter period as determined by  
23 the Commission by rule or regulation), in  
24 the case of a digital commodity that has  
25 not been certified under this section or for

1 which a certification is being modified  
2 under paragraph (3); or

3 “(ii) 1 business day after the date the  
4 Commission receives the certification (or  
5 such shorter period as determined by the  
6 Commission by rule or regulation) for any  
7 digital commodity that has been certified  
8 under this section.

9 “(B) EXTENSIONS.—The time for consid-  
10 eration under subparagraph (A) may be ex-  
11 tended—

12 “(i) once, for 30 business days,  
13 through written notice to the eligible entity  
14 by the Commission—

15 “(I) that there are novel or com-  
16 plex issues that require additional  
17 time to analyze;

18 “(II) that the explanation by the  
19 submitting eligible entity is inad-  
20 equate; or

21 “(III) of a potential inconsistency  
22 with this Act; and

23 “(ii) once, for an additional 30 busi-  
24 ness days, through written notice to the el-  
25 igible entity from the Commission that in-

1 cludes a description of any issues with the  
2 certification, including any—

3 “(I) novel or complex issues that  
4 require additional time to analyze;

5 “(II) missing information or in-  
6 adequate explanations; or

7 “(III) potential inconsistencies  
8 with this Act.

9 “(6) PRIOR APPROVAL BEFORE REGISTRA-  
10 TION.—

11 “(A) IN GENERAL.—A person applying for  
12 registration with the Commission for the pur-  
13 poses of listing or offering a digital commodity  
14 for trading in a digital commodity cash or spot  
15 market may request that the Commission grant  
16 prior approval for the person to list or offer the  
17 digital commodity on being registered with the  
18 Commission.

19 “(B) REQUEST FOR PRIOR APPROVAL.—A  
20 person seeking prior approval under subpara-  
21 graph (A) shall furnish the Commission with a  
22 written certification that the digital commodity  
23 meets the requirements of this Act (including  
24 the regulations prescribed under this Act) and  
25 the information described in paragraph (2).

1           “(C) DEADLINE.—The Commission shall  
2           take final action on a request for prior approval  
3           not later than 90 business days after submis-  
4           sion of the request, unless the person submit-  
5           ting the request agrees to an extension of the  
6           time limitation established under this subpara-  
7           graph.

8           “(D) DISAPPROVAL.—

9           “(i) IN GENERAL.—The Commission  
10          shall approve the listing of the digital com-  
11          modity requested under subparagraph (A)  
12          unless the Commission finds that the list-  
13          ing is inconsistent with this Act or the  
14          rules and regulations prescribed under this  
15          Act.

16          “(ii) ANALYSIS REQUIRED.—The  
17          Commission shall include, with any find-  
18          ings made under clause (i), a detailed anal-  
19          ysis of the factors on which the decision is  
20          based.

21          “(iii) PUBLIC FINDINGS.—The Com-  
22          mission shall make public any disapproval  
23          decision, and any related findings and  
24          analysis, made under this subparagraph.

1           “(7) ELIGIBLE ENTITY DEFINED.—In this sub-  
2           section, the term ‘eligible entity’ means a registered  
3           entity or group of registered entities acting jointly.”.

4   **SEC. 20204. REGISTRATION AND REGULATION OF DIGITAL**  
5           **COMMODITY EXCHANGES.**

6           (a) IN GENERAL.—The Commodity Exchange Act is  
7           amended by inserting after section 5h (7 U.S.C. 7b–3) the  
8           following:

9   **“SEC. 5i. REGISTRATION OF DIGITAL COMMODITY EX-**  
10           **CHANGES.**

11           “(a) IN GENERAL.—

12               “(1) REGISTRATION.—

13                   “(A) IN GENERAL.—A trading facility that  
14                   offers or seeks to offer a cash or spot market  
15                   in at least 1 digital commodity shall register  
16                   with the Commission as a digital commodity ex-  
17                   change.

18               “(B) APPLICATION.—

19                   “(i) IN GENERAL.—A person desiring  
20                   to register as a digital commodity exchange  
21                   shall submit to the Commission an applica-  
22                   tion in such form and containing such in-  
23                   formation as the Commission shall require  
24                   for the purpose of making the determina-  
25                   tions required for approval.

1 “(ii) RULEMAKING REQUIRED.—The  
2 Commission shall, by rule, prescribe the  
3 contents of an application under clause (i),  
4 including governance, resources, systems  
5 safeguards, surveillance, and conflict man-  
6 agement.

7 “(C) NOTICE FILING.—Notwithstanding  
8 subparagraphs (A) and (B), a trading facility  
9 that is already registered as a designated con-  
10 tract market shall be registered as a digital  
11 commodity exchange, provided that the trading  
12 facility shall—

13 “(i) file written notice with the Com-  
14 mission in such form as the Commission,  
15 by rule or regulation, may prescribe, con-  
16 taining such information as the Commis-  
17 sion may prescribe as necessary or appro-  
18 priate in the public interest, and

19 “(ii) the registration of the trading fa-  
20 cility is not suspended pursuant to an  
21 order of the Commission.

22 “(2) ADDITIONAL REGISTRATIONS.—In order to  
23 foster the development of fair and orderly markets,  
24 protect customers, and promote responsible innova-  
25 tion, the Commission shall—

1           “(A) prescribe rules to exempt an entity  
2 registered with the Commission under more  
3 than 1 section of this Act from duplicative, con-  
4 flicting, or unduly burdensome provisions of  
5 this Act and the rules under this Act;

6           “(B) prescribe rules establishing require-  
7 ments for the identification, mitigation, and  
8 resolution of conflicts of interest among and  
9 across affiliated entities or entities with mul-  
10 tiple registrations under this Act, including con-  
11 flicts of interest related to vertically integrated  
12 market structures and their varying responsibil-  
13 ities and activities; and

14           “(C) after an analysis of the risks and ben-  
15 efits, prescribe rules to provide for portfolio  
16 margining in accordance with section 10402 of  
17 the Digital Asset Market Clarity Act.

18       “(b) TRADING.—

19           “(1) PROHIBITION ON CERTAIN TRADING PRAC-  
20 TICES.—

21           “(A) CONTRACTS DESIGNED TO DEFRAUD  
22 OR MISLEAD.—Section 4b shall apply to any  
23 agreement, contract, or transaction in a digital  
24 commodity as if the agreement, contract, or

1 transaction were a contract of sale of a com-  
2 modity for future delivery.

3 “(B) PROHIBITED TRANSACTIONS.—Sec-  
4 tion 4c shall apply to any agreement, contract,  
5 or transaction in a digital commodity as if the  
6 agreement, contract, or transaction were a  
7 transaction involving the purchase or sale of a  
8 commodity for future delivery.

9 “(C) ENFORCEMENT AUTHORITY.—Section  
10 4b–1 shall apply to any agreement, contract, or  
11 transaction in a digital commodity as if the  
12 agreement, contract, or transaction were a con-  
13 tract of sale of a commodity for future delivery.

14 “(2) PROHIBITION ON ACTING AS A  
15 COUNTERPARTY.—

16 “(A) IN GENERAL.—A digital commodity  
17 exchange or any affiliate of a digital commodity  
18 exchange shall not trade on or subject to the  
19 rules of the digital commodity exchange for its  
20 own account.

21 “(B) EXCEPTIONS.—Subject to the limita-  
22 tions described in subparagraph (C), a digital  
23 commodity exchange or any affiliate of a digital  
24 commodity exchange may trade on the digital  
25 commodity exchange for its own account solely

1 in connection with conducting one or more of  
2 the following activities in support of the busi-  
3 ness of the digital commodity exchange and not  
4 as an independent, for-profit line of business:

5 “(i) CUSTOMER DIRECTION.—A trans-  
6 action for, or entered into at the direction  
7 of, or for the benefit of, an unaffiliated  
8 customer.

9 “(ii) LIQUIDITY PROVISION.—A trans-  
10 action in connection with the provision of  
11 liquidity on the digital commodity ex-  
12 change if conducted pursuant to policies  
13 and procedures reasonably designed to  
14 limit such activity to the reasonably ex-  
15 pected customer demand for liquidity on  
16 the digital commodity exchange.

17 “(iii) RISK-MITIGATING HEDGING.—A  
18 transaction in connection with risk-miti-  
19 gating hedging activities that are designed  
20 to reduce specific risks to the digital com-  
21 modity exchange or its affiliate in connec-  
22 tion with and related to its digital com-  
23 modity activities.

24 “(iv) OPERATIONAL NEEDS.—A trans-  
25 action necessary or appropriate to address

1 a failed transaction, erroneous transaction,  
2 segregation or capital buffer, or other  
3 operational need of the business of the dig-  
4 ital commodity exchange or its affiliates.

5 “(v) FUNCTIONAL USE.—A trans-  
6 action related to the functional operation  
7 of a distributed ledger system.

8 “(C) RULEMAKING.—The Commission  
9 shall adopt rules establishing appropriate condi-  
10 tions, requirements, or other limitations on the  
11 use of the exceptions described in subparagraph  
12 (B) that are necessary for the protection of cus-  
13 tomers, the promotion of innovation, or the  
14 maintenance of fair, orderly, and efficient mar-  
15 kets, which shall require that the digital com-  
16 modity exchange has put in place adequate pro-  
17 tections against conflicts of interest, such as  
18 timely and effective disclosure to clients, cus-  
19 tomers, and counterparties of any material con-  
20 flicts of interest or information barriers reason-  
21 ably designed to protect against such conflicts  
22 of interest.

23 “(D) NOTICE REQUIREMENT.—In order  
24 for a digital commodity exchange or any affil-  
25 iate of a digital commodity exchange to engage

1 in trading on the affiliated digital commodity  
2 exchange pursuant to subparagraph (B), the  
3 digital commodity exchange or affiliate shall  
4 provide to the Commission notice that shall  
5 enumerate how any proposed activity is con-  
6 sistent with the exceptions described in sub-  
7 paragraph (B) and the purposes of this Act.

8 “(E) COMMISSION VISIBILITY INTO LI-  
9 QUIDITY PROVISION.—A digital commodity ex-  
10 change shall report to the Commission such  
11 quantitative metrics as the Commission deter-  
12 mines, by rule, to be appropriate to provide the  
13 Commission with sufficient visibility into the ac-  
14 tivities of the digital commodity exchange or its  
15 affiliates in reliance on subparagraph (B)(ii).

16 “(c) CORE PRINCIPLES FOR DIGITAL COMMODITY  
17 EXCHANGES.—

18 “(1) COMPLIANCE WITH CORE PRINCIPLES.—

19 “(A) IN GENERAL.—To be registered, and  
20 maintain registration, as a digital commodity  
21 exchange, a digital commodity exchange shall  
22 comply with—

23 “(i) the core principles described in  
24 this subsection; and

1                   “(ii) any requirement that the Com-  
2                   mission may impose by rule or regulation  
3                   pursuant to section 8a(5).

4                   “(B) REASONABLE DISCRETION OF A DIG-  
5                   ITAL COMMODITY EXCHANGE.—Unless other-  
6                   wise determined by the Commission by rule or  
7                   regulation, a digital commodity exchange shall  
8                   have reasonable discretion in establishing the  
9                   manner in which the digital commodity ex-  
10                  change complies with the core principles de-  
11                  scribed in this subsection.

12                  “(2) COMPLIANCE WITH RULES.—A digital  
13                  commodity exchange shall—

14                       “(A) establish and enforce compliance with  
15                       any rule of the digital commodity exchange, in-  
16                       cluding—

17                               “(i) the terms and conditions of the  
18                               trades traded or processed on or through  
19                               the digital commodity exchange; and

20                               “(ii) any limitation on access to the  
21                               digital commodity exchange;

22                       “(B) establish and enforce trading, trade  
23                       processing, and participation rules that will  
24                       deter abuses and have the capacity to detect,

1 investigate, and enforce those rules, including  
2 means—

3 “(i) to provide market participants  
4 with impartial access to the market; and

5 “(ii) to capture information that may  
6 be used in establishing whether rule viola-  
7 tions have occurred; and

8 “(C) establish rules governing the oper-  
9 ation of the exchange, including rules specifying  
10 trading procedures to be used in entering and  
11 executing orders traded or posted on the ex-  
12 change.

13 “(3) LISTING STANDARDS FOR DIGITAL COM-  
14 MODITIES.—

15 “(A) NOT READILY SUSCEPTIBLE TO MA-  
16 NIPULATION.—A digital commodity exchange  
17 shall permit trading only in a digital commodity  
18 that is not readily susceptible to manipulation.

19 “(B) DISCLOSURES TO THE SECURITIES  
20 AND EXCHANGE COMMISSION.—A digital com-  
21 modity exchange shall establish policies and  
22 procedures to permit trading in a digital com-  
23 modity only if—

24 “(i) disclosures with respect to the  
25 digital commodity required under, as appli-

1 cable, section 4B of the Securities Act of  
2 1933 have been furnished with the Securi-  
3 ties and Exchange Commission; or

4 “(ii) such other similar information  
5 that is related to the ongoing development  
6 plan of the distributed ledger system and  
7 is able to be publicly ascertained, as the  
8 Commission may, by rule or regulation, re-  
9 quire, has been provided to the public.

10 “(C) PUBLIC INFORMATION REQUIRE-  
11 MENTS.—

12 “(i) IN GENERAL.—A digital com-  
13 modity exchange shall—

14 “(I) permit trading in a digital  
15 commodity only if the digital com-  
16 modity exchange reasonably deter-  
17 mines that the information required  
18 by clause (ii) is correct, current, and  
19 available to the public;

20 “(II) establish policies and proce-  
21 dures reasonably designed to deter-  
22 mine that the information provided  
23 pursuant to clause (ii) is correct, cur-  
24 rent, and available to the public; and

1 “(III) communicate in a fair and  
2 balanced manner based on principles  
3 of fair dealing and good faith.

4 “(ii) REQUIRED INFORMATION.—With  
5 respect to a digital commodity and each  
6 distributed ledger system to which the dig-  
7 ital commodity relates for which the digital  
8 commodity exchange will make the digital  
9 commodity available to the customers of  
10 the digital commodity exchange, the infor-  
11 mation required by this clause is the fol-  
12 lowing:

13 “(I) TECHNOLOGY.—The under-  
14 lying technology of the digital com-  
15 modity, which may include the source  
16 code for any distributed ledger system  
17 to which the digital commodity re-  
18 lates.

19 “(II) TRANSACTION HISTORY.—A  
20 description of the steps necessary to  
21 independently access, search, and  
22 verify the transaction history of any  
23 distributed ledger system to which the  
24 digital commodity relates, to the ex-  
25 tent any such independent access,

1 search, and verification activities are  
2 technically feasible with respect to  
3 such distributed ledger system.

4 “(III) DIGITAL COMMODITY ECO-  
5 NOMICS.—A narrative description of  
6 the purpose of any distributed ledger  
7 system to which the digital commodity  
8 relates and the operation of any such  
9 distributed ledger system, including—

10 “(aa) information explaining  
11 the launch and supply process,  
12 including the number of digital  
13 assets to be issued in an initial  
14 allocation, the total number of  
15 digital commodities to be created,  
16 the release schedule for the dig-  
17 ital commodities, and the total  
18 number of digital commodities  
19 then outstanding;

20 “(bb) information detailing  
21 any applicable consensus mecha-  
22 nism or process for validating  
23 transactions, method of gener-  
24 ating or mining digital commod-  
25 ities, and any process for burning

486

1 or destroying digital commodities  
2 on the distributed ledger system;

3 “(cc) an explanation of gov-  
4 ernance mechanisms for imple-  
5 menting changes to the distrib-  
6 uted ledger system or forming  
7 consensus among holders of the  
8 digital commodities; and

9 “(dd) sufficient information  
10 for a third party to create a tool  
11 for verifying the transaction his-  
12 tory of the digital commodity.

13 “(IV) TRADING VOLUME AND  
14 VOLATILITY.—The trading volume  
15 and volatility of the digital commodity  
16 on the exchange.

17 “(V) CUSTOMER PROTEC-  
18 TIONS.—

19 “(aa) Information about the  
20 material risks and characteristics  
21 of the digital commodity.

22 “(bb) Any material incen-  
23 tives or conflicts of interest that  
24 the digital commodity exchange

1 may have in connection with the  
2 listing of the digital commodity.

3 “(cc) Information required  
4 by the Commission by rule or  
5 regulation pertaining to mar-  
6 keting and advertising, including  
7 testimonials and endorsements.

8 “(VI) ADDITIONAL INFORMA-  
9 TION.—Such additional information  
10 as the Commission shall determine by  
11 rule or regulation to be necessary for  
12 a customer to understand the finan-  
13 cial and operational risks of a digital  
14 commodity, and to be practically fea-  
15 sible to provide.

16 “(4) MONITORING OF TRADING AND TRADE  
17 PROCESSING.—

18 “(A) IN GENERAL.—A digital commodity  
19 exchange shall provide a competitive, open, and  
20 efficient market and mechanism for executing  
21 transactions that protects the price discovery  
22 process of trading on the exchange.

23 “(B) PROTECTION OF MARKETS AND MAR-  
24 KET PARTICIPANTS.—A digital commodity ex-  
25 change shall establish and enforce rules—

1 “(i) to protect markets and market  
2 participants from abusive practices com-  
3 mitted by any party, including abusive  
4 practices committed by a party acting as  
5 an agent for a participant; and

6 “(ii) to promote fair and equitable  
7 trading on the exchange.

8 “(C) TRADING PROCEDURES.—A digital  
9 commodity exchange shall—

10 “(i) establish and enforce rules or  
11 terms and conditions defining, or specifica-  
12 tions detailing—

13 “(I) trading procedures to be  
14 used in entering and executing orders  
15 traded on or through the facilities of  
16 the digital commodity exchange; and

17 “(II) procedures for trade proc-  
18 essing of digital commodities on or  
19 through the facilities of the digital  
20 commodity exchange; and

21 “(ii) monitor trading in digital com-  
22 modities to prevent manipulation, price  
23 distortion, and disruptions, through sur-  
24 veillance, compliance, and disciplinary  
25 practices and procedures, including meth-

1                   ods for conducting real-time monitoring of  
2                   trading and comprehensive and accurate  
3                   trade reconstructions.

4                   “(5) ABILITY TO OBTAIN INFORMATION.—A  
5                   digital commodity exchange shall—

6                   “(A) establish and enforce rules that will  
7                   allow the exchange to obtain any necessary in-  
8                   formation to perform any of the functions de-  
9                   scribed in this section;

10                  “(B) provide the information to the Com-  
11                  mission on request; and

12                  “(C) have the capacity to carry out such  
13                  international information-sharing agreements as  
14                  the Commission may require.

15                  “(6) EMERGENCY AUTHORITY.—A digital com-  
16                  modity exchange shall adopt rules to provide for the  
17                  exercise of emergency authority, in consultation or  
18                  cooperation with the Commission or a registered en-  
19                  tity, as is necessary and appropriate, including the  
20                  authority to facilitate the liquidation or transfer of  
21                  open positions in any digital commodity or to sus-  
22                  pend or curtail trading in a digital commodity.

23                  “(7) TIMELY PUBLICATION OF TRADING INFOR-  
24                  MATION.—

“(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.

7 “(B) CAPACITY OF DIGITAL COMMODITY  
8 EXCHANGE.—A digital commodity exchange  
9 shall have the capacity to electronically capture  
10 and transmit trade information with respect to  
11 transactions executed on the exchange.

