~~119TH CONGRESS~~
~~1ST SESSION~~

S. II

To clearly draw the line between digital asset securities and commodities, to impose disclosure requirements for certain transactions involving ancil-lary assets, and for other purposes.

AMENDMENT NO.IIII Calendar No.III

Purpose: In the nature of a substitute.

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

IIIIIIII

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

A BILL

H. R. 3633

To clearly draw the line betweenprovide for a system of regulation of the offer and sale of digital asset securities and commodities, to impose disclosure requirements for cer-tain transactions involving ancillary assets by the Securities and Exchange Commission and the Commodity Futures Trading Com-mission, 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.

1 *Be it enacted by the Senate and House of Representa-*

2 *tives of the United States of America in Congress assembled,*

Referred to the Committee on IIIIIIIIII 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 lllllll

Viz:

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

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

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

Sec. 1. Short title; table of contents. Sec. 2. Definitions.

TITLE I—RESPONSIBLE SECURITIES INNOVATION

Sec. 101. Short title.
Sec. 102. Disclosure requirements for certain transactions involving ancillary assets.
Sec. ~~102~~103. Exemption and rulemaking for certain transactions involving ancillary assets.
Sec. ~~103~~104. Special disposition restrictions by related persons.
Sec. ~~104~~105. Financial interests of ancillary assets.
~~Sec. 105. Investment contract rulemaking.~~ Sec. 106. Exemptive authority.
Sec. 107. ~~Modernization of the Securities and Exchange Commission mission. Sec. 108.~~ Modernization of recordkeeping requirements.
Sec. ~~109~~108. Modernization of securities regulations for digital asset activities.
Sec. ~~110~~109. Securities Investor Protection Corporation applicability.

TITLE II—PROTECTING AGAINST ILLICIT FINANCE

Sec. 201. Treatment under the Bank Secrecy Act and sanctions laws. Sec. 202. Digital asset examination standards.
Sec. 203. Preventing ~~illicit finance through partnership~~Illicit Finance Through Partnership Act. Sec. 204. Financial ~~technology protection~~Technology Protection Act.
Sec. 205. ~~Sanctions compliance responsibilities of payment stablecoin issuers~~Digital asset kiosks.
Sec. 206. Study on illicit use of digital assets.

TITLE III—RESPONSIBLE ~~BANKING~~ INNOVATION IN DECENTRALIZED FINANCE

~~Sec. 301. Permissibility of digital asset activities.~~
~~Sec. 302. Joint rules for portfolio margining determinations. Sec. 303. Capital requirements to address netting agreements.~~

Sec. 301. Rulemaking on application of existing securities intermediary require-ments and existing Bank Secrecy Act requirements to non-de-centralized finance trading protocols.
Sec. 302. Illicit finance obligations for distributed ledger application layers.
Sec. 303. Special measure relating to certain transmittal of funds.
Sec. 304. Offshore stablecoin report.
Sec. 305. Temporary hold for certain digital asset transactions.
Sec. 306. Voluntary cybersecurity program for decentralized finance trading protocols.
Sec. 307. Amendments to monetary instrument definition.
Sec. 308. Risk management standards for digital asset intermediaries.
Sec. 309. Study on digital asset mixers and tumblers.
Sec. 310. GAO study on intermediaries in foreign jurisdictions.
Sec. 311. Studies on foreign adversary activities.
Sec. 312. Treasury study on cybersecurity standards.
Sec. 313. Studies on financial stability risks of decentralized finance trading and credit in digital commodity markets.

TITLE IV—RESPONSIBLE BANKING INNOVATION

Sec. 401. Permissibility of digital asset activities.
Sec. 402. Joint rules for portfolio margining determinations.
Sec. 403. Capital requirements to address netting agreements.
Sec. 404. Preserving rewards for stablecoin holders.

TITLE ~~IV~~V—RESPONSIBLE REGULATORY INNOVATION

Sec. ~~401~~501. CFTC-SEC Micro-Innovation Sandbox.
Sec. ~~402~~502. International cooperation.
Sec. ~~403~~503. Automated regulatory compliance study.
Sec. ~~404~~504. Report on legislative recommendations.