12 “(8) RECORDKEEPING AND REPORTING.—

13                   “(A) IN GENERAL.—A digital commodity  
14                   exchange shall—

15 “(i) maintain records relating to the  
16 business of the digital commodity ex-  
17 change, including a complete audit trail, in  
18 a form and manner acceptable to the Com-  
19 mission 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;

1 “(iii) keep any such records of digital  
2 commodities that relate to a security open  
3 to inspection and examination by the Secu-  
4 rities and Exchange Commission; and

5 “(iv) provide to the Commission an  
6 annual financial statement certified by an  
7 independent public accountant.

8 “(B) PROVIDING INFORMATION.—A digital  
9 commodity exchange shall provide to the Com-  
10 mission (including any designee of the Commis-  
11 sion) information under subparagraph (A) in  
12 such form and at such frequency as is required  
13 by the Commission.

14 “(9) ANTITRUST CONSIDERATIONS.—Unless  
15 necessary or appropriate to achieve the purposes of  
16 this Act, a digital commodity exchange shall not—

17 “(A) adopt any rules or take any actions  
18 that result in any unreasonable restraint of  
19 trade; or

20 “(B) impose any material anticompetitive  
21 burden on trading.

22 “(10) CONFLICTS OF INTEREST.—

23 “(A) IN GENERAL.—A digital commodity  
24 exchange shall establish and enforce rules—

1 “(i) to minimize conflicts of interest  
2 in the decision-making processes of the  
3 digital commodity exchange, including con-  
4 flicts of interest that might potentially bias  
5 the judgement or supervision of the digital  
6 commodity exchange and contravene the  
7 principles of fair and equitable trading;

8 “(ii) to minimize conflicts of interest  
9 that might arise—

10 “(I) out of transactions or ar-  
11 rangements with affiliates (including  
12 affiliates engaging in digital com-  
13 modity activities); or

14 “(II) as a result of multiple reg-  
15 istrations under this Act;

16 “(iii) to establish a process for resolv-  
17 ing conflicts of interest referred to in  
18 clauses (i) and (ii);

19 “(iv) to require disclosure by the dig-  
20 ital commodity exchange of any material  
21 incentives or conflicts of interest that the  
22 digital commodity exchange is unable to re-  
23 solve; and

24 “(v) relating to such additional mat-  
25 ters as the Commission shall determine by

1 rule or regulation to be necessary in the  
2 public interest.

3 “(B) AFFILIATES.—

4 “(i) IN GENERAL.—A digital com-  
5 modity exchange may permit an affiliated  
6 digital commodity broker or digital com-  
7 modity dealer to facilitate impartial access  
8 to the digital commodity exchange, subject  
9 to the rules prescribed by the Commission  
10 with respect to conflicts of interest regard-  
11 ing transactions or arrangements with af-  
12 filiates.

13 “(ii) AFFILIATED DIGITAL COM-  
14 MODITY BROKERS AND DIGITAL COM-  
15 MODITY DEALERS.—In this subparagraph,  
16 the term ‘affiliated digital commodity  
17 broker or digital commodity dealer’ in-  
18 cludes the digital commodity exchange act-  
19 ing in the capacity of a digital commodity  
20 broker or digital commodity dealer if the  
21 digital commodity exchange is dually reg-  
22 istered in such capacity.

23 “(11) FINANCIAL RESOURCES.—

24 “(A) IN GENERAL.—A digital commodity  
25 exchange shall have adequate financial, oper-

1           ational, and managerial resources, as shall be  
2           determined by the Commission by rule or regu-  
3           lation, to discharge each responsibility of the  
4           digital commodity exchange.

5           “(B) MINIMUM AMOUNT OF FINANCIAL RE-  
6           SOURCES.—A digital commodity exchange shall  
7           possess financial resources that, at a minimum,  
8           exceed the sum of—

9                   “(i) the total amount that would en-  
10           able the digital commodity exchange to  
11           cover the operating costs of the digital  
12           commodity exchange for a 1-year period,  
13           as calculated on a rolling basis; and

14                   “(ii) the total amount necessary to  
15           meet the financial obligations of the digital  
16           commodity exchange to all customers of  
17           the digital commodity exchange.

18           “(C) PROHIBITION.—The resources used  
19           to meet the requirements under subparagraph  
20           (B) shall not include digital commodities origi-  
21           nated by the digital commodity exchange or af-  
22           filiates of the digital commodity exchange.

23           “(12) DISCIPLINARY PROCEDURES.—A digital  
24           commodity exchange shall establish and enforce dis-  
25           ciplinary procedures that authorize the digital com-

1       modity exchange to discipline, suspend, or expel  
2       members or market participants that violate the  
3       rules of the digital commodity exchange, or similar  
4       methods for performing the same functions, includ-  
5       ing delegation of the functions to third parties.

6               “(13) GOVERNANCE FITNESS STANDARDS.—

7               “(A) GOVERNANCE ARRANGEMENTS.—A  
8       digital commodity exchange shall establish gov-  
9       ernance arrangements that are transparent to  
10      fulfill public interest requirements.

11              “(B) FITNESS STANDARDS.—A digital  
12      commodity exchange shall establish and enforce  
13      appropriate fitness standards for—

14              “(i) officers and directors;

15              “(ii) any individual or entity with di-  
16      rect access to, or control of, customer as-  
17      sets; and

18              “(iii) other persons, as determined by  
19      the Commission by rule or regulation.

20              “(C) BOARD OF DIRECTORS.—Except as  
21      otherwise provided by the Commission by rule,  
22      regulation, or order, a digital commodity ex-  
23      change shall be governed by a board of direc-  
24      tors, subject to the following requirements:

1                   “(i) The composition of the board of  
2                   directors shall be sufficient to maintain ap-  
3                   propriate independence, as determined by  
4                   the Commission.

5                   “(ii) A digital commodity exchange  
6                   shall endeavor to recruit individuals to  
7                   serve on the board of directors from  
8                   among, and to have the composition of the  
9                   board reflect, a broad and culturally di-  
10                  verse pool of qualified candidates.

11               “(14) SYSTEM SAFEGUARDS.—A digital com-  
12               modity exchange shall—

13               “(A) establish and maintain a program of  
14               risk analysis and oversight to identify and mini-  
15               mize sources of operational and security risks  
16               (including cybersecurity risks), through the de-  
17               velopment of appropriate controls and proce-  
18               dures, and automated systems that—

19                   “(i) are reliable and secure; and

20                   “(ii) have adequate scalable capacity;

21               “(B) establish and maintain emergency  
22               procedures, backup resources, and a plan for  
23               disaster recovery that allow for—

24                   “(i) the timely recovery and resump-  
25                   tion of operations;

1 “(ii) the fulfillment of the responsibil-  
2 ities and obligations of the digital com-  
3 modity exchange; and

4 “(iii) the appropriate safeguarding  
5 and ability to access the private keys or  
6 other credentials necessary to transmit dig-  
7 ital commodities in the possession, custody,  
8 or control of the digital commodity ex-  
9 change; and

10 “(C) periodically conduct tests to verify  
11 that the backup resources of the digital com-  
12 modity exchange are sufficient to ensure contin-  
13 ued—

14 “(i) order processing and trade  
15 matching;

16 “(ii) price reporting;

17 “(iii) market surveillance;

18 “(iv) maintenance of a comprehensive  
19 and accurate audit trail; and

20 “(v) access and ability to transfer dig-  
21 ital commodities in the possession, custody,  
22 or control of the digital commodity ex-  
23 change.

24 “(15) RISK MANAGEMENT PROCEDURES.—A  
25 digital commodity exchange shall establish robust

1 and professional risk management systems adequate  
2 for managing the day-to-day business of the digital  
3 commodity exchange.

4 “(d) CONSUMER PROTECTION.—The Commission  
5 shall adopt rules or regulations imposing customer protec-  
6 tion requirements that—

7 “(1) require disclosure by a digital commodity  
8 exchange to a customer (other than another digital  
9 commodity exchange registered under this section),  
10 which shall be updated in a timely manner to reflect  
11 material changes, and in accordance with paragraph  
12 (5), of—

13 “(A) the underlying technology of any dig-  
14 ital commodity that is listed on the digital com-  
15modity exchange;

16 “(B) the functionality and utility of any  
17 digital commodity that is listed on the digital  
18 commodity exchange;

19 “(C) the governance structure of any dig-  
20 ital commodity that is listed on the digital com-  
21modity exchange;

22 “(D) the trading volume and volatility of  
23 any digital commodity that is listed on the dig-  
24 ital commodity exchange;

1                   “(E) information about the material risks  
2                   and characteristics of any applicable digital  
3                   commodities; and

4                   “(F) any material incentives or conflicts of  
5                   interest that the digital commodity exchange  
6                   may have in connection with the listing of any  
7                   applicable digital commodities;

8                   “(2) establish a duty for a digital commodity  
9                   exchange to communicate in a fair and balanced  
10                  manner based on principles of fair dealing and good  
11                  faith;

12                  “(3) establish standards governing digital com-  
13                  modity exchange marketing and advertising, includ-  
14                  ing testimonials and endorsements;

15                  “(4) establish such other standards and re-  
16                  quirements as the Commission may determine are—

17                         “(A) appropriate for the protection of cus-  
18                         tomers; or

19                         “(B) otherwise in furtherance of the pur-  
20                         poses of this Act; and

21                  “(5) standardize and simplify disclosures under  
22                  paragraph (1), including requiring that disclosures—

23                         “(A) be conspicuous;

24                         “(B) use plain language comprehensible to  
25                         customers; and

1           “(C) succinctly explain the information  
2           that is required to be communicated to the cus-  
3           tomer.

4           “(e) INFORMATION SHARING.—

5           “(1) IN GENERAL.—Subject to section 8, and  
6           on request, the Commission shall share information  
7           collected under subsection (c)(8)(A) with—

8           “(A) the Board of Governors of the Fed-  
9           eral Reserve System;

10           “(B) the Securities and Exchange Commis-  
11           sion;

12           “(C) each appropriate Federal banking  
13           agency;

14           “(D) each appropriate State bank super-  
15           visor (as defined in section 3 of the Federal De-  
16           posit Insurance Act (12 U.S.C. 1813));

17           “(E) the Financial Stability Oversight  
18           Council;

19           “(F) the Department of Justice;

20           “(G) State securities regulators; and

21           “(H) any other person that the Commis-  
22           sion determines to be appropriate, including—

23           “(i) foreign financial supervisors (in-  
24           cluding foreign futures authorities);

25           “(ii) foreign central banks; and

1 “(iii) foreign ministries.

2 “(2) CONFIDENTIALITY AGREEMENT.—Before  
3 the Commission may share information with any en-  
4 tity described in paragraph (1), the Commission  
5 shall receive a written agreement from the entity  
6 stating that the entity shall abide by the confiden-  
7 tiality requirements described in section 8 relating to  
8 the information on digital commodities that is pro-  
9 vided.

10 “(f) HOLDING OF CUSTOMER ASSETS.—

11 “(1) IN GENERAL.—The Commission shall pre-  
12 scribe, by rule or regulation, policies and procedures  
13 to be established by a digital commodity exchange  
14 that are designed to protect and ensure the safety  
15 of customer money, assets, and property, including  
16 to minimize the risk of loss to the customer or un-  
17 reasonable delay in customer access to the money,  
18 assets, and property of the customer.

19 “(2) QUALIFIED DIGITAL ASSET CUSTODIAN.—  
20 Each digital commodity exchange shall hold in a  
21 qualified digital asset custodian each unit of a dig-  
22 ital asset that is—

23 “(A) the property of a customer of the dig-  
24 ital commodity exchange;

1 “(B) required to be held by the digital  
2 commodity exchange under subsection (c)(11);  
3 or

“(C) otherwise so required by the Commission to reasonably protect customers and customer assets or promote the public interest.

7 “(3) SEGREGATION OF FUNDS.—

8                   “(A) IN GENERAL.—A digital commodity  
9                   exchange shall treat and deal with all money,  
10                  assets, and property that is received by the dig-  
11                  ital commodity exchange, or accrues to a cus-  
12                  tomer as the result of trading in digital com-  
13                  modities, as belonging to the customer.

“(B) COMMINGLING PROHIBITED.—Money, assets, and property described in subparagraph (A) shall be separately accounted for and shall not be commingled with the funds of the digital commodity exchange or be used to margin, secure, or guarantee any trades or accounts of any customer or person other than the person for whom the same are held.

22 “(C) EXCEPTIONS.—

23 “(i) USE OF FUNDS.—

24 “(I) IN GENERAL.—Notwith-  
25 standing subparagraph (A), money,

1 assets, and property described in sub-  
2 paragraph (A) may, for convenience,  
3 be commingled and deposited in the  
4 same account or accounts with any  
5 bank, trust company, derivatives  
6 clearing organization, or qualified dig-  
7 ital asset custodian.

8 “(II) WITHDRAWAL.—Notwith-  
9 standing subparagraph (A), such  
10 share of the money, assets, and prop-  
11 erty described in subparagraph (A) as  
12 in the normal course of business shall  
13 be necessary to margin, guarantee, se-  
14 cure, transfer, adjust, or settle a con-  
15 tract of sale of a digital commodity  
16 with the digital commodity exchange  
17 or participant thereof may be with-  
18 drawn and applied to such purposes,  
19 including the payment of commis-  
20 sions, brokerage, interest, taxes, stor-  
21 age, and other charges, lawfully ac-  
22 cruing in connection with the contract  
23 of sale.

24 “(ii) COMMISSION ACTION.—Notwith-  
25 standing subparagraph (A), in accordance

1                   with such terms and conditions as the  
2                   Commission may prescribe by rule, regula-  
3                   tion, or order, any money, assets, or prop-  
4                   erty of the customers of a digital com-  
5                   modity exchange may be commingled and  
6                   deposited in customer accounts with any  
7                   other money, assets, or property received  
8                   by the digital commodity exchange and re-  
9                   quired by the Commission to be separately  
10                  accounted for and treated and dealt with  
11                  as belonging to the customer of the digital  
12                  commodity exchange.

13               “(4) PERMITTED INVESTMENTS.—Money de-  
14               scribed in paragraph (3) may be invested in obliga-  
15               tions of the United States, in general obligations of  
16               any State or of any political subdivision of a State,  
17               and in obligations fully guaranteed as to principal  
18               and interest by the United States, or in any high-  
19               quality liquid asset that the Commission may by rule  
20               or regulation prescribe, and such investments shall  
21               be made in accordance with such rules and regula-  
22               tions and subject to such conditions as the Commis-  
23               sion shall prescribe.

24               “(5) CUSTOMER PROTECTION DURING BANK-  
25               RUPTCY.—

1 “(A) CUSTOMER PROPERTY.—

2 “(i) IN GENERAL.—All assets held on  
3 behalf of a customer by a digital com-  
4 modity exchange, and all money, assets,  
5 and property of any customer received by  
6 a digital commodity exchange for trading  
7 or custody, or to facilitate, margin, guar-  
8 antee, or secure contracts of sale of a dig-  
9 ital commodity (including money, assets, or  
10 property accruing to the customer as the  
11 result of the transactions), shall be consid-  
12 ered customer property for purposes of sec-  
13 tion 761 of title 11, United States Code.

14 “(ii) CUSTOMERS.—For purposes of  
15 this subparagraph, the term ‘customer’  
16 does not include any person, to the extent  
17 that such person has a claim based on any  
18 open repurchase agreement, open reverse  
19 repurchase agreement, or digital com-  
20 modity borrowed agreement, except to the  
21 extent of any margin delivered to or by the  
22 customer with respect to which there is a  
23 segregation requirement.

24 “(B) TRANSACTIONS.—A purchase, sale,  
25 or loan of, margin loan or other extension of

1 credit on, or repurchase, reverse repurchase, or  
2 other transaction involving the sale of a digital  
3 commodity occurring on or subject to the rules  
4 of a digital commodity exchange shall be consid-  
5 ered—

6 “(i) a contract for the purchase or  
7 sale of a commodity for future delivery, on  
8 or subject to the rules of, a contract mar-  
9 ket or board of trade for purposes of the  
10 definition of ‘commodity contract’ in sec-  
11 tion 761 of title 11, United States Code,  
12 section 11 of the Federal Deposit Insur-  
13 ance Act (12 U.S.C. 1821), and section  
14 210 of the Dodd-Frank Wall Street Re-  
15 form and Consumer Protection Act (12  
16 U.S.C. 5390); and

17 “(ii) a ‘commodity contract’ for pur-  
18 poses of section 5(b)(2)(C) of the Securi-  
19 ties Investor Protection Act of 1970 (15  
20 U.S.C. 78eee(b)(2)(C)).

21 “(C) EXCHANGES.—A digital commodity  
22 exchange shall be considered a futures commis-  
23 sion merchant for purposes of section 761 of  
24 title 11, United States Code, section 11 of the  
25 Federal Deposit Insurance Act (12 U.S.C.

1 1821), and section 210 of the Dodd-Frank Wall  
2 Street Reform and Consumer Protection Act  
3 (12 U.S.C. 5390).

4 “(D) BANKRUPTCY TREATMENT OF DIG-  
5 ITAL COMMODITIES.—A purchase, sale, or loan  
6 of, margin loan or other extension of credit on,  
7 or repurchase, reverse repurchase, or other  
8 transaction involving a digital commodity occur-  
9 ring with a commodity broker, stockbroker, fi-  
10 nancial institution, financial participant, or se-  
11 curities clearing agency (as those terms are de-  
12 fined in section 101 of title 11, United States  
13 Code) shall be subject to sections 362(b)(6),  
14 362(o), 546(e), 548(d)(2)(B), 553, 556, 561,  
15 and 562 of title 11, United States Code, to sec-  
16 tion 11 of the Federal Deposit Insurance Act  
17 (12 U.S.C. 1821), and to section 210 of the  
18 Dodd-Frank Wall Street Reform and Consumer  
19 Protection Act (12 U.S.C. 5390) as though it  
20 was a ‘contract for the purchase or sale of a  
21 commodity for future delivery on, or subject to  
22 the rules of, a contract market or board of  
23 trade’ with a ‘futures commission merchant’ as  
24 those terms are used in section 761 of title 11,  
25 United States Code, and considered a ‘com-

1           modity contract’ for purposes of section  
2           5(b)(2)(C) of the Securities Investor Protection  
3           Act of 1970 (15 U.S.C. 78eee(b)(2)(C)).

4                   “(E) ASSETS USED IN DISTRIBUTED LEDG-  
5           ER SERVICES.—

6                   “(i) INTERPRETATION AND GUID-  
7           ANCE.—Not later than 90 days after the  
8           date of enactment of this Act, the Commis-  
9           sion shall—

10                   “(I) issue an interpretation as to  
11           whether customer digital commodities  
12           used in distributed ledger services due  
13           to a customer election under para-  
14           graph (7) and section 4u(l)(6) or sec-  
15           tion 20104 of the Digital Commodity  
16           Intermediaries Act are customer prop-  
17           erty and to be included in the calcula-  
18           tion of net equity for purposes of sec-  
19           tion 761 of title 11, United States  
20           Code; and

21                   “(II) issue guidance for digital  
22           commodity exchanges, digital com-  
23           modity brokers, and digital commodity  
24           dealers with respect to disclosures

1                   they should provide to customers re-  
2                   garding the interpretation.

3                   “(ii) RULEMAKING.—Not later than  
4                   180 days following publication of the Com-  
5                   mission’s interpretation under clause (i),  
6                   the Commission shall issue regulations and  
7                   recommendations to Congress, as appro-  
8                   priate, to address issues identified in the  
9                   interpretation, including requiring a digital  
10                  commodity exchange, digital commodity  
11                  broker, or digital commodity dealer to dis-  
12                  close such issues to customers.

13                  “(6) MISUSE OF CUSTOMER PROPERTY.—

14                  “(A) IN GENERAL.—It shall be unlawful—

15                  “(i) for any digital commodity ex-  
16                  change that has received any customer  
17                  money, assets, or property for custody to  
18                  dispose of, or use any such money, assets,  
19                  or property as belonging to the digital  
20                  commodity exchange or any person other  
21                  than a customer of the digital commodity  
22                  exchange; or

23                  “(ii) for any other person, including  
24                  any depository, other digital commodity ex-  
25                  change, or digital asset custodian that has

1           received any customer money, assets, or  
2           property for deposit, to hold, dispose of, or  
3           use any such money, assets, or property as  
4           belonging to the depositing digital com-  
5           modity exchange or any person other than  
6           the customers of the digital commodity ex-  
7           change.

8           “(B) USE FURTHER DEFINED.—For pur-  
9           poses of this paragraph, the term ‘use’ with re-  
10          spect to a digital commodity, includes utilizing  
11          any unit of a digital asset to participate in a  
12          distributed ledger service (as defined in para-  
13          graph (7)(D)) or a decentralized governance  
14          system associated with the digital commodity or  
15          the distributed ledger system to which the dig-  
16          ital commodity relates in any manner other  
17          than that expressly directed by the customer  
18          from whom the unit of a digital commodity was  
19          received.

20          “(7) PARTICIPATION IN DISTRIBUTED LEDGER  
21          SERVICES.—

22                 “(A) USE OF FUNDS.—A digital com-  
23                 modity exchange (or a designee of a digital  
24                 commodity exchange) may use a unit of a dig-  
25                 ital commodity belonging to a customer to pro-

1           vide a distributed ledger service for a distrib-  
2           uted ledger system to which the unit of the dig-  
3           ital commodity relates if for each use—

4                   “(i) the customer expressly permits  
5           the use, in writing, to the digital com-  
6           modity exchange; and

7                   “(ii) the digital commodity exchange  
8           complies with subparagraph (B).

9           “(B) LIMITATIONS.—

10                   “(i) IN GENERAL.—The Commission  
11           shall, by rule, establish notice and written  
12           disclosure requirements and any other limi-  
13           tations and rules related to a permission  
14           provided under subparagraph (A) or the  
15           treatment of customer assets in the event  
16           of an insolvency, resolution, or liquidation  
17           proceeding, including a description of the  
18           manner in which any digital commodity  
19           would be treated in an insolvency, resolu-  
20           tion, or liquidation proceeding, and how  
21           the treatment of digital commodities dif-  
22           fers from the treatment of any other assets  
23           in the event of an insolvency, resolution, or  
24           liquidation proceeding, that are reasonably  
25           necessary to protect customers, including

1 eligible contract participants, non-eligible  
2 contract participants, and any other class  
3 of customers.

4 “(ii) CUSTOMER CHOICE.—A digital  
5 commodity exchange may not—

6 “(I) require a customer to pro-  
7 vide the permission referred to in sub-  
8 paragraph (A) as a condition of doing  
9 business on the exchange; or

10 “(II) penalize a customer for not  
11 providing the permission referred to  
12 in subparagraph (A).

13 “(C) REQUIREMENTS.—The Commission  
14 may, by rule, modify the requirements of para-  
15 graph (2) or (3) and adopt rules pursuant to  
16 section 20(a) to facilitate the use of a unit of  
17 a digital commodity belonging to a customer to  
18 provide a distributed ledger service and address  
19 the treatment of customer assets in the event of  
20 an insolvency, resolution, or liquidation pro-  
21 ceeding of a digital commodity exchange that  
22 engages in such use.

23 “(g) MARKET ACCESS REQUIREMENTS.—

24 “(1) AFFILIATED DIGITAL COMMODITY BRO-  
25 KERS.—

1                   “(A) IN GENERAL.—A registered digital  
2                   commodity exchange may permit an affiliated  
3                   digital commodity broker to facilitate impartial  
4                   access to the digital commodity exchange.

5                   “(B) DEFINITION OF AFFILIATED DIGITAL  
6                   COMMODITY BROKERS.—In this paragraph, the  
7                   term ‘affiliated digital commodity broker’ in-  
8                   cludes the digital commodity exchange acting in  
9                   the capacity of a digital commodity broker if  
10                  the digital commodity exchange is dually reg-  
11                  istered in such capacity.

12                  “(2) ADDITIONAL REQUIREMENTS.—The Com-  
13                  mission may, by rule, impose additional require-  
14                  ments related to the operations and activities of a  
15                  digital commodity exchange and an affiliated digital  
16                  commodity broker to protect market participants,  
17                  promote fair and equitable trading on the digital  
18                  commodity exchange, and promote responsible inno-  
19                  vation.

20                  “(h) DESIGNATION OF CHIEF COMPLIANCE OFFI-  
21                  CER.—

22                  “(1) IN GENERAL.—A digital commodity ex-  
23                  change shall designate an individual to serve as a  
24                  chief compliance officer.

1           “(2) DUTIES.—The chief compliance officer of  
2           a digital commodity exchange shall—

3                   “(A) report directly to the board or to the  
4                   senior officer of the exchange;

5                   “(B) review compliance with the core prin-  
6                   ciples in this section;

7                   “(C) in consultation with the board of the  
8                   exchange, a body performing a function similar  
9                   to that of a board, or the senior officer of the  
10                  exchange, resolve any conflicts of interest that  
11                  may arise;

12                  “(D) establish and administer the policies  
13                  and procedures required to be established pur-  
14                  suant to this section;

15                  “(E) ensure compliance with this Act and  
16                  the rules and regulations issued under this Act,  
17                  including rules prescribed by the Commission  
18                  pursuant to this section; and

19                  “(F) establish procedures for the remedi-  
20                  ation of noncompliance issues found during  
21                  compliance office reviews, look-backs, internal  
22                  or external audit findings, self-reported errors,  
23                  or through validated complaints.

24           “(3) REQUIREMENTS FOR PROCEDURES.—In  
25           establishing procedures under paragraph (2)(F), the

1 chief compliance officer shall design the procedures  
2 to establish the handling, management response, re-  
3 mediation, retesting, and closing of noncompliance  
4 issues.

5 “(4) ANNUAL REPORTS.—

6 “(A) IN GENERAL.—In accordance with  
7 rules that shall be prescribed by the Commis-  
8 sion, the chief compliance officer of a digital  
9 commodity exchange shall annually prepare and  
10 sign a report that contains a description of—

11 “(i) the compliance of the digital com-  
12 modity exchange with this Act; and

13 “(ii) the policies and procedures, in-  
14 cluding the code of ethics and conflicts of  
15 interest policies, of the digital commodity  
16 exchange.

17 “(B) REQUIREMENTS.—The chief compli-  
18 ance officer shall—

19 “(i) submit each report described in  
20 subparagraph (A) with the appropriate fi-  
21 nancial report of the digital commodity ex-  
22 change that is required to be submitted to  
23 the Commission pursuant to this section;  
24 and

1 “(ii) include in the report a certifi-  
2 cation that, under penalty of law, the re-  
3 port is accurate and complete.

4 “(i) APPOINTMENT OF TRUSTEE.—

5 “(1) IN GENERAL.—If a proceeding under sec-  
6 tion 5e results in the suspension or revocation of the  
7 registration of a digital commodity exchange, or if a  
8 digital commodity exchange withdraws from registra-  
9 tion, the Commission, on notice to the digital com-  
10 modity exchange, may apply to the appropriate  
11 United States district court for the judicial district  
12 in which the digital commodity exchange is located  
13 for the appointment of a trustee.

14 “(2) ASSUMPTION OF JURISDICTION.—If the  
15 Commission applies for appointment of a trustee  
16 under paragraph (1)—

17 “(A) the court may take exclusive jurisdic-  
18 tion over the digital commodity exchange and  
19 the records and assets of the digital commodity  
20 exchange, wherever located; and

21 “(B) if the court takes jurisdiction under  
22 subparagraph (A), the court shall appoint the  
23 Commission, or a person designated by the  
24 Commission, as trustee with power to take pos-  
25 session and continue to operate or terminate

1           the operations of the digital commodity ex-  
2           change in an orderly manner for the protection  
3           of customers, subject to such terms and condi-  
4           tions as the court may prescribe.

5           “(j) EXEMPTIONS.—

6           “(1) IN GENERAL.—In order to promote re-  
7           sponsible innovation and fair competition, or protect  
8           customers, the Commission may (on its own initia-  
9           tive or on application of the digital commodity ex-  
10          change) exempt, either unconditionally or on stated  
11          terms or conditions or for stated periods and either  
12          retroactively or prospectively, or both, a digital com-  
13          modity exchange from the requirements of this Act,  
14          if the Commission determines that—

15               “(A) the exemption would be consistent  
16               with the public interest and the purposes of this  
17               Act; and

18               “(B) the exemption will not have a mate-  
19               rial adverse effect on the ability of the Commis-  
20               sion or the digital commodity exchange to dis-  
21               charge regulatory or self-regulatory duties  
22               under this Act.

23           “(2) FOREIGN EXCHANGES.—

24               “(A) IN GENERAL.—The Commission may  
25               exempt, conditionally or unconditionally, a dig-

1           ital commodity exchange from registration  
2           under this section if the Commission finds that  
3           the digital commodity exchange is subject to  
4           comparable, comprehensive supervision and reg-  
5           ulation on a consolidated basis by the appro-  
6           priate governmental authorities in the home  
7           country of the digital commodity exchange.

8                   “(B) TRANSITION PERIOD.—Until the  
9           Commission has issued its final rules under this  
10          section, the Commission may exempt a foreign  
11          digital commodity exchange from registration  
12          under this section if—

13                   “(i) the foreign digital commodity ex-  
14                  change—

15                   “(I) keeps the books and records  
16                  of the foreign digital commodity ex-  
17                  change open to inspection and exam-  
18                  ination by any representative of the  
19                  Commission upon reasonable request;  
20                  and

21                   “(II) reports to the Commission,  
22                  in a form and manner acceptable to  
23                  the Commission, such information as  
24                  the Commission determines to be rea-  
25                  sonably necessary or appropriate for

1 the Commission to perform the duties  
2 of the Commission under this Act;  
3 and

4 “(ii) the appropriate government au-  
5 thorities in the home country of the foreign  
6 digital commodity exchange—

7 “(I) certify that the foreign dig-  
8 ital commodity exchange—

9 “(aa) is subject to—

10 “(AA) supervision and  
11 regulation on a consolidated  
12 basis by a governmental au-  
13 thority in its home country,  
14 including requirements relat-  
15 ing to beneficial ownership,  
16 control persons, governance,  
17 risk management, financial  
18 reporting, and market integ-  
19 rity; and

20 “(BB) clear and en-  
21 forceable managerial and su-  
22 pervisory responsibility at  
23 the consolidated level; and

24 “(bb) is in good standing  
25 and not subject to unresolved,

1 material enforcement actions re-  
2 lating to market integrity, cus-  
3 tomer protection, or financial  
4 crime; and

5 “(II) enter into a memorandum  
6 of understanding with the Commission  
7 in which those appropriate govern-  
8 ment authorities agree to provide to  
9 the Commission information regarding  
10 the foreign digital commodity ex-  
11 change that the Commission requests.

12 “(C) SUSPENSION OR REVOCATION.—The  
13 Commission may suspend or revoke an exemp-  
14 tion under subparagraph (B) if the Commission  
15 determines that the foreign digital commodity  
16 exchange or the appropriate government au-  
17 thority in the home country of the foreign dig-  
18 ital commodity exchange fails to substantially  
19 comply with the requirements described in sub-  
20 paragraph (B).

21 “(k) FEDERAL PREEMPTION.—

22 “(1) IN GENERAL.—Notwithstanding any other  
23 provision of law, the Commission shall have exclusive  
24 jurisdiction over any digital commodity exchange

1 registered under this section with respect to activi-  
2 ties and transactions subject to this Act.

3 “(2) PRESERVATION OF AUTHORITY.—Nothing  
4 in this Act shall affect the ability of a State or local  
5 agency to investigate and bring enforcement ac-  
6 tions—

7 “(A) against a person registered with the  
8 Commission regarding fraud, deceit, manipula-  
9 tion, or any other violation of this Act or any  
10 rule, regulation, or order of the Commission  
11 under this Act, in accordance with section 6d;  
12 or

13 “(B) against any unregistered person for  
14 violation of any generally applicable State or  
15 local law, including a law relating to fraud, de-  
16 ceit, unfair or deceptive acts or practices, con-  
17 sumer protection, banking, payments, property,  
18 contracts, criminal law, or unlawful conduct or  
19 practices.

20 “(l) REGULATIONS.—The Commission shall prescribe  
21 such rules and regulations as are appropriate for the im-  
22 plementation of this section.

23 “(m) CUSTOMER DEFINED.—In this section, the  
24 term ‘customer’ means any person that maintains an ac-  
25 count for the trading of digital commodities directly with

1 a digital commodity exchange (other than a person that  
2 is owned or controlled, directly or indirectly, by the digital  
3 commodity exchange) for its own behalf or on behalf of  
4 any other person.”.

5 (b) JURISDICTION OF STATES.—Section 6d(1) of the  
6 Commodity Exchange Act (7 U.S.C. 13a–2(1)) is amend-  
7 ed by inserting “digital commodity exchange, digital com-  
8 modity broker, digital commodity dealer” before “contract  
9 market”.

10 (c) PRIVATE RIGHTS OF ACTION.—Section 22 of the  
11 Commodity Exchange Act (7 U.S.C. 25) is amended—

12 (1) in subsection (a)—

13 (A) in paragraph (1)—

14 (i) in subparagraph (B)—

15 (I) by striking “commodity) or  
16 any swap;” and inserting “com-  
17 modity), any swap, or any digital com-  
18 modity transaction;”; and

19 (II) by striking “to make such  
20 contract” and all that follows through  
21 the semicolon at the end and inserting  
22 “to make such contract, any swap, or  
23 any digital commodity transaction;”;

1 (ii) in subparagraph (C), by con-  
2 forming the margin of clause (iv) to the  
3 margin of clauses (i) through (iii); and

4 (iii) in subparagraph (D)—

5 (I) in the matter preceding clause  
6 (i), by striking “subparagraph (B)  
7 hereof or swap” and inserting “sub-  
8 paragraph (B), a swap, or a digital  
9 commodity”; and

10 (II) in clause (ii), by striking  
11 “any such contract or swap” and in-  
12 serting “any such contract, swap, or  
13 digital commodity”; and

14 (B) in paragraph (2), in the second sen-  
15 tence, by striking “advance of”; and

16 (2) in subsection (b)(1)(A), by inserting “5i,”  
17 after “5h,”.

18 (d) SUSPENSION OR REVOCATION OF DESIGNATION  
19 AS REGISTERED ENTITY.—Section 6(b) of the Commodity  
20 Exchange Act (7 U.S.C. 8(b)) is amended—

21 (1) by striking “or derivatives transaction exe-  
22 cution facility” the first 2 places it appears and in-  
23 serting “, derivatives transaction execution facility,  
24 or digital commodity exchange”; and

1           (2) by striking “or derivatives transaction exe-  
2           cution facility or” each place it appears and insert-  
3           ing “, derivatives transaction execution facility, dig-  
4           ital commodity exchange, or”.

5 **SEC. 20205. REGISTRATION AND REGULATION OF QUALI-**  
6 **FIED DIGITAL ASSET CUSTODIANS.**

7           The Commodity Exchange Act (7 U.S.C. 1 et seq.)  
8 is amended by inserting after section 5i (as added by sec-  
9 tion 20204(a)) the following:

10 **“SEC. 5j. QUALIFIED DIGITAL ASSET CUSTODIANS.**

11           “(a) IN GENERAL.—A person shall be considered a  
12 qualified digital asset custodian if the person—

13           “(1) holds digital assets on behalf of a person  
14 registered under this Act or a customer of a person  
15 registered under this Act; and

16           “(2) is in compliance with subsections (b) and  
17 (c).

18           “(b) SUPERVISION REQUIREMENT.—A person is in  
19 compliance with this subsection if the digital asset custo-  
20 dian is subject to—

21           “(1) supervision and examination for custody  
22 and safekeeping of digital assets by an appropriate  
23 Federal banking agency, the National Credit Union  
24 Administration, the Commission, or the Securities  
25 and Exchange Commission; or

1           “(2) adequate supervision and appropriate reg-  
2           ulation for custody and safekeeping of digital assets  
3           by—

4                   “(A) a State bank supervisor (as defined  
5                   in section 3 of the Federal Deposit Insurance  
6                   Act (12 U.S.C. 1813));

7                   “(B) a State credit union supervisor (as  
8                   defined in section 6003 of the Anti-Money  
9                   Laundering Act of 2020 (31 U.S.C. 5311 note;  
10                  division F of Public Law 116–283)); or

11                  “(C) an appropriate foreign governmental  
12                  authority in the home country of the person, if  
13                  it provides comparable, comprehensive super-  
14                  vision and regulation of the person.

15           “(c) OTHER REQUIREMENTS.—A person is in compli-  
16           ance with this subsection if the following requirements are  
17           met:

18                   “(1) NOT OTHERWISE PROHIBITED.—The per-  
19                   son has not been prohibited by the applicable super-  
20                   visor described in subsection (b) from engaging in  
21                   an activity with respect to the custody and safe-  
22                   keeping of digital assets.

23           “(2) INFORMATION SHARING.—

24                   “(A) IN GENERAL.—The person shares in-  
25                   formation with the Commission on request and

1 complies with such requirements for periodic  
2 sharing of information regarding customer ac-  
3 counts that the digital asset custodian holds on  
4 behalf of an entity registered with the Commis-  
5 sion as the Commission determines by rule are  
6 reasonably necessary to effectuate any of the  
7 provisions, or to accomplish any of the pur-  
8 poses, of this Act.

9 “(B) PROVISION OF INFORMATION.—If the  
10 person is subject to regulation and examination  
11 by an appropriate Federal banking agency, the  
12 digital asset custodian may satisfy any informa-  
13 tion request described in subparagraph (A) by  
14 providing the Commission with a detailed list-  
15 ing, in writing, of the digital assets of a cus-  
16 tomer in the custody of, or use by, the digital  
17 asset custodian.

18 “(3) RULEMAKING.—

19 “(A) IN GENERAL.—The Commission shall  
20 prescribe rules for a person registered with the  
21 Commission to also be registered with the Com-  
22 mission as a qualified digital asset custodian.

23 “(B) CONTENT.—In prescribing the rules  
24 under subparagraph (A), the Commission shall

1           require a person registered with the Commis-  
2           sion as a qualified digital asset custodian—

3                   “(i) to implement requirements con-  
4                   sistent with the requirements described in  
5                   subsection (d)(1);

6                   “(ii) to establish sufficient system  
7                   safeguards;

8                   “(iii) to prevent or mitigate conflicts  
9                   of interest, as appropriate; and

10                  “(iv) to establish separate governance  
11                  arrangements for the custodial function of  
12                  the entity.