Sec. ~~405. Office of the Ombudsman for Innovation.~~

~~Sec. 406~~505. Tokenization of securities and other real-world assets.
Sec. ~~407~~506. Voluntary adoption of National Institute of Standards and Tech-nology post-quantum cryptography standards.
Sec. 507. International coordination to combat digital asset illicit finance.
Sec. 508. Annual report on foreign digital asset trading volume, compliance with United States standards and remediation actions.

TITLE ~~V~~VI—PROTECTING SOFTWARE DEVELOPERS AND SOFTWARE INNOVATION

~~Sec. 501. Protecting software developers.~~
~~Sec. 502. Safe harbor for nonfungible digital tokens. Sec.~~
~~503. Study on non-fungible tokens.~~
~~Sec. 504. Safe harbor for decentralized physical infrastructure networks.~~
~~Sec. 505. Treatment of certain non-controlling developers with respect to money transmission laws.~~
~~Sec. 506. Self-custody.~~

~~TITLE VI—BANKRUPTCY~~

~~Sec. 601. Customer property protections for ancillary assets and digital com-~~

Sec. 601. Protecting software developers.
Sec. 602. Safe harbor for nonfungible tokens.
Sec. 603. Study on nonfungible tokens.
Sec. 604. Blockchain Regulatory Certainty Act.
Sec. 605. Keep Your Coins Act.

TITLE VII—PROTECTING CUSTOMER PROPERTY

Sec. 701. Customer property protections for ancillary assets and digital com-modities in bankruptcy.

TITLE ~~VII—EFFECTIVE DATE AND RULEMAKING~~

VIII—CUSTOMER PROTECTION

Sec. 801. Educational materials. Sec.
802. Savings clauses.
Sec. 803. Study on expanding financial literacy.
Sec. 804. Consultation with SIPC regarding mandatory broker-dealer disclo-sures to investors concerning the status of payment stablecoins and digital commodities.

TITLE IX—OTHER MATTERS

Sec. ~~701.~~9 01. Joint Advisory Committee on Digital Assets.
Sec. ~~702.~~9 02. ~~Resolution of disagreements.~~Memorandum of understanding.
Sec. 903. FinCEN appropriations.
Sec. ~~703.~~9 04. Rulemakings.
Sec. ~~704.~~9 05. Effective date.

SEC. 2. DEFINITIONS.

In this Act:

(1) ANCILLARY ASSET; ANCILLARY ASSET ORIGINATOR; NETWORK TOKEN.—The terms "ancillary asset", "ancillary asset~~" and "ancillary asset~~ originator", and "network token" have the meanings given~~6~~ those terms in section 4B(a) of the Securities Act of~~7~~ 1933, as added by this Act.

8

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

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

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

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

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

(4) COMMON CONTROL.—~~The~~With respect to any distributed ledger system and a related ancillary asset, the term ''common control'' has the meaning given the term by the Commission pursuant to rules promulgated under section ~~103~~104(b).

(5) DECENTRALIZED GOVERNANCE SYSTEM.—

1 (A) IN GENERAL.—The term ''decentral-
2 ized governance system'' means, with respect to
3 a distributed ledger system, any transparent,
4 rules-based system permitting persons to form
5 consensus or reach agreement in the develop-
6 ment, provision, publication, maintenance, or
7 administration of such distributed ledger sys-
8 tem, in which participation is not limited to, or

9

under the effective control of, any person or group of persons under common control.

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

(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

26 1 described in subparagraph
19 (A), provided that2 the legal entity does not op-
20 erate pursuant to3 centralized management. For
21 the purposes of4 this subparagraph, the delega-
22 tion of ministerial5 or administrative authority
23 at the direction of6 the participants in a decen-
24 tralized governance7 system shall not be con-
25 strued to be centralized8 management.

26 9

1 (6) DIGITAL ASSET. The term "digital DIGITAL ASSET"

10 means any; DIGITAL ASSET SERVICE

11 corded on a cryptographically-secured distributed

12 ledger.

2 13 (7) DIGITAL ASSET SERVICE PROVIDER.—The

14 term terms "digital asset" and "digital

3 asset service provider" has have the mean-

15 ing ings given the term

4 those terms in section 2 of the GENIUS Act (12

16 (Public Law 119–27; 139 Stat. 419).