13           “(d) ADEQUATE SUPERVISION AND APPROPRIATE  
14   REGULATION.—

15                  “(1) IN GENERAL.—For purposes of subsection  
16                  (b), the terms ‘adequate supervision’ and ‘appro-  
17                  priate regulation’ mean such minimum standards for  
18                  supervision and regulation as are reasonably nec-  
19                  essary to protect the digital assets held by a person  
20                  registered under this Act, including standards relat-  
21                  ing to the licensing, examination, and supervisory  
22                  processes that require the person to, at a min-  
23                  imum—

24                          “(A) receive a review and evaluation of  
25                          ownership, character and fitness, conflicts of in-

1           terest, business model, financial statements,  
2           funding resources, and policies and procedures  
3           of the digital asset custodian;

4           “(B) hold capital sufficient to conduct an  
5           orderly wind-down and resolution of the digital  
6           asset custodian;

7           “(C) protect customer assets;

8           “(D) establish and maintain books and  
9           records regarding the business of the digital  
10          asset custodian;

11          “(E) submit financial statements and au-  
12          dited financial statements to the applicable su-  
13          pervisor described in subsection (b);

14          “(F) provide disclosures to the applicable  
15          supervisor described in subsection (b) regarding  
16          actions, proceedings, and other items as deter-  
17          mined by the supervisor;

18          “(G) maintain and enforce policies and  
19          procedures for compliance with applicable State  
20          and Federal laws, including those related to  
21          anti-money laundering and cybersecurity;

22          “(H) establish a business continuity plan  
23          to ensure functionality in cases of disruption;  
24          and

1                   “(I) establish policies and procedures to re-  
2                   solve complaints.

3                   “(2) RULEMAKING WITH RESPECT TO DEFINI-  
4                   TIONS.—

5                   “(A) IN GENERAL.—For purposes of this  
6                   section, the Commission shall, by rule, further  
7                   define the terms ‘adequate supervision’ and ‘ap-  
8                   propriate regulation’ as necessary and appro-  
9                   priate for the protection of customers, and con-  
10                  sistent with the purposes of this Act.

11                  “(B)       EXISTING       DIGITAL       ASSET  
12                  CUSTODIANS.—A State depository institution or  
13                  a trust company operating as a digital asset  
14                  custodian before the effective date of a rule-  
15                  making under subparagraph (A) is deemed sub-  
16                  ject to adequate supervision and appropriate  
17                  regulation if—

18                       “(i) the State depository institution or  
19                       trust company is expressly permitted by a  
20                       State bank supervisor to engage in the cus-  
21                       tody and safekeeping of digital assets;

22                       “(ii) the State bank supervisor has es-  
23                       tablished licensing, examination, and su-  
24                       pervisory processes that require the State  
25                       depository institution or trust company to,

1 at a minimum, meet the conditions de-  
2 scribed in subparagraphs (A) through (I)  
3 of paragraph (1); and

4 “(iii) the State depository institution  
5 or trust company is in good standing with  
6 its State bank supervisor.

7 “(C) TRANSITION PERIOD FOR CERTAIN  
8 CUSTODIANS.—In implementing the rulemaking  
9 under subparagraph (A), the Commission shall  
10 provide a transition period of not less than 2  
11 years for any State depository institution or  
12 trust company that is deemed subject to ade-  
13 quate supervision and appropriate regulation  
14 under subparagraph (B) on the effective date of  
15 the rulemaking.

16 “(e) AUTHORITY TO TEMPORARILY SUSPEND STAND-  
17 ARDS.—The Commission may, by rule or order, tempo-  
18 rarily suspend, in whole or in part, any requirement im-  
19 posed under, or any standard referred to in, this section,  
20 or any requirement to utilize a qualified digital asset cus-  
21 todian, if the Commission determines that the suspension  
22 would be consistent with the public interest and the pur-  
23 poses of this Act.

24 “(f) FEDERAL PREEMPTION.—

1           “(1) IN GENERAL.—Notwithstanding any other  
2           provision of law, the Commission shall have exclusive  
3           jurisdiction over any qualified digital asset custodian  
4           registered under this section with respect to activi-  
5           ties and transactions subject to this Act.

6           “(2) PRESERVATION OF AUTHORITY.—Nothing  
7           in this Act shall affect the ability of a State or local  
8           agency to investigate and bring enforcement ac-  
9           tions—

10           “(A) against a person registered with the  
11           Commission regarding fraud, deceit, manipula-  
12           tion, or any other violation of this Act or any  
13           rule, regulation, or order of the Commission  
14           under this Act, in accordance with section 6d of  
15           this Act; or

16           “(B) against any unregistered person for  
17           violation of any generally applicable State or  
18           local law, including a law relating to fraud, de-  
19           ceit, unfair or deceptive acts or practices, con-  
20           sumer protection, banking, payments, property,  
21           contracts, criminal law, or unlawful conduct or  
22           practices.”.

1 **SEC. 20206. REGISTRATION AND REGULATION OF DIGITAL**  
2 **COMMODITY BROKERS AND DEALERS.**

3 (a) IN GENERAL.—The Commodity Exchange Act is  
4 amended by inserting after section 4t (7 U.S.C. 6t) the  
5 following:

6 **“SEC. 4u. REGISTRATION AND REGULATION OF DIGITAL**  
7 **COMMODITY BROKERS AND DEALERS.**

8 “(a) REGISTRATION.—

9 “(1) REQUIREMENT.—It shall be unlawful for  
10 any person to act as a digital commodity broker or  
11 digital commodity dealer unless the person is reg-  
12 istered as such with the Commission.

13 “(2) NOTICE FILING.—A person that is already  
14 registered as a futures commission merchant or a  
15 swap dealer shall be registered as a digital com-  
16 modity broker or a digital commodity dealer, subject  
17 to the conditions that—

18 “(A) the person shall file written notice  
19 with the Commission and any registered futures  
20 association of which it is a member of its inten-  
21 tion to register as a digital commodity broker  
22 or a digital commodity dealer, in such form as  
23 the Commission, by rule or regulation, may pre-  
24 scribe, and containing such information as the  
25 Commission, by rule or regulation, may pre-

1           scribe as necessary or appropriate in the public  
2           interest; and

3                   “(B) the registration of the futures com-  
4           mission merchant or swap dealer is not sus-  
5           pended pursuant to an order of the Commis-  
6           sion.

7                   “(3) DE MINIMIS.—A person acting as a digital  
8           commodity broker or digital commodity dealer shall  
9           not be required to register under this section if the  
10          person engages in no more than a de minimis  
11          amount of brokering or dealing activity in a digital  
12          commodity, as the Commission may determine by  
13          rule or regulation.

14                   “(4) ADDITIONAL REGISTRATION.—

15                   “(A) RULES.—In order to foster the devel-  
16          opment of fair and orderly markets, protect  
17          customers, and promote responsible innovation,  
18          the Commission shall—

19                           “(i) prescribe rules to exempt an enti-  
20                   ty registered with the Commission under  
21                   more than 1 section of this Act from dupli-  
22                   cative, conflicting, or unduly burdensome  
23                   provisions of this Act and the rules under  
24                   this Act;

1                   “(ii) prescribe rules establishing re-  
2                   quirements for the identification, mitiga-  
3                   tion, and resolution of conflicts of interest  
4                   among and across affiliated entities or en-  
5                   tities with multiple registrations under this  
6                   Act, including conflicts of interest related  
7                   to vertically integrated market structures  
8                   and their varying responsibilities and ac-  
9                   tivities; and

10                   “(iii) after an analysis of the risks  
11                   and benefits, prescribe rules to provide for  
12                   portfolio margining in accordance with sec-  
13                   tion 10402 of the Digital Asset Market  
14                   Clarity Act.

15                   “(B) MEMBERSHIP IN A REGISTERED FU-  
16                   TURES ASSOCIATION.—

17                   “(i) IN GENERAL.—Any person re-  
18                   quired to be registered as a digital com-  
19                   modity broker or digital commodity dealer  
20                   under this section shall become and remain  
21                   a member of a registered futures associa-  
22                   tion.

23                   “(ii) DIGITAL COMMODITY EX-  
24                   CHANGES.—If the person described in  
25                   clause (i) is also registered as a digital

1 commodity exchange, the authority of the  
2 registered futures association shall not ex-  
3 tend to the business and obligations of the  
4 person as a digital commodity exchange.

5 “(C) HARMONIZATION.—In prescribing  
6 rules for digital commodity brokers or digital  
7 commodity dealers, the Commission shall, to the  
8 greatest extent feasible, seek to avoid duplica-  
9 tion, inconsistencies, or burdens for a person  
10 registered in multiple capacities.

11 “(b) REQUIREMENTS.—

12 “(1) IN GENERAL.—A person shall register as  
13 a digital commodity broker or digital commodity  
14 dealer by filing a registration application with the  
15 Commission.

16 “(2) CONTENTS.—

17 “(A) IN GENERAL.—The application under  
18 paragraph (1) shall be made in such form and  
19 manner as is prescribed by the Commission,  
20 and shall contain such information as the Com-  
21 mission considers necessary concerning the  
22 business in which the applicant is or will be en-  
23 gaged.

24 “(B) CONTINUAL REPORTING.—A person  
25 that is registered as a digital commodity broker

1           or digital commodity dealer shall continue to  
2           submit to the Commission reports that contain  
3           such information pertaining to the business of  
4           the person as the Commission may require.

5           “(3) STATUTORY DISQUALIFICATION.—Except  
6           to the extent otherwise specifically provided by rule,  
7           regulation, or order, it shall be unlawful for a digital  
8           commodity broker or digital commodity dealer to  
9           permit any person who is associated with a digital  
10          commodity broker or a digital commodity dealer and  
11          who is subject to a statutory disqualification to ef-  
12          fect or be involved in effecting a contract of sale of  
13          a digital commodity on behalf of the digital com-  
14          modity broker or the digital commodity dealer, re-  
15          spectively, if the digital commodity broker or digital  
16          commodity dealer, respectively, knew, or in the exer-  
17          cise of reasonable care should have known, of the  
18          statutory disqualification.

19          “(c) RULEMAKING.—

20                 “(1) IN GENERAL.—The Commission shall pre-  
21                 scribe such rules applicable to registered digital com-  
22                 modity brokers and registered digital commodity  
23                 dealers as are appropriate to carry out this section,  
24                 including rules in the public interest that limit the

1 activities of digital commodity brokers and digital  
2 commodity dealers.

3 “(2) FINANCING AGREEMENTS.—

4 “(A) IN GENERAL.—The Commission shall  
5 prescribe rules and regulations applicable to  
6 digital commodity brokers or digital commodity  
7 dealers that shall set forth minimum require-  
8 ments related to disclosure, recordkeeping, mar-  
9 gin financing arrangements, rehypothecation,  
10 capital, reporting, business conduct, documenta-  
11 tion, and supervision of employees and agents,  
12 in connection with—

13 “(i) an agreement described in section  
14 2(c)(2)(D)(iv); or

15 “(ii) any other margined, leveraged,  
16 or financing arrangement for the purchase  
17 or sale of a digital commodity with an eli-  
18 gible contract participant.

19 “(B) SPECIFIC AUTHORITY.—Except as  
20 prohibited by section 2(c)(2)(G)(iii), the Com-  
21 mission may also make, promulgate, and en-  
22 force such rules and regulations as, in the judg-  
23 ment of the Commission, are reasonably nec-  
24 essary to effectuate any of the provisions of, or  
25 to accomplish any of the purposes of, this Act

1 in connection with an agreement referred to in  
2 subparagraph (A).

3 “(d) CAPITAL REQUIREMENTS.—

4 “(1) IN GENERAL.—Each digital commodity  
5 broker and digital commodity dealer shall meet such  
6 minimum capital requirements as the Commission  
7 may prescribe to address the risks associated with  
8 digital commodity trading and to ensure that the  
9 digital commodity broker or digital commodity deal-  
10 er, respectively, is able, at all times, to meet and  
11 continue to meet the obligations of such a registrant.

12 “(2) FUTURES COMMISSION MERCHANTS AND  
13 OTHER DEALERS.—Each futures commission mer-  
14 chant, introducing broker, digital commodity broker,  
15 digital commodity dealer, broker, and dealer shall  
16 maintain sufficient capital to comply with the strict-  
17 er of any applicable capital requirements to which  
18 the futures commission merchant, introducing  
19 broker, digital commodity broker, digital commodity  
20 dealer, broker, or dealer, respectively, is subject  
21 under this Act or the Securities Exchange Act of  
22 1934 (15 U.S.C. 78a et seq.).

23 “(e) DIGITAL COMMODITY TRADING NOT READILY  
24 SUSCEPTIBLE TO MANIPULATION.—A digital commodity  
25 broker or digital commodity dealer may only offer trades

1 in digital commodities that are not readily susceptible to  
2 manipulation.

3 “(f) EXECUTION.—The Commission shall prescribe  
4 rules and regulations regarding the execution of digital  
5 commodity transactions by a digital commodity broker or  
6 a digital commodity dealer with or on behalf of customers,  
7 which shall address—

8 “(1) fair and objective pricing;

9 “(2) the recording, maintaining, and disclosure  
10 of information;

11 “(3) the protection of the price discovery proc-  
12 ess; and

13 “(4) requirements specific to digital commodity  
14 transactions with or on behalf of a customer who is  
15 not an eligible contract participant.

16 “(g) REPORTING AND RECORDKEEPING.—

17 “(1) IN GENERAL.—Each digital commodity  
18 broker and digital commodity dealer shall—

19 “(A) make such reports as are required by  
20 the Commission by rule or regulation regarding  
21 the transactions, positions, and financial condi-  
22 tion of the digital commodity broker or digital  
23 commodity dealer, respectively;

24 “(B) keep books and records in such form  
25 and manner and for such period as shall be pre-

1           scribed by the Commission by rule or regula-  
2           tion; and

3           “(C) keep the books and records open to  
4           inspection and examination by any representa-  
5           tive of the Commission.

6           “(2) EXEMPTION FOR CERTAIN PERMITTED  
7           PAYMENT STABLECOIN TRANSACTIONS.—The re-  
8           quirements of this subsection shall not apply to per-  
9           mitted payment stablecoin transactions unrelated to  
10          the trading of a digital commodity.

11          “(h) DAILY TRADING RECORDS.—

12           “(1) IN GENERAL.—Each digital commodity  
13          broker and digital commodity dealer shall maintain  
14          daily trading records of the transactions of the dig-  
15          ital commodity broker or digital commodity dealer,  
16          respectively, and all related records (including re-  
17          lated forward or derivatives transactions) and re-  
18          corded communications, including electronic mail, in-  
19          stant messages, and recordings of telephone calls,  
20          for such period as the Commission shall require by  
21          rule or regulation.

22           “(2) INFORMATION REQUIREMENTS.—The daily  
23          trading records described in paragraph (1) shall in-  
24          clude such information as the Commission shall re-  
25          quire by rule or regulation.

1           “(3) COUNTERPARTY RECORDS.—Each digital  
2 commodity broker and digital commodity dealer shall  
3 maintain daily trading records for each customer or  
4 counterparty in a manner and form that is identifi-  
5 able with each digital commodity transaction.

6           “(4) AUDIT TRAIL.—Each digital commodity  
7 broker and digital commodity dealer shall maintain  
8 a complete audit trail for conducting comprehensive  
9 and accurate trade reconstructions.

10           “(5) EXEMPTION FOR CERTAIN PERMITTED  
11 PAYMENT STABLECOINS TRANSACTIONS.—The re-  
12 quirements of this subsection shall not apply to per-  
13 mitted payment stablecoin transactions unrelated to  
14 the trading of a digital commodity.

15           “(i) BUSINESS CONDUCT STANDARDS.—

16           “(1) IN GENERAL.—Each digital commodity  
17 broker and digital commodity dealer shall conform  
18 with such business conduct standards as the Com-  
19 mission, by rule or regulation, shall prescribe related  
20 to—

21           “(A) fraud, manipulation, and other abu-  
22 sive practices involving spot digital commodity  
23 transactions (including transactions that are of-  
24 fered but not entered into);

1 “(B) diligent supervision of the business of  
2 the registered digital commodity broker or dig-  
3 ital commodity dealer, respectively; and

4 “(C) such other matters as the Commis-  
5 sion determines appropriate.

6 “(2) BUSINESS CONDUCT REQUIREMENTS.—  
7 The Commission shall, by rule, prescribe business  
8 conduct requirements that—

9 “(A) require disclosure by a registered dig-  
10 ital commodity broker and registered digital  
11 commodity dealer to any counterparty to the  
12 transaction (other than an eligible contract par-  
13 ticipant) of—

14 “(i) information about the material  
15 risks and characteristics of the digital com-  
16 modity;

17 “(ii) information about the material  
18 risks and characteristics of the transaction;  
19 and

20 “(iii) information consistent with the  
21 requirements imposed on a digital com-  
22 modity exchange by subparagraphs (B)  
23 and (C)(ii) of section 5i(c)(3), for a trade  
24 in a digital commodity that has not been  
25 certified by a digital commodity exchange

1 or approved by the Commission under sec-  
2 tion 5c(d) and that is not being executed  
3 on a digital commodity exchange;

4 “(B) establish a duty for such a digital  
5 commodity broker and such a digital commodity  
6 dealer to communicate in a fair and balanced  
7 manner based on principles of fair dealing and  
8 good faith;

9 “(C) establish standards governing digital  
10 commodity broker and digital commodity dealer  
11 marketing and advertising, including  
12 testimonials and endorsements;

13 “(D) establish a duty for digital com-  
14 modity brokers and digital commodity dealers  
15 to provide fair, transparent, and objective pric-  
16 ing; and

17 “(E) establish such other standards and  
18 requirements as the Commission may determine  
19 are appropriate for the protection of customers.

20 “(3) PROHIBITION ON FRAUDULENT PRAC-  
21 TICES.—It shall be unlawful for a digital commodity  
22 broker or digital commodity dealer to—

23 “(A) employ any device, scheme, or artifice  
24 to defraud any customer or counterparty;

1           “(B) engage in any transaction, practice,  
2           or course of business that operates as a fraud  
3           or deceit on any customer or counterparty; or

4           “(C) engage in any act, practice, or course  
5           of business that is fraudulent, deceptive, or ma-  
6           nipulative.

7           “(j) DUTIES.—

8           “(1) RISK MANAGEMENT PROCEDURES.—Each  
9           digital commodity broker and digital commodity  
10          dealer shall establish robust and professional risk  
11          management systems adequate for managing the  
12          day-to-day business of the digital commodity broker  
13          or digital commodity dealer, respectively.

14          “(2) DISCLOSURE OF GENERAL INFORMA-  
15          TION.—Each digital commodity broker and digital  
16          commodity dealer shall disclose to the Commission  
17          information concerning—

18               “(A) the terms and conditions of the trans-  
19               actions of the digital commodity broker or dig-  
20               ital commodity dealer, respectively;

21               “(B) the trading operations, mechanisms,  
22               and practices of the digital commodity broker  
23               or digital commodity dealer, respectively;

1                   “(C) financial integrity protections relating  
2                   to the activities of the digital commodity broker  
3                   or digital commodity dealer, respectively; and

4                   “(D) other information relevant to trading  
5                   in digital commodities by the digital commodity  
6                   broker or digital commodity dealer, respectively.

7                   “(3) ABILITY TO OBTAIN INFORMATION.—Each  
8                   digital commodity broker and digital commodity  
9                   dealer shall—

10                  “(A) establish and enforce internal systems  
11                  and procedures to obtain any necessary infor-  
12                  mation to perform any of the functions de-  
13                  scribed in this section; and

14                  “(B) provide the information to the Com-  
15                  mission, on request.