5 U.S.C. 5901).

6 (7) DIGITAL ASSET INTERMEDIARY.—The term

7 "digital asset intermediary" means a person that is

8 engaged in digital asset activities and required by

9 law to register with the Commodity Futures Trading

10 Commission or with the Commission under the Secu-

11 rities Exchange Act of 1934 (15 U.S.C. 78a et seq.)

12 17 (8) DIGITAL COMMODITY.—The term "digital

13 18 commodity" has the meaning given the term in sec-

14 19 tion 8ll¿1a of the Commodity Exchange Act (7 U.S.C.

15 1a).

16 20 (9) DISTRIBUTED LEDGER.—The term "distrib-

17 21 uted ledger" means technology—

18 22 (A) through which data is shared across a

19 23 network that creates a public digital ledger of

20 24 verified transactions or information among net-

21 ~~25~~ work participants; and

~~26 1~~ (B) in which cryptography is used to link

22 ~~2~~ the data described in subparagraph (A) to—

23 3

1 (i) maintain the integrity of the dig-

2 4 ital ledger described in that subparagraph;

3 5 and

4 6 (ii) execute other functions.

5 7 (10) DISTRIBUTED LEDGER APPLICATION.—

6 8 The term "distributed ledger application" means

7 9 any executable software that is deployed to and

8 maintained on a distrib- 10 uted ledger and composed of source code that is

9 11 publicly available and open-source a distributed ledger protocol, including a smart con-

10 12 contract tract or any network of smart contracts, or other

11 13 similar technology.

12 14 (11) DISTRIBUTED LEDGER PROTOCOL.—The

13 15 term "distributed ledger protocol" means publicly

14 16 available source code of a distributed ledger or dis-

15 tributed ledger application that is 17 executed by the

16 network participants of a distributed 18 ledger to facili-

17 tate its functioning, or other similar 19 technology.

18 20 (12) DISTRIBUTED LEDGER SYSTEM.—The

19 21 term "distributed ledger system" means any distrib-

20 22 uted ledger, together with its distributed ledger pro-

23 tocol or any distributed ledger application, or net-

21 24 work of distributed ledger applications, together with

22 its distributed ledger protocol.

23 (13) RELATED PERSON.—The term "related

24 person", with respect to an ancillary asset originator

25 or an ancillary asset—

(A) means—

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

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

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

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

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

(iv) any person, or group of persons under common control, that beneficially owns, or in the preceding 6-month period owned, covered tokens (as that term is defined in section 104(a)) that equal not less than 2 percent of the total amount of outstanding units of an ancillary asset; and

(B) does not include a decentralized governance system.

(~~13~~14) SECURITIES LAWS.—The term ''securities laws'' has the meaning given the term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).

(~~14~~15) SMART CONTRACT.—The term ''smart contract'' means a self-executing contract or program that—

(A) is stored on a distributed ledger system; and

(B) automatically ~~performs~~ executes or enforces dig-~~digital~~ital asset transactions ~~when~~ upon the occurrence of explicit, pre-de~~-~~termined conditions ~~are~~ encoded in the contract~~13~~ or program, without intervention, other than to provide data, by any entity~~14~~ or natural person.

24 15

1 TITLE I—RESPONSIBLE 2 16 SECURITIES INNOVATION

3 **SEC. 101. SHORT TITLE.**

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

6 **17 SEC. 101102. DISCLOSURE REQUIREMENTS FOR CERTAIN**
7 **18 TRANSACTIONS INVOLVING ANCILLARY AS-**
8 **19 SETS.**

9 20 (a) IN GENERAL.—The Securities Act of 1933 (15
10 U.S.C. 77a et seq.)21 is amended by inserting after section
11 4A (15 U.S.C. 77d–22 1) the following:

23

1 **"SEC. 4B. REQUIREMENTS WITH RESPECT TO 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 an intangible asset, including a
8 digital commodity, that is offered, sold, or oth-
9 erwise distributed to a person pursuant to the
10 purchase and sale of a security through an ar-
11 rangement that constitutes an investment con-
12 tract, as that term is used in section 2(a)(1)
13 and as further clarified by the Commission
14 through the final rule adopted under section
15 105 of the Responsible Financial Innovation
16 Act of 2025.
17 "(B) DISQUALIFYING FINANCIAL
18 RIGHTS.—The term 'ancillary asset' does not
19 include any of the following:
20 "(i) Any security, other than an in-
21 vestment contract or a certificate of inter-
22 est or participation in any profit-sharing
23 agreement.
24 "(ii) An investment contract or a cer-
25 tificate of interest or participation in any

1 profit-sharing agreement that represents or
2 gives the holder any of the following:
3 "(I) A debt or equity interest, or
4 an option on a debt or equity interest,
5 in the ancillary asset originator or an-
6 other person.
7 "(II) Liquidation rights with re-
8 spect to the ancillary asset originator
9 or another person.
10 "(III) An entitlement to an inter-
11 est, dividend, or other payment from
12 **"SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN**
13 **TRANSACTIONS INVOLVING ANCILLARY AS-**
14 **SETS.**
15 "(a) DEFINITIONS.—In this section:
16 12 the "(1) ANCILLARY ASSET.—The term 'ancillary
17 asset originator or an-' means a network token, the value of which is
13 other person.
14 "(IV) An express or implied fi-
15 nancial interest in (including a limited
16 partner interest or interest in intellec-
17 tual property of), or provided by, the
18 dependent upon the entrepreneurial or managerial
19 18 efforts of an ancillary asset originator or another a related
20 19 person, as provided by notice and those concepts are further specified by
20 comment rulemaking of the Commis-

~~sion, provided that an indirect finan-~~
~~cial interest shall not exist if the an-~~
~~cillary asset originator has expressly~~
~~and unambiguously disclaimed in writ-~~

~~ing that no such financial interest exists.~~

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

~~"(iv) An intangible asset that represents or is functionally equivalent to an interest in any entity or person that is not an investment company, as defined in section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)), but holds or will hold assets other than securities.~~

the Commission by regulation.

"(2) ANCILLARY ASSET ORIGINATOR.—

"(A) IN GENERAL.—~~Consistent with paragraph (3), the~~The term 'ancillary asset originator' means, with respect to a particular ancillary asset, a person that (whether

1 directly or

through 1 or more subsidiary or con~~trolled enti-~~
~~ties~~trolled entities)—

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

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

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

1 20 "(i) A person that is a related person (as defined in

21 section 103(a) of the Responsible Financial

2 22 Innovation Act of 2025) or under common23 control (as defined in section 2 of that

24 Act) with the person

3 that initially offered,25 sold, or distributed

4 such ancillary asset (or

1 otherwise sold, dis-
5 tributed, controlled, or2 caused the initial
6 offer, sale, or distribution3 of the ancillary
7 asset); and
8 4"(ii) The person that received the
9 largest amount of5 those ancillary assets in
10 that period, other6 than in an intermediary
11 capacity, solely7 through a gratuitous dis-
12 tribution, through8 an offer or sale of an in-
13 vestment contract9 to the public registered
14 under section 5, or10 otherwise in a broad
15 and public manner11 that the Commission
16 determines, pursuant12 to rule or regulation, should
17 not subject13 the entity person to disclosure requirements re-
18 quirements under
14 subsection (c), shall be jointly and sever-
15 ally considered to be an ancillary asset
16 originator with respect to that ancillary
17 asset (with the person that controlled such
18 offer, sale, or distribution) solely for pur-
19 poses of subsection (c).
20 "(C) RULE OF CONSTRUCTION.—Nothing
21 in this section shall be construed as requiring
22 more than 1 person to furnish the disclosures
23 required under subsection (d).

19 24 "(~~D~~C) ~~REQUIRED GUIDANCE~~
RULEMAKING.—Not later25 than 360

20 days after the date of enactment of

26 1 this section,

21 the Commission shall, after providing notice

22 and the opportunity for comment, issue guid-rules

23 2 ance regarding the circumstances under which per-

24 3 persons whosons that are jointly and severally considered4 an

25 ancillary asset originator pursuant to subpara-

graph (B)~~5~~ are responsible for furnishing the disclosures re~~6~~quired under subsection (d) on be-half of the an~~7~~cillary asset originator.