16                  “(4) CONFLICTS OF INTEREST.—Each digital  
17                  commodity broker and digital commodity dealer shall  
18                  establish, maintain, and enforce written policies and  
19                  procedures—

20                  “(A) reasonably designed, taking into con-  
21                  sideration the nature of the business of the per-  
22                  son—

23                  “(i) to minimize any conflicts of inter-  
24                  est in the decision-making process, includ-  
25                  ing conflicts arising—

1 “(I) out of transactions or ar-  
2 rangements with affiliates (including  
3 affiliates engaging in digital com-  
4 modity activities); or

5 “(II) as a result of multiple reg-  
6 istrations under this Act;

7 “(ii) to establish a process for resolv-  
8 ing conflicts of interest described in clause  
9 (i); and

10 “(iii) to require disclosure by a digital  
11 commodity broker or digital commodity  
12 dealer of any material incentives or con-  
13 flicts of interest that the digital commodity  
14 broker or digital commodity dealer is un-  
15 able to resolve; and

16 “(B) relating to such additional matters as  
17 the Commission determines by rule or regula-  
18 tion to be necessary or appropriate in the public  
19 interest.

20 “(5) ANTITRUST CONSIDERATIONS.—Unless  
21 necessary or appropriate to achieve the purposes of  
22 this Act, a digital commodity broker or digital com-  
23 modity dealer shall not—

1           “(A) adopt any process or take any action  
2           that results in any unreasonable restraint of  
3           trade; or

4           “(B) impose any material anticompetitive  
5           burden on trading or clearing.

6           “(k) DESIGNATION OF CHIEF COMPLIANCE OFFI-  
7 CER.—

8           “(1) IN GENERAL.—Each digital commodity  
9           broker and digital commodity dealer shall designate  
10          an individual to serve as a chief compliance officer.

11          “(2) DUTIES.—The chief compliance officer of  
12          a registered digital commodity broker or a registered  
13          digital commodity dealer shall—

14               “(A) report directly to the board or to the  
15               senior officer of the registered digital com-  
16               modity broker or registered digital commodity  
17               dealer;

18               “(B) review the compliance of the reg-  
19               istered digital commodity broker or registered  
20               digital commodity dealer with respect to the  
21               registered digital commodity broker and reg-  
22               istered digital commodity dealer requirements  
23               described in this section;

24               “(C) in consultation with the board of di-  
25               rectors, a body performing a function similar to

1 the board, or the senior officer of the organiza-  
2 tion, resolve any conflicts of interest that may  
3 arise;

4 “(D) be responsible for administering each  
5 policy and procedure that is required to be es-  
6 tablished pursuant to this section;

7 “(E) ensure compliance with this Act (in-  
8 cluding regulations), including each rule pre-  
9 scribed by the Commission under this section;

10 “(F) establish procedures for the remedi-  
11 ation of noncompliance issues identified by the  
12 chief compliance officer through any—

13 “(i) compliance office review;

14 “(ii) look-back;

15 “(iii) internal or external audit find-  
16 ing;

17 “(iv) self-reported error; or

18 “(v) validated complaint; and

19 “(G) establish and follow appropriate pro-  
20 cedures for the handling, management response,  
21 remediation, retesting, and closing of non-  
22 compliance issues.

23 “(3) ANNUAL REPORTS.—

24 “(A) IN GENERAL.—In accordance with  
25 rules that shall be prescribed by the Commis-

1           sion, the chief compliance officer of a registered  
2           digital commodity broker or a registered digital  
3           commodity dealer shall annually prepare and  
4           sign a report that contains a description of—

5                   “(i) the compliance of the registered  
6                   digital commodity broker or registered dig-  
7                   ital commodity dealer with this Act (in-  
8                   cluding regulations); and

9                   “(ii) each policy and procedure of the  
10                  registered digital commodity broker or reg-  
11                  istered digital commodity dealer followed  
12                  by the chief compliance officer (including  
13                  the code of ethics and conflicts of interest  
14                  policies).

15               “(B) REQUIREMENTS.—The chief compli-  
16               ance officer shall ensure that a compliance re-  
17               port under subparagraph (A)—

18                   “(i) accompanies each appropriate fi-  
19                   nancial report of the registered digital  
20                   commodity broker or registered digital  
21                   commodity dealer that is required to be  
22                   furnished to the Commission pursuant to  
23                   this section; and

1 “(ii) includes a certification that,  
2 under penalty of law, the compliance re-  
3 port is accurate and complete.

4 “(l) SEGREGATION OF DIGITAL COMMODITIES.—

5 “(1) HOLDING OF CUSTOMER ASSETS.—

6 “(A) IN GENERAL.—Each digital com-  
7 modity broker and digital commodity dealer  
8 shall hold customer money, assets, and property  
9 in a manner to minimize the risk of loss to the  
10 customer or unreasonable delay in customer ac-  
11 cess to the money, assets, and property of the  
12 customer.

13 “(B) QUALIFIED DIGITAL ASSET CUSTO-  
14 DIAN.—Each digital commodity broker and dig-  
15 ital commodity dealer shall hold in a qualified  
16 digital asset custodian each unit of a digital  
17 asset that is—

18 “(i) the property of a customer or  
19 counterparty of the digital commodity  
20 broker or digital commodity dealer, respec-  
21 tively;

22 “(ii) required to be held by the digital  
23 commodity broker or digital commodity  
24 dealer under subsection (c); or

1                   “(iii) otherwise so required by the  
2                   Commission to reasonably protect cus-  
3                   tomers and customer assets or promote the  
4                   public interest.

5                   “(C) NON-CUSTODIAL INTERMEDIARY.—  
6                   This subsection shall not apply with respect to  
7                   digital commodities when the digital commodity  
8                   broker or digital commodity dealer does not  
9                   maintain control over the private keys or other  
10                  credentials necessary to exclusively possess and  
11                  transfer any unit of a digital commodity belong-  
12                  ing to the customer.

13                  “(2) SEGREGATION OF FUNDS.—

14                  “(A) IN GENERAL.—Each digital com-  
15                  modity broker and digital commodity dealer  
16                  shall treat and deal with all money, assets, and  
17                  property that is received by the digital com-  
18                  modity broker or digital commodity dealer, or  
19                  accrues to a customer as the result of trading  
20                  in digital commodities, as belonging to the cus-  
21                  tomer.

22                  “(B) COMMINGLING PROHIBITED.—

23                  “(i) IN GENERAL.—Except as pro-  
24                  vided in clause (ii), each digital commodity  
25                  broker and digital commodity dealer shall

1 separately account for money, assets, and  
2 property of a digital commodity customer,  
3 and shall not commingle any such money,  
4 assets, or property with the funds of the  
5 digital commodity broker or digital com-  
6 modity dealer, respectively, or use any such  
7 money, assets, or property to margin, se-  
8 cure, or guarantee any trades or accounts  
9 of any customer or person other than the  
10 person for whom the money, assets, or  
11 property are held.

12 “(ii) EXCEPTIONS.—

13 “(I) USE OF FUNDS.—

14 “(aa) IN GENERAL.—A dig-  
15 ital commodity broker or digital  
16 commodity dealer may, for con-  
17 venience, commingle and deposit  
18 in the same account or accounts  
19 with any bank, trust company,  
20 derivatives clearing organization,  
21 or qualified digital asset custo-  
22 dian money, assets, and property  
23 of customers.

24 “(bb) WITHDRAWAL.—The  
25 share of the money, assets, and

1 property described in item (aa)  
2 as in the normal course of busi-  
3 ness shall be necessary to mar-  
4 gin, guarantee, secure, transfer,  
5 adjust, or settle a contract of sale  
6 of a digital commodity with a  
7 registered entity may be with-  
8 drawn and applied to such pur-  
9 poses, including the payment of  
10 commissions, brokerage, interest,  
11 taxes, storage, and other charges,  
12 lawfully accruing in connection  
13 with the contract.

14 “(II) COMMISSION ACTION.—In  
15 accordance with such terms and con-  
16 ditions as the Commission may pre-  
17 scribe by rule, regulation, or order,  
18 any money, assets, or property of the  
19 customers of a digital commodity  
20 broker or digital commodity dealer  
21 may be commingled and deposited in  
22 customer accounts with any other  
23 money, assets, or property received by  
24 the digital commodity broker or dig-  
25 ital commodity dealer, respectively,

1 and required by the Commission to be  
2 separately accounted for and treated  
3 and dealt with as belonging to the  
4 customer of the digital commodity  
5 broker or digital commodity dealer,  
6 respectively.

7 “(3) PERMITTED INVESTMENTS.—Money de-  
8 scribed in paragraph (2) may be invested in obliga-  
9 tions of the United States, in general obligations of  
10 any State or of any political subdivision of a State,  
11 in obligations fully guaranteed as to principal and  
12 interest by the United States, or in any high-quality  
13 liquid asset that the Commission may by rule or reg-  
14 ulation allow.

15 “(4) CUSTOMER PROTECTION DURING BANK-  
16 RUPTCY.—

17 “(A) CUSTOMER PROPERTY.—

18 “(i) IN GENERAL.—All assets held on  
19 behalf of a customer by a digital com-  
20 modity broker or digital commodity dealer,  
21 and all money, assets, and property of any  
22 customer received by a digital commodity  
23 broker or digital commodity dealer for  
24 trading or custody, or to facilitate, margin,  
25 guarantee, or secure contracts of sale of a

1 digital commodity (including money, as-  
2 sets, or property accruing to the customer  
3 as the result of the transactions), shall be  
4 considered customer property for purposes  
5 of section 761 of title 11, United States  
6 Code.

7 “(ii) CUSTOMERS.—For purposes of  
8 this subparagraph, the term ‘customer’  
9 shall not include any person, to the extent  
10 that such person has a claim based on any  
11 open repurchase agreement, open reverse  
12 repurchase agreement, or digital com-  
13 modity borrowed agreement, except to the  
14 extent of any margin delivered to or by the  
15 customer with respect to which there is a  
16 segregation requirement.

17 “(B) TRANSACTIONS.—A purchase, sale,  
18 or loan of, margin loan or other extension of  
19 credit on, or repurchase, reverse repurchase, or  
20 other transaction involving a unit of a digital  
21 commodity occurring with a digital commodity  
22 broker or digital commodity dealer shall be con-  
23 sidered—

24 “(i) a ‘contract for the purchase or  
25 sale of a commodity for future delivery on,

1 or subject to the rules of, a contract mar-  
2 ket or board of trade’ for purposes of the  
3 definition of a ‘commodity contract’ in sec-  
4 tion 761 of title 11, United States Code,  
5 section 11 of the Federal Deposit Insur-  
6 ance Act (12 U.S.C. 1821), and section  
7 210 of the Dodd-Frank Wall Street Re-  
8 form and Consumer Protection Act (12  
9 U.S.C. 5390); and

10 “(ii) a ‘commodity contract’ for pur-  
11 poses of section 5(b)(2)(C) of the Securi-  
12 ties Investor Protection Act of 1970 (15  
13 U.S.C. 78eee(b)(2)(C)).

14 “(C) BROKERS AND DEALERS.—A digital  
15 commodity broker and a digital commodity  
16 dealer shall be considered a futures commission  
17 merchant for purposes of section 761 of title  
18 11, United States Code, section 11 of the Fed-  
19 eral Deposit Insurance Act (12 U.S.C. 1821),  
20 and section 210 of the Dodd-Frank Wall Street  
21 Reform and Consumer Protection Act (12  
22 U.S.C. 5390).

23 “(5) MISUSE OF CUSTOMER PROPERTY.—

24 “(A) IN GENERAL.—It shall be unlawful—

1                   “(i) for any digital commodity broker  
2                   or digital commodity dealer that has re-  
3                   ceived any customer money, assets, or  
4                   property for custody to dispose of, or use  
5                   any such money, assets, or property as be-  
6                   longing to the digital commodity broker or  
7                   digital commodity dealer, respectively, or  
8                   any person other than a customer of the  
9                   digital commodity broker or digital com-  
10                  modity dealer, respectively; or

11                  “(ii) for any other person, including  
12                  any depository, digital commodity ex-  
13                  change, other digital commodity broker,  
14                  other digital commodity dealer, or digital  
15                  asset custodian that has received any cus-  
16                  tomer money, assets, or property for de-  
17                  posit, to hold, dispose of, or use any such  
18                  money, assets, or property, as belonging to  
19                  the depositing digital commodity broker or  
20                  digital commodity dealer or any person  
21                  other than the customers of the digital  
22                  commodity broker or digital commodity  
23                  dealer, respectively.

24                  “(B) USE FURTHER DEFINED.—For pur-  
25                  poses of this section, ‘use’ of a digital com-

1           modity includes utilizing any unit of a digital  
2           asset to participate in a distributed ledger serv-  
3           ice or a decentralized governance system associ-  
4           ated with the digital commodity or the distrib-  
5           uted ledger system to which the digital com-  
6           modity relates in any manner other than that  
7           expressly directed by the customer from whom  
8           the unit of a digital commodity was received.

9           “(6) PARTICIPATION IN DISTRIBUTED LEDGER  
10       SERVICES.—

11               “(A) USE OF FUNDS.—A digital com-  
12           modity broker or digital commodity dealer (or a  
13           designee of a digital commodity broker or dig-  
14           ital commodity dealer) may use a unit of a dig-  
15           ital commodity belonging to a customer to pro-  
16           vide a distributed ledger service for a distrib-  
17           uted ledger system to which the unit of the dig-  
18           ital commodity relates if—

19               “(i) the customer expressly permits  
20           the use, in writing, to the digital com-  
21           modity broker or digital commodity dealer,  
22           as the case may be; and

23               “(ii) the digital commodity broker or  
24           digital commodity dealer, as the case may  
25           be, complies with subparagraph (B).

1 “(B) LIMITATIONS.—

2 “(i) IN GENERAL.—The Commission  
3 shall, by rule, establish notice and written  
4 disclosure requirements and any other limi-  
5 tations and rules related to a permission  
6 provided under subparagraph (A) or the  
7 treatment of customer assets in the event  
8 of an insolvency, resolution, or liquidation  
9 proceeding, including a description of the  
10 manner in which any digital commodity  
11 would be treated in an insolvency, resolu-  
12 tion, or liquidation proceeding, and how  
13 the treatment of digital commodities dif-  
14 fers from the treatment of any other assets  
15 in the event of an insolvency, resolution, or  
16 liquidation proceeding, that are reasonably  
17 necessary to protect customers, including  
18 eligible contract participants, non-eligible  
19 contract participants, and any other class  
20 of customers.

21 “(ii) CUSTOMER CHOICE.—A digital  
22 commodity broker or digital commodity  
23 dealer may not—

24 “(I) require a customer to pro-  
25 vide the permission referred to in sub-

1 paragraph (A) as a condition of doing  
2 business with the digital commodity  
3 broker or digital commodity dealer; or  
4 “(II) penalize a customer for not  
5 providing the permission referred to  
6 in subparagraph (A).

7 “(C) REQUIREMENTS.—The Commission  
8 may, by rule, modify the requirements of para-  
9 graph (2) or subsection (g) and adopt rules  
10 pursuant to section 20(a) to facilitate the use  
11 of a unit of a digital commodity belonging to a  
12 customer to provide a distributed ledger service  
13 and address the treatment of customer assets in  
14 the event of an insolvency, resolution, or liq-  
15 uidation proceeding of a digital commodity  
16 broker or digital commodity dealer that engages  
17 in such use.

18 “(7) PROPERTY HELD IN PORTFOLIO MARGIN  
19 ACCOUNTS.—

20 “(A) IN GENERAL.—Notwithstanding para-  
21 graph (2), and the rules and regulations there-  
22 under, and pursuant to an exemption granted  
23 by the Commission under section 4(e) or pursu-  
24 ant to a rule or regulation—

1           “(i) a digital commodity broker or  
2           digital commodity dealer registered under  
3           subsection (b)(1) and also registered as a  
4           futures commission merchant pursuant to  
5           section 4f(a)(1) may, pursuant to a port-  
6           folio margining program approved by the  
7           Commission, hold digital commodity cus-  
8           tomer money, assets, and property in a  
9           portfolio margining account carried as a  
10          futures account or cleared swaps account;  
11          and

12          “(ii) a digital commodity broker or  
13          digital commodity dealer registered under  
14          subsection (b)(1) and also registered as a  
15          broker or dealer pursuant to section  
16          15(b)(1) of the Securities Exchange Act of  
17          1934 (15 U.S.C. 78o(b)(1)) may, pursuant  
18          to a portfolio margining program approved  
19          by the Securities and Exchange Commis-  
20          sion pursuant to section 19(b) of that Act  
21          (15 U.S.C. 78s(b)), hold digital commodity  
22          customer money, assets, and property in a  
23          portfolio margining account carried as a  
24          securities account subject to section

1                   15(c)(3) of that Act (15 U.S.C. 78o(c)(3))  
2                   and the rules and regulations thereunder.

3                   “(B) CONSULTATION.—The Commission  
4                   shall consult with the Securities and Exchange  
5                   Commission to adopt rules to ensure that such  
6                   transactions and accounts are subject to com-  
7                   parable requirements to the extent practical for  
8                   similar products.

9                   “(m) FEDERAL PREEMPTION.—

10                  “(1) IN GENERAL.—Notwithstanding any other  
11                  provision of law, the Commission shall have exclusive  
12                  jurisdiction over any digital commodity broker or  
13                  digital commodity dealer registered under this sec-  
14                  tion with respect to activities subject to this Act.

15                  “(2) PRESERVATION OF AUTHORITY.—Nothing  
16                  in this Act shall affect the ability of a State or local  
17                  agency to investigate and bring enforcement ac-  
18                  tions—

19                  “(A) against a person registered with the  
20                  Commission regarding fraud, deceit, manipula-  
21                  tion, or any other violation of this Act or any  
22                  rule, regulation, or order of the Commission  
23                  under this Act, in accordance with section 6d;  
24                  or

1                   “(B) against any unregistered person for  
2                   violation of any generally applicable State or  
3                   local law, including a law relating to fraud, de-  
4                   ceit, unfair or deceptive acts or practices, con-  
5                   sumer protection, banking, payments, property,  
6                   contracts, criminal law, or unlawful conduct or  
7                   practices.

8                   “(n) EXEMPTIONS.—In order to promote responsible  
9                   innovation and fair competition, or protect customers, the  
10                  Commission may (on its own initiative or on application  
11                  of the digital commodity broker or digital commodity deal-  
12                  er) exempt, unconditionally or on stated terms or condi-  
13                  tions, or for stated periods, and retroactively or prospec-  
14                  tively, or both, a digital commodity broker or digital com-  
15                  modity dealer from the requirements of this Act, if the  
16                  Commission determines that—

17                  “(1) the exemption—

18                         “(A) would be consistent with the public  
19                         interest and the purposes of this Act; and

20                         “(B) will not have a material adverse ef-  
21                         fect on the ability of the Commission to dis-  
22                         charge regulatory duties under this Act; or

23                  “(2) the digital commodity broker or digital  
24                  commodity dealer is subject to comparable, com-  
25                  prehensive supervision and regulation by the appro-

1        priate government authorities in the home country  
2        of the digital commodity broker or digital commodity  
3        dealer, respectively.

4        “(o) SCOPE OF APPLICATION.—A person registered  
5        as a digital commodity broker or digital commodity dealer  
6        shall be subject to the requirements of this section and  
7        section 8a only with respect to activities that constitute  
8        acting as a digital commodity broker or digital commodity  
9        dealer as defined in section 1a. Activities that do not inde-  
10       pendently meet those definitions shall not be subject to  
11       the requirements of this section or section 8a.”.

12       (b) SUSPENSION OR REVOCATION OF REGISTRA-  
13       TION.—Section 8a of the Commodity Exchange Act (7  
14       U.S.C. 12a) is amended—

15                (1) in paragraph (1), by inserting “digital com-  
16       modity brokers, associated persons of digital com-  
17       modity brokers, digital commodity dealers, associ-  
18       ated persons of digital commodity dealers, digital  
19       commodity pool operators, associated persons of dig-  
20       ital commodity pool operators, digital commodity  
21       trading advisors, associated persons of digital com-  
22       modity trading advisors,” after “to register”;

23                (2) in paragraphs (2) and (3)—

1 (A) by inserting “a cash or spot digital  
2 commodity or” before “a commodity for future  
3 delivery” each place it appears; and

4 (B) by inserting “digital commodity  
5 broker, digital commodity dealer, digital com-  
6 modity pool operator, digital commodity trading  
7 advisor,” before “futures commission mer-  
8 chant” each place it appears;

9 (3) in paragraph (4)—

10 (A) by striking “futures commission mer-  
11 chant or” and inserting “digital commodity  
12 broker, digital commodity dealer, futures com-  
13 mission merchant, or”; and

14 (B) by inserting “cash or spot digital com-  
15 modity or” before “commodity for future deliv-  
16 ery”; and

17 (4) in paragraph (7)—

18 (A) in the matter preceding subparagraph  
19 (A), by inserting “cash or spot digital commod-  
20 ities or” before “commodities traded for future  
21 delivery”; and

22 (B) in subparagraph (B), by inserting  
23 “and for cash or spot digital commodities” after  
24 “future delivery”.

1   **SEC. 20207. REGISTRATION AND REGULATION OF ASSOCI-**  
2                   **ATED PERSONS.**

3           (a) IN GENERAL.—Section 4k of the Commodity Ex-  
4 change Act (7 U.S.C. 6k) is amended by adding at the  
5 end the following:

6                   “(7) ASSOCIATED PERSONS OF DIGITAL COM-  
7 MODITY BROKERS AND DIGITAL COMMODITY DEAL-  
8 ERS.—

9                   “(A) IN GENERAL.—It shall be unlawful  
10 for any person to act as an associated person  
11 of a digital commodity broker or an associated  
12 person of a digital commodity dealer unless the  
13 person is registered with the Commission under  
14 this Act and such registration shall not have ex-  
15 pired, been suspended (and the period of sus-  
16 pension has not expired), or been revoked.

17                   “(B) DUTY OF DIGITAL COMMODITY BRO-  
18 KERS AND DEALERS.—It shall be unlawful for  
19 a digital commodity broker or a digital com-  
20 modity dealer to permit a person described in  
21 subparagraph (A) to become or remain associ-  
22 ated with the digital commodity broker or dig-  
23 ital commodity dealer if the digital commodity  
24 broker or digital commodity dealer knew or  
25 should have known that the person was not so  
26 registered or that the registration had expired,

1           been suspended (and the period of suspension  
2           has not expired), or been revoked.

3                   “(C) FEDERAL PREEMPTION.—Notwith-  
4           standing any other provision of law, the Com-  
5           mission shall have exclusive jurisdiction over  
6           any associated person of a digital commodity  
7           broker or any associated person of a digital  
8           commodity dealer registered under this section  
9           with respect to activities and transactions sub-  
10          ject to this Act.

11                   “(8) ASSOCIATED PERSONS OF DIGITAL COM-  
12          MODITY POOL OPERATORS AND DIGITAL COMMODITY  
13          TRADING ADVISORS.—

14                   “(A) IN GENERAL.—It shall be unlawful  
15          for any person to act as an associated person  
16          of a digital commodity pool operator or an asso-  
17          ciated person of a digital commodity trading  
18          advisor unless the person is registered with the  
19          Commission under this Act and such registra-  
20          tion shall not have expired, been suspended  
21          (and the period of suspension has not expired),  
22          or been revoked.

23                   “(B) DUTY OF DIGITAL COMMODITY POOL  
24          OPERATORS AND DIGITAL COMMODITY TRADING  
25          ADVISORS.—It shall be unlawful for a digital

1 commodity pool operator or a digital commodity  
2 trading advisor to permit a person described in  
3 subparagraph (A) to become or remain associ-  
4 ated with the digital commodity pool operator  
5 or digital commodity trading advisor if the dig-  
6 ital commodity pool operator or digital com-  
7 modity trading advisor knew or should have  
8 known that the person was not so registered or  
9 that the registration had expired, been sus-  
10 pended (and the period of suspension has not  
11 expired), or been revoked.

12 “(C) FEDERAL PREEMPTION.—Notwith-  
13 standing any other provision of law, the Com-  
14 mission shall have exclusive jurisdiction over  
15 any associated person of a digital commodity  
16 pool operator or any associated person of a dig-  
17 ital commodity trading advisor registered under  
18 this section with respect to activities and trans-  
19 actions subject to this Act.”.

20 (b) APPLICATION.—Section 4k(4) of the Commodity  
21 Exchange Act (7 U.S.C. 6k(4)) is amended, in the first  
22 sentence, by striking “or of a commodity trading advisor”  
23 and inserting “of a commodity trading advisor, of a digital  
24 commodity pool operator, of a digital commodity trading

1 advisor, of a digital commodity broker, or of a digital com-  
2 modity dealer”.

3 **SEC. 20208. REGISTRATION AND REGULATION OF DIGITAL**  
4 **COMMODITY POOL OPERATORS AND DIGITAL**  
5 **COMMODITY TRADING ADVISORS.**

6 (a) DEFINITION OF ELIGIBLE CONTRACT PARTICI-  
7 PANT.—Section 1a of the Commodity Exchange Act (7  
8 U.S.C. 1a) is amended, in paragraph (41)(A)(iv) (as re-  
9 designated by section 20101(a)), by inserting “or digital  
10 commodity pool” after “commodity pool” each place it ap-  
11 pears.

12 (b) COMMODITY TRADING ADVISORS AND COM-  
13 MODITY POOL OPERATORS.—Section 4l of the Commodity  
14 Exchange Act (7 U.S.C. 6l) is amended—

15 (1) in the matter preceding paragraph (1), by  
16 striking “commodity trading advisors” and inserting  
17 “digital commodity trading advisors, digital com-  
18 modity pool operators, commodity trading advi-  
19 sors,”; and

20 (2) in paragraph (2), inserting “with respect to  
21 commodity trading advisors and commodity pool op-  
22 erators, and digital commodities on or subject to the  
23 rules of digital commodity exchanges with respect to  
24 digital commodity trading advisors and digital com-  
25 modity pool operators” before “; and”.

1           (c) INTERSTATE COMMERCE.—Section 4m of the  
2 Commodity Exchange Act (7 U.S.C. 6m) is amended—

3           (1) in paragraph (1), in the first sentence—

4                   (A) by striking “commodity trading advi-  
5 sor or commodity pool operator” each place it  
6 appears and inserting “digital commodity trad-  
7 ing advisor, digital commodity pool operator,  
8 commodity trading advisor, or commodity pool  
9 operator”;

10                   (B) by inserting “digital commodity trad-  
11 ing advisor or” before “commodity trading advi-  
12 sor who”;

13                   (C) by striking “commodity trading ad-  
14 vice” and inserting “digital commodity trading  
15 advice or commodity trading advice, respec-  
16 tively,”; and

17                   (D) by striking “as a commodity trading  
18 advisor” and inserting “as a digital commodity  
19 trading advisor or a commodity trading advisor,  
20 respectively”;

21           (2) in paragraph (2), by inserting “digital com-  
22 modity pool or” before “commodity pool” each place  
23 it appears;

24           (3) in paragraph (3)—

1 (A) in subparagraph (A), by striking “not  
2 apply to” and all that follows through the pe-  
3 riod at the end and inserting the following: “not  
4 apply to—

5 “(i) any commodity trading advisor  
6 that is registered with the Securities and  
7 Exchange Commission as an investment  
8 adviser whose business does not consist  
9 primarily of acting as a commodity trading  
10 advisor, as defined in section 1a, and that  
11 does not act as a commodity trading advi-  
12 sor to any commodity pool that is engaged  
13 primarily in trading commodity interests;  
14 or

15 “(ii) any digital commodity trading  
16 advisor that is registered with the Securi-  
17 ties and Exchange Commission as an in-  
18 vestment adviser whose business does not  
19 consist primarily of acting as a digital  
20 commodity trading advisor, as defined in  
21 section 1a, and that does not act as a dig-  
22 ital commodity trading advisor to any dig-  
23 ital commodity pool that is engaged pri-  
24 marily in trading digital commodities.”;  
25 and

1 (B) in subparagraph (B), by striking “sub-  
2 paragraph (A),” and all that follows through  
3 the period at the end and inserting the fol-  
4 lowing: “subparagraph (A)—

5 “(i) a commodity trading advisor or a  
6 commodity pool shall be considered to be  
7 ‘engaged primarily’ in the business of  
8 being a commodity trading advisor or com-  
9 modity pool if it is or holds itself out to  
10 the public as being engaged primarily, or  
11 proposes to engage primarily, in the busi-  
12 ness of advising on commodity interests or  
13 investing, reinvesting, owning, holding, or  
14 trading in commodity interests, respec-  
15 tively; and

16 “(ii) a digital commodity trading advi-  
17 sor or a digital commodity pool shall be  
18 considered to be ‘engaged primarily’ in the  
19 business of being a digital commodity trad-  
20 ing advisor or digital commodity pool if it  
21 is or holds itself out to the public as being  
22 engaged primarily, or proposes to engage  
23 primarily, in the business of advising on  
24 digital commodities or investing, rein-

1 vesting, owning, holding, or trading in dig-  
2 ital commodities, respectively.”; and

3 (4) by adding at the end the following:

4 “(4) EXEMPTIVE AUTHORITY.—

5 “(A) IN GENERAL.—The Commission shall  
6 promulgate rules to provide appropriate exemp-  
7 tions for digital commodity pool operators and  
8 digital commodity trading advisors to provide  
9 relief from duplicative, conflicting, or unduly  
10 burdensome requirements or to promote respon-  
11 sible innovation, to the extent the exemptions—

12 “(i) foster the development of fair and  
13 orderly cash or spot digital commodity  
14 markets;

15 “(ii) are necessary or appropriate in  
16 the public interest; and

17 “(iii) are consistent with the protec-  
18 tion of customers.

19 “(B) EXEMPTIONS.—Notwithstanding sub-  
20 paragraph (A), the Commission shall promul-  
21 gate rules to provide exemptions from registra-  
22 tion for digital commodity pools operators and  
23 digital commodity trading advisers for the fol-  
24 lowing categories:

1 “(i) Operators of, and advisers to,  
2 digital commodity pools that are excluded  
3 from the definition of ‘investment com-  
4 pany’ by section 3(c) of the Investment  
5 Company Act of 1940 (15 U.S.C. 80a–  
6 3(c)).

7 “(ii) Operators of, and advisers to,  
8 digital commodity pools that do not invest  
9 more than 40 percent of their total assets  
10 in digital commodities.”.

11 (d) REGISTRATION.—Section 4n of the Commodity  
12 Exchange Act (7 U.S.C. 6n) is amended—

13 (1) by striking “commodity trading advisor”  
14 each place it appears and inserting “digital com-  
15 modity trading advisor, digital commodity pool oper-  
16 ator, commodity trading advisor,”;

17 (2) in paragraph (3)(B)—

18 (A) by striking “commodity trading advi-  
19 sors” and inserting “digital commodity trading  
20 advisors, digital commodity pool operators, com-  
21 modity trading advisors,” and

22 (B) by inserting “digital commodity or”  
23 before “futures market positions”;

24 (3) in paragraph (4)—

1 (A) in the first sentence, by inserting “dig-  
2 ital commodity pool operator or” before “com-  
3 modity pool operator”; and

4 (B) by inserting “client or” before “partic-  
5 ipant” each place it appears; and

6 (4) by adding at the end the following:

7 “(5) FEDERAL PREEMPTION.—Notwithstanding  
8 any other provision of law, the Commission shall  
9 have exclusive jurisdiction over any digital com-  
10 modity pool operator or digital commodity trading  
11 advisor registered under this section with respect to  
12 activities and transactions subject to this Act.”.

13 (e) FRAUD AND MISREPRESENTATION.—Section 4o  
14 of the Commodity Exchange Act (7 U.S.C. 6o) is amended  
15 by inserting “digital commodity trading advisor, associ-  
16 ated person of a digital commodity trading advisor, digital  
17 commodity pool operator, associated person of a digital  
18 commodity pool operator,” before “commodity trading ad-  
19 visor, associated person of a commodity trading advisor,”  
20 each place it appears.

21 (f) TECHNICAL AMENDMENTS.—

22 (1) Section 5g(a) of the Commodity Exchange  
23 Act (7 U.S.C. 7b–2(a)) is amended by inserting  
24 “digital commodity pool operator, digital commodity  
25 trading advisor,” before “or introducing broker”.

1           (2) Section 4(c)(3)(G) of the Commodity Ex-  
2           change Act (7 U.S.C. 6(c)(3)(G)) is amended by  
3           striking “or a commodity” and inserting “digital  
4           commodity trading advisor, or commodity”.

5   **SEC. 20209. SOFTWARE DEVELOPER PROTECTIONS.**

6           The Commodity Exchange Act (7 U.S.C. 1 et seq.)  
7   is amended by inserting after section 4u (as added by sec-  
8   tion 20205(a)) the following:

9   **“SEC. 4v. APPLICATION TO SOFTWARE DEVELOPERS.**

10          “(a) IN GENERAL.—Notwithstanding any other pro-  
11   vision of this Act, except as provided in subsection (b),  
12   a person shall not be subject to this Act and the regula-  
13   tions promulgated under this Act based on the person di-  
14   rectly or indirectly engaging in any of the following activi-  
15   ties, whether singly or in combination, in relation to the  
16   operation of a blockchain system or in relation to a decen-  
17   tralized finance trading protocol:

18               “(1) Compiling network transactions or relay-  
19               ing, searching, sequencing, validating, or acting in a  
20               similar capacity.

21               “(2) Providing computational work, operating a  
22               node or oracle service, procuring, offering, or uti-  
23               lizing network bandwidth, or providing other similar  
24               incidental services.

1           “(3) Providing a user-interface that enables a  
2           user to read and access data about a blockchain sys-  
3           tem.

4           “(4) Developing, publishing, or otherwise dis-  
5           tributing a blockchain system or a decentralized fi-  
6           nance messaging system.

7           “(5) Constituting, administering, or maintain-  
8           ing a decentralized finance messaging system or de-  
9           centralized finance trading protocol, or operating or  
10          participating in a liquidity pool with respect thereto,  
11          for the purpose of executing a spot transaction for  
12          the purchase or sale of a digital commodity.

13          “(6) Developing, publishing, constituting, ad-  
14          ministering, maintaining, or otherwise distributing  
15          software or systems that create or deploy hardware  
16          or software, including wallets or other systems, fa-  
17          cilitating an individual user’s own personal ability to  
18          keep, safeguard, or custody the user’s digital assets  
19          or related private keys.

20          “(b) EXCEPTIONS.—Subsection (a) shall not be inter-  
21          preted to apply to the anti-fraud, anti-manipulation, or  
22          false reporting enforcement authorities of the Commis-  
23          sion.”.

1   **SEC. 20210. RESOURCES FOR IMPLEMENTATION.**

2           The Commodity Exchange Act is amended by insert-  
3   ing after section 8d (7 U.S.C. 12d) the following:

4   **“SEC. 8e. RESOURCES FOR IMPLEMENTATION REGARDING**  
5                   **DIGITAL COMMODITY EXCHANGES, BROKERS,**  
6                   **AND DEALERS.**

7           “(a) COLLECTION OF FEES.—

8                   “(1) IN GENERAL.—The Commission shall, in  
9           accordance with this subsection, assess and collect  
10          fees from digital commodity brokers, digital com-  
11          modity dealers, digital commodity exchanges, and  
12          qualified digital asset custodians—

13                   “(A) on the filing of a notice of intent to  
14          register under section 20104 of the Digital  
15          Commodity Intermediaries Act, or if the person  
16          has not filed such a notice of intent to register,  
17          on the filing of the person’s initial application  
18          for registration; and

19                   “(B) on an annual basis thereafter.

20           “(2) PURPOSE.—The fees under paragraph (1)  
21          shall be used to recover the annual costs of—

22                   “(A) registering digital commodity ex-  
23          changes, digital commodity brokers, digital  
24          commodity dealers, and qualified digital asset  
25          custodians;

1           “(B) conducting oversight of digital com-  
2           modity exchanges, digital commodity brokers,  
3           digital commodity dealers, qualified digital asset  
4           custodians, and digital commodity transactions;

5           “(C) carrying out education and outreach  
6           under subsection (b); and

7           “(D) carrying out such other activities as  
8           are required by the Digital Commodity Inter-  
9           mediaries Act and the amendments made by  
10          that Act.

11          “(3) DETERMINATION OF FEE RATES.—In de-  
12          termining fee rates under paragraph (1), the Com-  
13          mission shall consider—

14               “(A) the volume of business of the digital  
15               commodity exchange, digital commodity broker,  
16               digital commodity dealer, or qualified digital  
17               asset custodian; and

18               “(B) the registration category of the dig-  
19               ital commodity exchange, digital commodity  
20               broker, digital commodity dealer, or qualified  
21               digital asset custodian.

22          “(4) PROHIBITION.—The Commission shall not  
23          require a digital commodity exchange, digital com-  
24          modity broker, digital commodity dealer, or qualified  
25          digital asset custodian to collect directly from cus-

1       tomers a transaction-based fee for each digital com-  
2       modity transaction.

3               “(5) PUBLICATION.—

4               “(A) 1ST FISCAL YEAR.—Not later than  
5       30 days after the date of enactment of this sec-  
6       tion, the Commission shall publish the fee rates  
7       determined pursuant to this subsection for the  
8       fiscal year in which this section is enacted.

9               “(B) SUBSEQUENT FISCAL YEARS.—Not  
10       later than 60 days after the date of enactment  
11       of an Act making a regular appropriation to the  
12       Commission for a fiscal year, the Commission  
13       shall publish in the Federal Register a notice  
14       of—

15               “(i) the fee rates determined pursuant  
16       to this subsection for that fiscal year; and

17               “(ii) any estimates or projections on  
18       which those fee rates are based.

19               “(6) RECORDS AND DISCLOSURE.—In carrying  
20       out this subsection, the Commission shall not be re-  
21       quired to comply with section 553 of title 5, United  
22       States Code.

23               “(7) NO JUDICIAL REVIEW.—A fee rate pre-  
24       scribed under this subsection shall not be subject to  
25       judicial review.

1           “(8) DEPOSIT OF FEES.—Fees collected pursu-  
2           ant to this subsection for any fiscal year shall be de-  
3           posited and credited as offsetting collections to the  
4           account providing appropriations to the Commission.

5           “(9) ANNUAL ADJUSTMENT.—For each fiscal  
6           year, the Commission shall, by order, determine fee  
7           rates pursuant to this subsection that are reasonably  
8           likely to produce aggregate fee collections that are  
9           equal to the annual appropriation to the Commission  
10          by Congress for the activities described in paragraph  
11          (2).

12          “(10) LAPSE OF APPROPRIATION.—If, on the  
13          first day of a fiscal year, a regular appropriation to  
14          the Commission has not been enacted, the Commis-  
15          sion shall continue to collect (as offsetting collec-  
16          tions) fees pursuant to this subsection at each of the  
17          rates in effect during the preceding fiscal year.

18          “(11) BUDGET REQUESTS.—The Commissions  
19          shall itemize in each budget submitted to the Presi-  
20          dent or the Office of Management and Budget the  
21          estimated annual costs of—

22                 “(A) registering digital commodity ex-  
23                 changes, digital commodity brokers, digital  
24                 commodity dealers, and qualified digital asset  
25                 custodians;

1           “(B) conducting oversight of digital com-  
2           modity exchanges, digital commodity brokers,  
3           digital commodity dealers, qualified digital asset  
4           custodians, and digital commodity transactions;

5           “(C) carrying out education and outreach  
6           under subsection (b); and

7           “(D) carrying out such other activities as  
8           are required by the Digital Commodity Inter-  
9           mediaries Act and the amendments made by  
10          that Act.