~~"(3) DIGITAL NETWORK PARAMETERS MANAGEMENT.—The term 'digital network parameters management' means 1 or more non-discretionary mechanisms, implemented in code and executed on a digital network, that—~~

~~"(A) collect, receive, or accrue consideration involved in the operational function of the digital network, which may accrue without creating a disqualifying financial right specified in paragraph (1)(B);~~

~~"(B) execute pre-disclosed, non-discretionary transactions relating to ancillary assets which are derived from consideration involved in the operational function of the digital network;~~

~~"(C) set, adjust, or apply parameters governing fees, consideration and other activities~~

~~1 involved in operational functioning of the digital~~

~~2 network; and~~

~~3 "(D) operate solely pursuant to publicly~~

~~4 specified rules.~~

4 ~~5~~ "(~~4~~3) FOREIGN ORIGINATOR.—

5 ~~6~~ "(A) IN GENERAL.—The term 'foreign

6 ~~7~~ originator' means an ancillary asset originator

7 ~~8~~ incorporated or organized outside of the United

8 ~~9~~ States that has, as of the last business day of

9 ~~10~~ the most recently completed fiscal quarter of

10 ~~11~~ the ancillary asset originator, only offered, sold,

11 ~~12~~ or distributed ancillary assets outside of the

12 ~~13~~ United States or, to the knowledge of the ancil-

13 ~~14~~ lary asset originator, only to persons other than

14 ~~15~~ United States persons.

15 ~~16~~ "(B) EXCLUSIONS.—Notwithstanding

16 ~~17~~ paragraph (A), the term 'foreign originator'

17 ~~18~~ shall not include—

18 ~~19~~ "(i) a foreign government;

19 ~~20~~ "(ii) an ancillary asset originator~~21~~ that~~—~~

20 ~~22~~ ~~"(I)~~ does not have shareholders,~~23~~ members, or

21 other equity owners~~;~~

~~24 "(II) the formation of which was~~

~~25 directed or caused by 1 or more citi-~~

26 1 zens or residents of the United States,
2 or entities formed under the laws of a
3 State or Indian Tribe; or
4 "(III) the business of the ancil-
5 lary asset originator is principally ad-
6 ministered in the United States; or
22 7 "(iii) an ancillary asset originator for
23 8 which—
24 9 "(I) more than 50 percent of the
10 outstanding voting securities of the 11 ownership interests of the ancillary

1 asset originator are directly~~12~~ or indi-
2 rectly owned by residents of the
3 ~~13~~ United States; and
4 ~~14~~ "(II)(aa) the majority of the ex-
5 ~~15~~ ecutive officers or directors of the an-
6 ~~16~~ cillary asset originator are citizens or
7 ~~17~~ residents of the United States;
8 ~~18~~ "(bb) more than 50 percent
9 of~~19~~ the business assets of ~~the ancillary asset origi-~~ which
10 ~~20 nator~~ are located in the United States
11 ~~21~~ or owned by persons located in
12 the~~22~~ United States; or
13 ~~23~~ "(cc) the business of the an~~cillary~~-
14 ~~24~~ cillary asset originator is ~~principally adminis~~ prin-
15 ~~25 tered~~ cipally administered in the
16 United States.

26 1 "(5 4) GRATUITOUS DISTRIBUTION.—

17 2 "(A) IN GENERAL.—The term 'gratuitous

18 3 distribution'—

19 4 "(i) means a distribution of ancillary a network

5 assets or digital assets, without a disquali-

6 fying financial interest described in para-

20 7 graph (1)(B) token, including a distribution ef- 8 fected by

21 an agent or other service pro- 9 vider engaged

22 solely in an administrative 10 or ministerial

23 capacity, in exchange for not 11 more than a

24 nominal value of cash, prop- 12 erty, services,

1 or other assets in a broad,~~13~~ equitable, and
2 non-discretionary manner ~~or~~
~~14 in a manner reasonably designed to facili-~~
~~15 tate the consumption of goods or services~~
~~16 involving use of the ancillary asset or dig-~~
~~17 ital asset without a disqualifying financial~~
~~18 interest~~; and
3 ~~19~~ "(ii) includes the mechanisms and
4 ~~20~~ methods of distribution described in sub-
5 ~~21~~ paragraph (B).
6 ~~22~~ "(B) MECHANISMS AND METHODS OF DIS-
7 ~~23~~ TRIBUTION.—The mechanisms and methods of
8 ~~24~~ distribution described in this subparagraph are
9 ~~25~~ the following:

1 "(i) SELF STAKING.—The distribution
2 of a unit of an ancillary asset or digital
3 asset a network token, as a programmatic pro-
11 grammatic result of vali-
4 dating validating or staking
12 activity for a distributed5 ledger system's
13 consensus mechanism, in-6 cluding the stak-
14 ing of a digital asset or an-
7 cillary asset network token, and the operation
15 of a node
8 or, validator, or substantially simi-
16 lar software for such activity where the
17 9 owner of the staked ancillary asset network token and op-the
18 10 erator operator of the node or, validator, or substan-
19 tially similar software are the11 same person
20 or entity.
21 12 "(ii) SELF-CUSTODIAL STAKING WITH
22 13 A THIRD PARTY.—The distribution of a
23 14 unit of a digital asset or ancillary asset network token, as15 a pro-
24 grammatic result of validating or16 staking

activity for a distributed ledger system's consensus mechanism, including the staking of a network token, and the operation of a node, validator, or substantially similar software for such activity in which—

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

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

"(iii) LIQUID STAKING.—The distribution of digital assets or ancillary assets, andnetwork tokens, as the issuance, transfer, or redemption of liquid staking tokens representing a pro rata interest in staked digital assets or ancillary assetsnetwork tokens, and their associated rewards, provided that such tokens are issued as administrative or ministerial receipts and not pursuant to investment contracts or discretionary management.

"(iv) CUSTODIAL AND ANCILLARY STAKING SERVICES.—

25 17

1 "(I) IN GENERAL.—Subject to
2 18 the rules issued pursuant to subclause
3 19 (II), the provision of custodial or an-
4 20 cillary staking services enabling the
5 21 owner of a digital asset or ancillary
22 asset, network token to partici-
6 pate in validating or 23 staking activity
7 for a distributed ledg- 24 er system's con-
8 sensus mechanism that 25 results in the
9 programmatic distribu-

26 1 tion of a unit of

10 a digital asset or an-

2 cillary assetnetwork token, provided that such custo-

11 3 dialcustodial or ancillary services are excluex-

12 4 sivelyclusively administrative or ministerial

13 in5 nature.

14 6 "(II) RULEMAKING TO DEFINE

15 7 THE CUSTODIAL AND ANCILLARY

16 8 STAKING SERVICES.—The Commission

17 9 shall issue rules defining the custodial

18 10 and ancillary staking services de-

19 11 scribed in subclause (I) that are exclu-

20 12 sively administrative or ministerial in

21 13 nature, consistent with what is nec-

22 14 essary or appropriate for the public

23 15 interest or for the protection of inves-

24 16 tors.

25 17

1 "(v) PROGRAMMATIC AND AUTO-

2 18 MATED DISTRIBUTIONS.—The automated,

3 19 programmatic, protocol-defined, or rules-

4 20 based distribution of digital assets, or an network tokens

5 21 ciliary assets achieved through the trans transparent func-

6 22 parent functioning tioning of a distributed ledger23 system, a

7 distributed ledger, or distributed24 ledger ap-

8 plications, in which—

1 "(I) distributions occur pursuant
2 to public, transparent, rules-based pa-
3 rameters set forth in publicly avail-
4 able, open-source code and accessible
5 on a permissionless basis, without in-
6 dividualized or real-time negotiation
7 with recipients;
8 "(II) recipients receive ancillarynetwork
9 assets or digital assetstokens, as a direct,10 programmatic result re-
11 sult of objective,11 verifiable network
12 participation, consumption, or con-
12 sumption, or contribution, tribution, including13 consensus participation partici-
14 pation, data avail-
14 ability availability, bandwidth,
15 governance, or use15 and interaction
16 with the protocol or16 application;
17 "(III) the number of ancillary asnetwork to-
18 sets or digital assetskens received is pro-
19 portionate to the