11          “(12) LIMITATIONS.—

12               “(A) IN GENERAL.—Fees may only be as-  
13               sessed and imposed pursuant to this subsection  
14               on digital commodity exchanges, digital com-  
15               modity brokers, digital commodity dealers, and  
16               qualified digital asset custodians regulated by  
17               the Commission pursuant to the Digital Com-  
18               modity Intermediaries Act and the amendments  
19               made by that Act.

20               “(B) USE OF FEES.—Fees authorized  
21               under this subsection are prohibited from fund-  
22               ing any Commission activity not directly related  
23               to the activities described in paragraph (2).

1       “(b) CUSTOMER EDUCATION AND OUTREACH.—The  
2 Commission shall provide education and outreach to cus-  
3 tomers participating in digital commodity markets.

4       “(c) AUTHORIZATION OF APPROPRIATIONS.—There  
5 is authorized to be appropriated to carry out the Digital  
6 Commodity Intermediaries Act and the amendments made  
7 by that Act \$150,000,000, to remain available until ex-  
8 pended, until the Commission has established and is col-  
9 lecting registration fees pursuant to subsection (a).

10       “(d) EXPEDITED HIRING AUTHORITY.—

11               “(1) APPOINTMENT AUTHORITY.—The Chair-  
12 man of the Commission may appoint individuals to  
13 a position described in paragraph (2)—

14                       “(A) in accordance with the statutes, rules,  
15 and regulations governing appointments to posi-  
16 tions in the excepted service (as defined in sec-  
17 tion 2103 of title 5, United States Code); and

18                       “(B) without regard to any statute, rule,  
19 or regulation governing appointments to posi-  
20 tions in the competitive service (as defined in  
21 section 2102 of such title).

22       “(2) POSITION DESCRIBED.—A position re-  
23 ferred to in paragraph (1) is a position at the Com-  
24 mission that—

1           “(A) is in the competitive service (as de-  
2           fined in section 2102 of title 5, United States  
3           Code); and

4           “(B) requires specialized knowledge of dig-  
5           ital commodities markets, financial and capital  
6           market formation or regulation, financial mar-  
7           ket structures or surveillance, data collection or  
8           analysis, or information technology, cybersecu-  
9           rity, or system safeguards.

10          “(3) RULE OF CONSTRUCTION.—The appoint-  
11          ment of a candidate to a position under this sub-  
12          section shall not be considered to cause the position  
13          to be converted from the competitive service (as de-  
14          fined in section 2102 of title 5, United States Code)  
15          to the excepted service (as defined in section 2103  
16          of such title).”.

17   **SEC. 20211. PORTFOLIO MARGINING.**

18          (a) IN GENERAL.—Section 4d(h) of the Commodity  
19   Exchange Act (7 U.S.C. 6d(h)) is amended in the first  
20   sentence—

21           (1) by inserting “or subsection (f)(2)” after  
22           “subsection (a)(2)”; and

23           (2) by inserting “or a cleared swap” after “an  
24           option on such a contract”.

1 (b) COMMODITY BROKER DEBTORS.—Section 20(c)  
2 of the Commodity Exchange Act (7 U.S.C. 24(c)) is  
3 amended—

4 (1) by inserting “and digital commodities” after  
5 “securities”; and

6 (2) by inserting “or cleared swaps account”  
7 after “futures account”.

8 **SEC. 20212. CLARIFICATION ON CUSTOMER PROPERTY.**

9 Section 20(a) of the Commodity Exchange Act (7  
10 U.S.C. 24(a)) is amended—

11 (1) in paragraph (4), by striking “and” at the  
12 end;

13 (2) in paragraph (5), by striking the period at  
14 the end and inserting “; and”; and

15 (3) by adding at the end the following:

16 “(6) that cash, securities, or other property of  
17 the estate of a commodity broker, including the  
18 trading or operating accounts of the commodity  
19 broker and commodities held in inventory by the  
20 commodity broker, shall, subject to any otherwise  
21 unavoidable security interest, or otherwise unavoid-  
22 able contractual offset or netting rights of creditors  
23 (including rights set forth in a rule or bylaw of a de-  
24 rivatives clearing organization or a clearing agency)  
25 in respect of such property, be included in customer

1 property, but only to the extent that the property  
2 that is otherwise customer property is insufficient to  
3 satisfy the net equity claims of public customers (as  
4 such term may be defined by the Commission by  
5 rule or regulation) of the commodity broker.”.

6 **SEC. 20213. DIGITAL COMMODITY RETAIL ADVOCATE.**

7 The Commodity Exchange Act (7 U.S.C. 1 et seq.)  
8 is amended by adding at the end the following:

9 **“SEC. 24. OFFICE OF THE DIGITAL COMMODITY RETAIL AD-**  
10 **VOCATE.**

11 “(a) DEFINITIONS.—In this section:

12 “(1) CHAIRMAN.—The term ‘Chairman’ means  
13 the Chairman of the Commission.

14 “(2) OFFICE.—The term ‘Office’ means the Of-  
15 fice of the Digital Commodity Retail Advocate estab-  
16 lished by subsection (b).

17 “(3) RETAIL PARTICIPANT.—The term ‘retail  
18 participant’ means a person that—

19 “(A) is not an eligible contract participant;

20 “(B) is participating in a spot or cash dig-  
21 ital commodity market; and

22 “(C) has engaged or is engaging in a dig-  
23 ital commodity transaction with a person reg-  
24 istered with the Commission.

1       “(b) OFFICE ESTABLISHED.—There is established  
2 within the Commission the Office of the Digital Com-  
3 modity Retail Advocate.

4       “(c) DIGITAL COMMODITY RETAIL ADVOCATE.—

5           “(1) IN GENERAL.—The Digital Commodity  
6 Retail Advocate shall—

7               “(A) report directly to the Chairman; and

8               “(B) be appointed by the Chairman from  
9 among individuals with experience in advocating  
10 for the interests of digital commodity market  
11 retail participants.

12           “(2) COMPENSATION.—The annual rate of pay  
13 for the Digital Commodity Retail Advocate shall be  
14 equal to the highest rate of annual pay for other  
15 senior executives who report to the Chairman.

16           “(3) LIMITATION ON SERVICE.—An individual  
17 who serves as the Digital Commodity Retail Advo-  
18 cate may not be employed by the Commission—

19               “(A) during the 2-year period ending on  
20 the date of appointment as Digital Commodity  
21 Retail Advocate; or

22               “(B) during the 5-year period beginning on  
23 the date on which the person ceases to serve as  
24 the Digital Commodity Retail Advocate.

1       “(d) FUNCTIONS OF THE DIGITAL COMMODITY RE-  
2 TAIL ADVOCATE.—The Digital Commodity Retail Advo-  
3 cate shall—

4               “(1) assist retail participants in resolving sig-  
5 nificant problems they may have with the Commis-  
6 sion or a registered futures association;

7               “(2) identify areas in which retail participants  
8 would benefit from changes in the regulations of the  
9 Commission or the rules of registered futures asso-  
10 ciations;

11               “(3) identify problems that retail participants  
12 have with persons registered with the Commission;

13               “(4) analyze the potential impact on retail par-  
14 ticipants of—

15                       “(A) proposed regulations of the Commis-  
16 sion; and

17                       “(B) proposed rules of registered futures  
18 associations;

19               “(5) to the extent practicable, propose to the  
20 Commission changes in the regulations or orders of  
21 the Commission, and to Congress any legislative, ad-  
22 ministrative, or personnel changes, that may be ap-  
23 propriate—

24                       “(A) to mitigate problems identified under  
25 this subsection; and

1 “(B) to promote the interests of retail par-  
2 ticipants;

3 “(6) conduct research to identify and under-  
4 stand issues that affect retail participants; and

5 “(7) cooperate with and provide assistance to  
6 the Office of Customer Education and Outreach to  
7 conduct initiatives and outreach for retail partici-  
8 pants.

9 “(e) ACCESS TO DOCUMENTS.—

10 “(1) IN GENERAL.—At the discretion of the  
11 Chairman, the Digital Commodity Retail Advocate  
12 shall have full access to the documents of the Com-  
13 mission and registered futures associations as nec-  
14 essary to carry out the functions of the Office.

15 “(2) EFFECT.—Nothing in the subsection au-  
16 thorizes the Digital Commodity Retail Advocate, or  
17 staff of the Office, to have access to, or to release  
18 publicly or internally within the Commission, propri-  
19 etary or sensitive market data.

20 “(3) POLICIES AND PROCEDURES.—The Office  
21 shall establish and make public on the website of the  
22 Commission policies and procedures in place to safe-  
23 guard the confidentiality of any documents the Dig-  
24 ital Commodity Retail Advocate or staff of the Of-  
25 fice has access to.

1 “(f) ANNUAL REPORTS.—

2 “(1) REPORT ON OBJECTIVES.—

3 “(A) IN GENERAL.—Not later than June  
4 30 of each year, the Digital Commodity Retail  
5 Advocate shall submit to the Committee on Ag-  
6 riculture, Nutrition, and Forestry of the Senate  
7 and the Committee on Agriculture of the House  
8 of Representatives a report describing the ob-  
9 jectives of the Digital Commodity Retail Advo-  
10 cate for the following fiscal year.

11 “(B) CONTENTS.—Each report required  
12 under subparagraph (A) shall contain full and  
13 substantive analysis and explanation.

14 “(2) REPORT ON ACTIVITIES.—

15 “(A) IN GENERAL.—Not later than De-  
16 cember 31 of each year, the Digital Commodity  
17 Retail Advocate shall submit to the Committee  
18 on Agriculture, Nutrition, and Forestry of the  
19 Senate and the Committee on Agriculture of  
20 the House of Representatives a report describ-  
21 ing the activities of the Digital Commodity Re-  
22 tail Advocate during the immediately preceding  
23 fiscal year.

24 “(B) CONTENTS.—Each report required  
25 under subparagraph (A) shall include—

1 “(i) appropriate statistical information  
2 and full and substantive analysis;

3 “(ii) information on steps that the  
4 Digital Commodity Retail Advocate has  
5 taken during the reporting period to im-  
6 prove—

7 “(I) services to and communica-  
8 tion with retail participants; and

9 “(II) the responsiveness of the  
10 Commission and registered futures as-  
11 sociations to retail participant con-  
12 cerns;

13 “(iii) a summary of the most serious  
14 problems reported to the Office or the  
15 Commission by retail participants during  
16 the reporting period;

17 “(iv) an inventory of the items de-  
18 scribed in clause (iii) that includes—

19 “(I) identification of any action  
20 taken by the Commission or a reg-  
21 istered futures association and the re-  
22 sult of that action;

23 “(II) the period of time that each  
24 item has remained on the inventory;  
25 and

1                   “(III) for items with respect to  
2                   which no action has been taken, the  
3                   reasons for inaction, and an identi-  
4                   fication of any official who is respon-  
5                   sible for the action;

6                   “(v) recommendations for such admin-  
7                   istrative and legislative actions as may be  
8                   appropriate to resolve problems encoun-  
9                   tered by retail participants; and

10                  “(vi) any other information, as deter-  
11                  mined appropriate by the Digital Com-  
12                  modity Retail Advocate.

13                  “(C) INDEPENDENCE.—Each report re-  
14                  quired under subparagraph (A) shall be pro-  
15                  vided directly to the committees described in  
16                  that subparagraph without any prior review or  
17                  comment from the Commission, any Commis-  
18                  sioner, any other officer or employee of the  
19                  Commission, or the Office of Management and  
20                  Budget.

21                  “(D) CONFIDENTIALITY.—No report re-  
22                  quired under subparagraph (A) may contain  
23                  confidential information.

24                  “(g) OMBUDSMAN.—

1           “(1) APPOINTMENT.—Not later than 180 days  
2           after the date on which the first Digital Commodity  
3           Retail Advocate is appointed under subsection  
4           (c)(1)(B), the Digital Commodity Retail Advocate  
5           shall appoint an Ombudsman, who shall report di-  
6           rectly to the Digital Commodity Retail Advocate.

7           “(2) DUTIES.—The Ombudsman appointed  
8           under paragraph (1) shall—

9                   “(A) act as a liaison between the Commis-  
10                  sion and any retail participant in resolving  
11                  problems the retail participant may have with  
12                  the Commission or a registered futures associa-  
13                  tion;

14                  “(B) review and make recommendations  
15                  regarding policies and procedures to encourage  
16                  persons to present questions to the Digital  
17                  Commodity Retail Advocate regarding compli-  
18                  ance with this Act; and

19                  “(C) establish safeguards to maintain the  
20                  confidentiality of communications between the  
21                  persons described in subparagraph (B) and the  
22                  Ombudsman.

23           “(3) LIMITATION.—

24                   “(A) PERSONNEL.—In carrying out the  
25                  duties of the Ombudsman under paragraph (2),

1 the Ombudsman shall utilize personnel of the  
2 Commission, to the extent practicable.

3 “(B) EFFECT.—Nothing in this paragraph  
4 shall be construed as replacing, altering, or di-  
5 minishing the activities of any ombudsman or  
6 similar office of any other agency.

7 “(4) REPORT.—

8 “(A) REPORT ON ACTIVITIES.—The Om-  
9 budsman shall submit to the Digital Commodity  
10 Retail Advocate an annual report that describes  
11 the activities and evaluates the effectiveness of  
12 the Ombudsman during the preceding 1-year  
13 period.

14 “(B) SUBMISSION.—The Digital Com-  
15 modity Retail Advocate shall include the reports  
16 required under subparagraph (A) in the reports  
17 required to be submitted by the Digital Com-  
18 modity Retail Advocate under subsection (f).”.

19 **SEC. 20214. STUDY ON DIGITAL COMMODITY PARTICI-**  
20 **PANTS.**

21 Not later than 180 days after the date of enactment  
22 of this Act, the Commodity Futures Trading Commission  
23 (referred to in this section as the “Commission”) shall—

1           (1) examine the racial, ethnic, age, gender, in-  
2           come, and education demographics of customers par-  
3           ticipating in digital commodity markets;

4           (2) submit to the Committee on Agriculture,  
5           Nutrition, and Forestry of the Senate and the Com-  
6           mittee on Agriculture of the House of Representa-  
7           tives a report—

8                 (A) describing how those demographics will  
9                 inform the rules and regulations of the Com-  
10                mission relating to customer protection;

11               (B) proposing ways in which the Commis-  
12               sion can provide outreach to historically under-  
13               served customers participating in digital com-  
14               modity markets; and

15               (C) containing policy recommendations re-  
16               lating to any other activities the Commission  
17               determines to be necessary to provide appro-  
18               priate protection, outreach, or other similar ac-  
19               tivities relating to historically underserved cus-  
20               tomers participating in digital commodity mar-  
21               kets; and

22           (3) in preparing the report under this sub-  
23           section, seek and consider information and input  
24           from a broad range of stakeholders, including mar-

1 ket participants, customers, and consumer advo-  
2 cates.

3 **SEC. 20215. DIGITAL COMMODITY TRADING REPORTS.**

4 The Commodity Exchange Act (7 U.S.C. 1 et seq.)  
5 is amended by inserting after section 4v (as added by sec-  
6 tion 20209) the following:

7 **“SEC. 4w. DIGITAL COMMODITY TRADING REPORTS.**

8 “(a) IN GENERAL.—A digital commodity exchange,  
9 digital commodity dealer, or digital commodity broker  
10 shall file periodic reports with the Commission concerning  
11 a customer’s reportable position in a digital commodity  
12 over a threshold set by the Commission, as the Commis-  
13 sion may prescribe by rule or regulation.

14 “(b) RECORDS.—A digital commodity exchange, dig-  
15 ital commodity broker, or digital commodity dealer with  
16 a customer who owns, holds, or controls a reportable posi-  
17 tion in a digital commodity subject to oversight under this  
18 section shall keep books and records showing details of  
19 the customer’s positions and transactions in such digital  
20 commodity.

21 “(c) REPORTABLE POSITIONS.—

22 “(1) IN GENERAL.—The Commission, by rule  
23 or regulation, shall establish a reportable position, if  
24 any, for a digital commodity as the Commission de-

1       termines is necessary to carry out its responsibilities  
2       under this Act.

3               “(2) CONSIDERATION.—In making the deter-  
4       mination under this subsection, the Commission  
5       shall consider the factors described in section  
6       4a(a)(3).

7       “(d) REPORTING AND RECORDKEEPING REQUIRE-  
8       MENTS.—

9               “(1) IN GENERAL.—The Commission, by rule  
10      or regulation, shall issue reporting and record-  
11      keeping requirements to implement subsections (b)  
12      and (c).

13              “(2) STANDARDIZED AND AUTOMATABLE ELE-  
14      MENTS.—Rules or regulations adopted under this  
15      section shall, to the extent practicable, be imple-  
16      mented through standardized and automatable ele-  
17      ments, including, as applicable—

18              “(A) standardized data fields and defini-  
19      tions;

20              “(B) reporting formats, taxonomies, and  
21      schemas;

22              “(C) submission methods, including auto-  
23      mated electronic submission;

24              “(D) reporting frequency and deadlines;  
25      and

1 “(E) validation standards and error-correc-  
2 tion procedures.”.

3 **SEC. 20216. PROTECTION OF SELF-CUSTODIED DIGITAL AS-**  
4 **SETS.**

5 (a) DEFINITION OF SELF-CUSTODIED DIGITAL  
6 ASSET.—In this section, the term “self-custodied digital  
7 asset” means a digital asset over which the owner main-  
8 tains exclusive control of the private cryptographic key or  
9 keys necessary to authorize transactions, without reliance  
10 on any third-party custodian, exchange, or other inter-  
11 mediary.

12 (b) PRESERVATION OF SELF-CUSTODIED OWNER-  
13 SHIP RIGHTS.—

14 (1) IN GENERAL.—No digital asset lawfully  
15 held in self-custody shall be deemed abandoned, un-  
16 claimed, or subject to forfeiture, escheat, adverse  
17 possession, finder’s title, or any similar property  
18 claim under any Federal, State, or local law solely  
19 due to inactivity, dormancy, or lack of an indication  
20 of interest by the owner.

21 (2) PREEMPTION.—This section shall supersede  
22 any law or regulation of a State or political subdivi-  
23 sion thereof that treats a self-custodied digital asset  
24 as abandoned or subject to escheat, forfeiture, or  
25 any claim of title based on inactivity or dormancy.

1           (3) PRESERVATION OF CUSTODIAL LAW.—

2       Nothing in this section shall be construed to affect  
3       or limit the application of any Federal or State un-  
4       claimed property, escheat, or abandoned property  
5       law to a digital asset held by a digital asset custo-  
6       dian, digital commodity exchange, digital commodity  
7       broker, or digital commodity dealer on behalf of a  
8       customer.

9           (4) PRESERVATION OF ENFORCEMENT AUTHOR-  
10       ITY.—Nothing in this section shall be construed to  
11       limit the authority of any Federal, State, or local  
12       agency to investigate or bring enforcement actions  
13       with respect to fraud, theft, money laundering, sanc-  
14       tions violations, or other unlawful conduct involving  
15       a self-custodied digital asset.