1 verifiable service,20 usage, or contribu-

2 tion;

3 21 "(IV) any expected utility or

4 22 value of the ancillary assets or digital

23 assetsnetwork tokens arises primarily from decentral-

5 24 ized marily from decentralized network

6 participation and market25 forces, rath-

7 er than the discretionary

26 1 actions of
8 any single person or affili- 2 ated group;
9 and
10 3 "(V) no person or group has uni-
11 4 lateral authority to alter, restrict, or
12 5 direct the issuance parameters or dis-
13 6 tribution mechanisms of the digital distrib-
14 7 network uted ledger system, and any modifica-
15 tion occurs 8 only through rules-based,
16 transparent,
9 governance- constrained processes.
17 "(vi) UNILATERAL AUTHORITY.—For
18 purposes of clause (v)(V), a decentralized
19 governance system shall not be deemed a
20 person or group with unilateral authority
21 unless its participants are under common
22 control, or acting pursuant to an agree-
23 ment to act in concert.
24 10 "(vivii) TECHNOLOGY-NEUTRAL
25 11 CLAUSE.—The distribution employing a

26 12

1 mechanism, protocol, or technology not

2 13 specifically described in clauses (i) through

3 14 (v), without regard to whether such mecha-

4 15 nism, protocol, or technology is in exist-

5 16 ence at the time of enactment of this sec-

6 17 tion, and without regard to terminology or

7 18 underlying technical framework, provided

8 19 such distribution—

20 "(I) meets the principles of requirements

9 described in subparagraph (A)(i).

10 "(5) INVESTMENT COMPANY.—The term 'in-

11 vestment company' has the meaning given the term

12 in section 3(a) of the Investment Company Act of

13 1940 (15 U.S.C. 80a–3(a)).

14 "(6) NETWORK TOKEN.—

15 "(A) IN GENERAL.—The term 'network

16 token' means a digital commodity that is intrin-

17 sically linked to a distributed ledger system and

18 that derives, or is reasonably expected to derive,

19 its value from the use of such distributed ledger

20 system, and, pursuant to the Digital Asset Mar-

21 broad, equitable, and non-discrimina- ket Clarity Act and the amendments made by

22 tory access; the Digital Asset Market Clarity Act, is treated

23 "(II) is not subject to discretion; as a non-security solely for purposes of the

24 ~~and~~Federal securities laws.

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

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

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

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

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

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

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

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

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

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

"(i) shall be deemed to be intrinsically linked to a distributed ledger system if the

digital commodity is directly related to the functionality or operation of the distributed ledger system or to the activities or services for which the distributed ledger system is created or utilized; and

~~"(III) is transparent, open, and~~

~~objective in programmatic implementation.~~

"(ii) shall not be disqualified from being deemed a network token due to the granting of economic interests or voting capabilities with respect to a distributed ledger system or its decentralized governance system, as further clarified by the Commission through the final rule adopted under section 105 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026.

"(7) RELATED PERSON.—The term 'related person' has the meaning given the term in section 2 of the Digital Asset Market Clarity Act.

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

"(1) IN GENERAL.—~~Notwithstanding any other~~Except as provided in this ~~provision of law~~section, and subject to paragraph (2), ~~an~~a network ~~ancillary asset~~token shall ~~not~~ be treated as a non-security

~~under~~, to the ex-

23 tent materially consistent with the requirements and

24 conditions of this section, for purposes of —

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

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

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

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

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

"(F) any applicable requirement of State law or any functionally equivalent provisions of State law to the provisions described in subparagraphs (A) through (E), including any provision of State law that directly or indirectly prohibits, limits, or imposes any conditions on the use, offer, sale, transfer, or disposition of a network token in a manner that is—

"(i) not substantially similar to prohibitions, limitations, or conditions imposed

1 by that State relating to assets that are

2 commodities under the laws of that State;

3 and

4 ''(ii) inconsistent with this section.