16 **SEC. 20217. DISCLOSURE REQUIREMENTS CONSULTATION.**

17       In prescribing rules to implement the disclosure re-  
18       quirements under section 4B(d) of the Securities Act of  
19       1933, section 4u(i)(2) of the Commodity Exchange Act,  
20       and subparagraphs (B)(ii) and (C)(ii) of section 5i(c)(3)  
21       of the Commodity Exchange Act, the Securities and Ex-  
22       change Commission and the Commodity Futures Trading  
23       Commission shall consult with one another and, to the ex-  
24       tent practicable, avoid inconsistent or duplicative dislo-  
25       sure or public information obligations.

1   **SEC. 20218. ADDITIONAL REGISTRATIONS.**

2           Section 15 of the Securities Exchange Act of 1934  
3   (15 U.S.C. 78o) is amended by adding at the end the fol-  
4   lowing:

5           “(p) **ADDITIONAL REGISTRATIONS WITH THE COM-**  
6   **MODITY FUTURES TRADING COMMISSION.—**

7           “(1) **REGISTERED BROKERS AND DEALERS.—**A  
8       registered broker or registered dealer shall be per-  
9       mitted to maintain a registration with the Com-  
10      modity Futures Trading Commission as a digital  
11      commodity broker or digital commodity dealer.

12          “(2) **NATIONAL SECURITIES EXCHANGES.—**A  
13      national securities exchange, or an affiliate of a na-  
14      tional securities exchange, shall be permitted to  
15      maintain a registration with the Commodity Futures  
16      Trading Commission as a digital commodity ex-  
17      change.

18          “(3) **ALTERNATIVE TRADING SYSTEMS.—**An al-  
19      ternative trading system, and the operator of an al-  
20      ternative trading system, shall be permitted to main-  
21      tain a registration with the Commodity Futures  
22      Trading Commission as a digital commodity ex-  
23      change.

24          “(4) **NOTICE OF APPLICATION.—**Any person or  
25      entity described in any of paragraphs (1) through  
26      (3) shall provide to the Commission, at such time

1 and in such form and manner as the Commission  
2 shall prescribe, notice of any application to register  
3 with the Commodity Futures Trading Commission  
4 as a digital commodity broker, digital commodity  
5 dealer, or digital commodity exchange.”.

6 **SEC. 20219. ELIGIBILITY OF ALTERNATIVE TRADING SYS-**  
7 **TEMS.**

8 (a) IN GENERAL.—Section 5 of the Securities Ex-  
9 change Act of 1934 (15 U.S.C. 78e) is amended—

10 (1) by striking “It” and inserting the following:

11 “(a) IN GENERAL.—It”; and

12 (2) by adding at the end the following:

13 “(b) DIGITAL COMMODITY PROTECTIONS.—

14 “(1) IN GENERAL.—The Commission may not  
15 preclude a trading platform from operating pursuant  
16 to a covered exemption to exchange registration  
17 under section 6 on the basis that the assets traded  
18 or to be traded on that platform include—

19 “(A) digital commodities or permitted pay-  
20 ment stablecoins; and

21 “(B) securities.

22 “(2) COVERED EXEMPTION.—In this sub-  
23 section, the term ‘covered exemption’ means an ex-  
24emption—

25 “(A) described in subsection (a)(2); or

1                   “(B) with respect to any other rule of the  
2                   Commission relating to the definition of ‘ex-  
3                   change’.”.

4           (b) FACILITIES.—Section 3(a)(2) of the Securities  
5 Exchange Act of 1934 (15 U.S.C. 78c(a)(2)) is amended  
6 by adding at the end the following: “Neither an alternative  
7 trading system predominantly facilitating the trading of  
8 digital commodities, permitted payment stablecoins, or  
9 both, relative to its securities traded, nor a digital com-  
10 modity exchange, is a ‘facility’ of an exchange.”.

11          (c) RULE OF CONSTRUCTION.—Nothing in this sec-  
12 tion, the amendments made by this section, or section  
13 20103(h) may be construed to—

14                   (1) prohibit a national securities exchange from  
15                   owning or operating any other type of alternative  
16                   trading system; or

17                   (2) create a presumption that any other type of  
18                   alternative trading system owned or operated by a  
19                   national securities exchange is a facility of that ex-  
20                   change.

## **DIVISION C—ETHICS REQUIREMENTS**

### **SEC. 30101. BAN ON CERTAIN DIGITAL ASSET TRANS- ACTIONS.**

(a) IN GENERAL.—Chapter 131 of title 5, United States Code, is amended by adding at the end the following:

#### **“SUBCHAPTER IV—ETHICS REQUIREMENTS FOR DIGITAL ASSETS**

##### **“§ 13151. Definitions**

“In this subchapter:

“(1) APPLICABLE ETHICS AGENCY.—The term ‘applicable ethics agency’ means, as appropriate, based on the covered individual—

“(A) the Office of Government Ethics, or designated agency ethics official;

“(B) the Select Committee on Ethics of the Senate or the Committee on Ethics of the House of Representatives; or

“(C) the Judicial Conference of the United States, or any committee thereof designated by the Chief Justice of the United States.

“(2) COVERED INDIVIDUAL.—The term ‘covered individual’ means—

“(A) a public official or employee; or

1                   “(B) the spouse of a public official or em-  
2                   ployee.

3                   “(3) DIGITAL ASSET; DIGITAL ASSET INTER-  
4                   MEDIARY.—The terms ‘digital asset’ and ‘digital  
5                   asset intermediary’ have the meanings given those  
6                   terms in section 10001 of the Digital Asset Market  
7                   Clarity Act.

8                   “(4) ISSUE.—The term ‘issue’ means to—

9                   “(A) create, mint, or launch a specific dig-  
10                  ital asset; or

11                  “(B) direct, or exercise control over, the  
12                  initial offer, sale, or distribution of a specific  
13                  digital asset to any person.

14                  “(5) PUBLIC OFFICIAL OR EMPLOYEE.—The  
15                  term ‘public official or employee’ means an indi-  
16                  vidual described in section 13103(f).

17                  “(6) SPONSOR.—

18                  “(A) IN GENERAL.—The term ‘sponsor’  
19                  means to enter into an agreement to—

20                         “(i) fund, organize, or publicly en-  
21                         dorse or advocate for the creation, launch,  
22                         or express promotion of a specific digital  
23                         asset; or

24                         “(ii) permit the use of one’s name,  
25                         image, likeness, office, or official position

1 in connection with the creation, launch, or  
2 express promotion of a specific digital  
3 asset.

4 “(B) RULE OF CONSTRUCTION.—For pur-  
5 poses of this section, appearing at an event paid  
6 for or organized by a person that issues or  
7 sponsors a digital asset or encouraging the use  
8 of digital assets generally shall not be deemed  
9 sponsorship.

10 **“§ 13152. Ban on certain digital asset transactions**

11 “(a) BAN.—A covered individual shall not, in ex-  
12 change for consideration—

13 “(1) issue a digital asset; or

14 “(2) sponsor a digital asset.

15 “(b) APPLICABLE PERIOD.—The prohibitions set  
16 forth in subsection (a) shall apply—

17 “(1) in the case of a covered individual who is  
18 a public official or employee, during the term of  
19 service of that public official or employee; and

20 “(2) in the case of a covered individual who is  
21 the spouse of a public official or employee, during  
22 the term of service of that public official or em-  
23 ployee.

24 “(c) BAN ON LISTING.—A digital asset that is found  
25 to be issued or sponsored by a covered individual in viola-

tion of paragraph (1) or (2), respectively, of subsection (a) shall not be listed for trading on a digital asset intermediary.

“(d) UNAUTHORIZED THIRD-PARTY USE.—A covered individual shall not be deemed to have violated this section solely due to any action of a third party if the covered individual did not authorize, direct, coerce, exercise control over, or coordinate with the third party.

“(e) SAFE HARBOR.—

“(1) QUALIFIED BLIND TRUSTS; DIVESTMENT.—

“(A) IN GENERAL.—A covered individual shall not be deemed to violate subsection (a) if the covered individual places any direct interest in a digital asset issued or sponsored before the beginning of the applicable period under subsection (b) in a qualified blind trust, divests the direct interest, or both.

“(B) REQUIREMENTS.—Placement in a qualified blind trust, divestment, or both, shall be consistent with sections 13101 and 13104 of this title, in accordance with the same procedures, deadlines, and requirements applicable to ethics agreements executed pursuant to section 208 of title 18, and the regulations issued

1           thereunder, or the laws and regulations gov-  
2           erning qualified blind trusts for covered individ-  
3           uals in the legislative and judicial branches,  
4           which shall include—

5                   “(i) a timeline set by the applicable  
6                   ethics agency;

7                   “(ii) eligibility for a certificate of di-  
8                   vestiture under section 1043 of the Inter-  
9                   nal Revenue Code of 1986, to the same ex-  
10                  tent and in the same manner as any other  
11                  property divested to comply with this chap-  
12                  ter, or any ethics agreement thereunder;  
13                  and

14                  “(iii) certification of compliance re-  
15                  quirements administered by the applicable  
16                  ethics agency.

17           “(2) CONTINUED USE OF NAME, IMAGE, OR  
18           LIKENESS.—A covered individual shall not be  
19           deemed to violate this section if the issuer or spon-  
20           sor of a digital asset, or a digital asset intermediary,  
21           that used the name, image, or likeness of a covered  
22           individual before the date on which the covered indi-  
23           vidual became a covered individual, continues to use  
24           the name image, or likeness of the covered indi-  
25           vidual, including through the minting, sale, or dis-

1       tribution of additional digital assets, following di-  
2       vestment or placement in a qualified blind trust of  
3       any direct interest of the covered individual pursu-  
4       ant to paragraph (1).

5           “(3) DEFINITION OF DIRECT INTEREST.—For  
6       purposes of this subsection, the term ‘direct interest  
7       in a digital asset’ means—

8           “(A) holding a digital asset; or

9           “(B) owning, controlling, or holding not  
10       less than 20 percent, by vote or value, of the  
11       outstanding amount of any class of equity inter-  
12       est in a business entity, or subsidiary thereof,  
13       that obtains greater than 50 percent of the rev-  
14       enues of the business entity or subsidiary, as  
15       applicable, from the issuance or sponsorship of  
16       digital assets in a calendar year.

17       “(f) RULES OF CONSTRUCTION.—

18           “(1) ACTS AFFECTING A PERSONAL FINANCIAL  
19       INTEREST.—Nothing in this section may be con-  
20       strued to limit the application of section 208 of title  
21       18 or of any other law or regulation aimed at pre-  
22       venting conflicts of interest.

23           “(2) CONSTITUTIONAL RIGHTS.—Nothing in  
24       this section or section 13153 may be construed or  
25       applied in a manner that infringes the Constitution

1 of the United States, including the First Amend-  
2 ment to the Constitution of the United States or ar-  
3 ticle I, section 6, clause 1 of the Constitution of the  
4 United States (commonly known as the ‘Speech or  
5 Debate Clause’).

6 “(3) PROHIBITION REGARDING MANIPULATION  
7 AND FALSE INFORMATION.—Nothing in this section  
8 may be construed as limiting the application of sec-  
9 tion 6(c) of the Commodity Exchange Act (7 U.S.C.  
10 9) with respect to fraud and manipulation, including  
11 criminal penalties.

12 “(4) FRAUDULENT INTERSTATE TRANS-  
13 ACTIONS.—Nothing in this section may be construed  
14 as limiting the application of section 17(a) of the Se-  
15 curities Act of 1933 (15 U.S.C. 77q(a)), including  
16 any criminal penalty that may be available with re-  
17 spect to a violation of such section 17(a).

18 “(5) REGULATION OF THE USE OF MANIPULA-  
19 TIVE AND DECEPTIVE DEVICES.—Nothing in this  
20 section may be construed as limiting the application  
21 of section 10(b) of the Securities Exchange Act of  
22 1934 (15 U.S.C. 78j(b)), including any criminal  
23 penalty that may be available with respect to a viola-  
24 tion of such section 10(b).

1           “(6) FEDERAL CAMPAIGN FINANCE LAWS.—

2       Nothing in this section may be construed to super-  
3       sede or modify any Federal campaign finance law, or  
4       any regulation promulgated thereunder, or to pro-  
5       hibit any contribution or expenditure (as those terms  
6       are defined in section 301 of the Federal Election  
7       Campaign Act of 1971 (52 U.S.C. 30101)) that is  
8       otherwise lawful.

9           “(7) OFFICIAL ACTIONS AND DUTIES.—Nothing

10      in this section shall prohibit a covered individual  
11      from making any statement or taking an official  
12      governmental action on digital asset policy, digital  
13      asset legislation, or digital asset regulation in the ex-  
14      ercise of official duties, or with respect to making  
15      any statement regarding digital assets that is not  
16      made in expectation of receiving consideration.

17          “(8) INVESTMENTS.—Nothing in this section

18      shall prohibit a covered individual from holding any  
19      digital asset as an investment, subject to applicable  
20      financial disclosure and conflict-of-interest require-  
21      ments as otherwise provided by law.

22          “(9) FEDERAL AGENCY AUTHORITY.—Nothing

23      in this section shall limit the authority of any Fed-  
24      eral agency to regulate digital assets as otherwise  
25      provided by law.

1   **“§ 13153. Penalties**

2           “(a) ENFORCEMENT BY THE ATTORNEY GENERAL  
3 OF THE UNITED STATES.—The Attorney General shall  
4 bring a civil action in an appropriate district court of the  
5 United States against—

6           “(1) a covered individual who knowingly and  
7 willfully violates section 13152(a); or

8           “(2) a digital asset intermediary that knowingly  
9 and willfully violates section 13152(c).

10          “(b) NO ENFORCEMENT BY STATE ATTORNEYS GEN-  
11 ERAL AND NO PRIVATE RIGHT OF ACTION.—For avoid-  
12 ance of doubt, no action, public or private, may be brought  
13 under this section by any State attorney general or any  
14 person other than the Attorney General under subsection  
15 (a).

16          “(c) PENALTIES FOR COVERED INDIVIDUALS.—A  
17 covered individual who knowingly and willfully violates sec-  
18 tion 13152(a) shall—

19           “(1) disgorge to the Treasury of the United  
20 States all profit from the prohibited conduct; and

21           “(2) pay a civil monetary penalty equal to 10  
22 percent of the consideration received in the trans-  
23 action or \$500,000, whichever is less.

24          “(d) PENALTY FOR DIGITAL ASSET INTER-  
25 MEDIARIES.—A digital asset intermediary that knowingly  
26 and willfully violates the prohibition on listing under sec-

tion 13152(c) shall be subject to a civil monetary penalty of not more than \$250,000 per violation, per day.

**“§ 13154. Interpretive guidance**

“Not later than the effective date of division C of the Digital Asset Market Clarity Act under section 30104 of that division, each applicable ethics agency shall issue such interpretive guidance as necessary to clarify the terms and provisions under this subchapter.”.

(b) TECHNICAL AND CONFORMING.—The table of sections for chapter 131 of title 5, United States Code, is amended by adding at the end the following:

“SUBCHAPTER IV—ETHICS REQUIREMENTS FOR DIGITAL ASSETS

“13151. Definitions.

“13152. Ban on certain digital asset transactions.

“13153. Penalties.

“13154. Interpretive guidance.”.

**SEC. 30102. ETHICS REQUIREMENTS RELATING TO DIGITAL ASSETS.**

Section 13104 of title 5, United States Code, is amended—

(1) in subsection (a)—

(A) in paragraph (5)(B), by inserting “digital assets that are sold for remuneration,” after “commodities futures,”; and

(B) by adding at the end the following:

“(9) DIGITAL ASSETS.—The identity and category of value of any other digital asset (as defined

1 in section 10001 of the Digital Asset Market Clarity  
2 Act) that is sold for remuneration that has a fair  
3 market value that exceeds \$1,000 as of the close of  
4 the preceding calendar year held by the reporting in-  
5 dividual during the preceding calendar year.”;

6 (2) in subsection (b)(1)(B), by striking “(3)  
7 and (4)” and inserting “(3), (4), and (9)”;

8 (3) in subsection (d)(1)—

9 (A) in the paragraph heading, by striking  
10 “(3), (4), (5), AND (8)” and inserting “(3), (4), (5),  
11 (8), AND (9)”;

12 (B) in the matter preceding subparagraph  
13 (A), by striking “(3), (4), (5), and (8)” and in-  
14 serting “(3), (4), (5), (8), and (9)”.

15 **SEC. 30103. GAO REPORT TO CONGRESS.**

16 (a) DEFINITION.—In this section, the term “relevant  
17 congressional committees” means—

18 (1) the Committee on Banking, Housing, and  
19 Urban Affairs of the Senate;

20 (2) the Committee on Agriculture, Nutrition,  
21 and Forestry of the Senate;

22 (3) the Committee on Homeland Security and  
23 Governmental Affairs of the Senate;

24 (4) the Committee on Financial Services of the  
25 House of Representatives;

1           (5) the Committee on Agriculture of the House  
2           of Representatives; and

3           (6) the Committee on Oversight and Govern-  
4           ment Reform of the House of Representatives.

5           (b) REPORT.—Not later than 360 days after the date  
6 of enactment of this Act, the Comptroller General of the  
7 United States shall submit to the relevant congressional  
8 committees a report that contains recommendations to up-  
9 date Federal laws relating to ethics and enforcement pro-  
10 cedures relating to ethics in order to incorporate any regu-  
11 latory frameworks relating to digital assets adopted on or  
12 after the date of enactment of this Act.

13 **SEC. 30104. EFFECTIVE DATE.**

14           (a) EFFECTIVE DATE.—This division, and the  
15 amendments made by this division, shall take effect on the  
16 date that is the earlier of the following:

17           (1) The date that is 360 days after the date of  
18 enactment of this Act.

19           (2) The date that is 60 days after the publica-  
20 tion in the Federal Register of the final rule promul-  
21 gated pursuant to section 10102(b).

22           (b) APPLICATION.—This division, and the amend-  
23 ments made by this division, shall apply only to conduct  
24 that occurs on or after the effective date of this division  
25 under subsection (a).

1   **SEC. 30105. SUNSET.**

2           (a) SUNSET.—Section 30101, and the amendments  
3   made by section 30101, shall have no force and effect on  
4   and after noon on January 20, 2029.

5           (b) TREATMENT OF PRE-SUNSET CONDUCT.—Not-  
6   withstanding section 109 of title 1, United States Code,  
7   after the sunset date described in subsection (a) of this  
8   section, no person shall be subject to any penalty, for-  
9   feiture, or liability under section 30101 of this Act, or any  
10   amendment made by section 30101 of this Act, for con-  
11   duct that occurs on or before that sunset date.

12   **SEC. 30106. SEVERABILITY.**

13           If any provision of this division or any amendment  
14   made by this division, or the application of a provision  
15   of this division or an amendment made by this division  
16   to any person or circumstance, is held to be unconstitu-  
17   tional, the remainder of this division, and the application  
18   of the provision or amendment to any other person or cir-  
19   cumstance, shall not be affected thereby.

20   **DIVISION D—EFFECTIVE DATE**

21   **SEC. 40101. EFFECTIVE DATE.**

22           (a) IN GENERAL.—Except as provided in subsection  
23   (b), or as otherwise provided in this Act (or an amendment  
24   made by this Act), this Act, and the amendments made  
25   by this Act, shall take effect on the date that is 360 days  
26   after the date of enactment of this Act.

1       (b) RULEMAKING PROVISIONS.—If a provision of this  
2 Act, or an amendment made by this Act, requires a rule-  
3 making, that provision shall take effect on the later of—  
4           (1) the date that is 360 days after the date of  
5       enactment of this Act; or  
6           (2) the date that is 60 days after the date on  
7       which the final rule implementing that provision is  
8       published in the Federal Register.