5 ''(2) SECONDARY MARKET TREATMENT.—Not Except as provided in this section, and to the extent

1 materially consistent with the requirements and con-

2 6 withstanding any other provisionditions of lawthis section, the offer or7 sale of an ancillary asset that was originally sold asa network

3 8 part of an investment contracttoken by a person (other9 than the offer or sale of

4 an investment contract pursuant to which an ancil-

5 lary asset is offered or sold by an ancillary asset

6 originator, or an underwriter10 , with respect to the investmentan in-

7 vestment contract pursuant to11 which such ancillary

8 asset was originally sold;) shall12 be deemedtreated as not to be anin-

9 volving the offer or sale of that invest-

13 ment contract between the ancillary asset originator

14 involving the ancillary asset, or an underwriter

15 thereof, and the purchaser of that ancillary asset16 a security under—

10 17 "(A) section 2(a)(1);

11 18 "(B) the Securities Exchange Act of 1934

12 (15 U.S.C. 78a et seq.);

13 "(C) the Investment Company Act of 1940

14 (15 U.S.C. 80a–1 et seq.);

15 "(D) the Investment Advisers Act of 1940

19 16 (15 U.S.C. 80b–1 et seq.);

20 "(C) the Investment Company Act of 1940

21 (15 U.S.C. 80a–1 et seq.);

22 "(D) the Securities Exchange Act of 1934

23 (15 U.S.C. 78a et seq.);

17 24 "(E) the Securities Investor Protection Act

18 25 of 1970 (15 U.S.C. 78aaa et seq.); and

26 1 "(F) any applicable requirement of State

19 law or any functionally equivalent provisions of

20 State law to the provisions described in sub-

21 2 lawparagraphs (A) through (E), including any pro-

22 vision of State law that3 directly or indirectly

23 prohibits, limits, or im-4 poses any conditions on

the use, offer, sale, transfer, or disposition of ~~an ancillary asset~~a network token in a manner that is—

"(i) not substantially similar to prohibitions, limitations, or conditions imposed by that State relating to assets that are commodities under the laws of that State; and

"(ii) inconsistent with this section.

"(3) GRATUITOUS DISTRIBUTION NOT AN OFFER OR SALE OF A SECURITY.—

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

"(B) SAVINGS CLAUSE.—Nothing in this paragraph ~~shall~~may be construed to—

~~"(i)~~ limit, impair, or otherwise affect the anti-fraud or anti-manipu~~lation au-thorities of the Securities and Exchange~~lation authorities of the Commission~~ or~~, the ~~Commodity~~ Commodity Futures Trading Commission, or a State regulator~~;~~

~~or~~

1 "(ii) limit the application of section
2 105 of the Responsible Financial Innova-
3 tion Act of 2025 or any rule adopted
4 thereunder defining 'investment contract,'
5 nor create any presumption regarding
6 whether any arrangement constitutes an
7 investment contract under that section.
8 "(4) DIGITAL NETWORK PARAMETERS MANAGE-
20 "(4) PRIOR CERTIFICATION.—
21 "(A) SUBMISSION AND DEFAULT TREAT-
22 9 MENT TREATMENT.—
23 10 "(Ai) IN GENERAL.—Notwithstanding any
11 other provision of law, the establishment, oper-
12 ation, or modification of digital network param-
13 eters management, provided all conditions de-
14 scribed in subparagraph (B) are met, shall not
15 solely by itself, cause a digital asset to be ex-
16 cluded from the definition of ancillary asset,
17 nor cause any ancillary asset (including a dig-
18 ital commodity) to be treated as—
19 "(i) an offer or sale of a security, or
20 an investment contract;
21 "(ii) a dividend, redemption, distribu-
22 tion, or the equivalent by an issuer; or
23 "(iii) broker, dealer, exchange, alter-
24 native trading system, market making, "(I)

PRESUMPTION.—For pur-

25 ~~transfer agent activity, or the equivalent.~~poses of this section, there shall be a

"(B) CONDITIONS DESCRIBED.—The con-rebuttable presumption that a net-

ditions described in this subparagraph are the

following:

"(i) TRANSPARENCY.—A description

of the mechanismwork token, including sources andna network token

sinks of funds, triggers, rate or size limits,

price-sensitivity logic, and any circuit

breakers, shall be published an made freely

and publicly available, and any material

change shall be published on a timely

basis.

"(ii) NO COMMON CONTROL.—The

digital network parameters management

shall not be subject to common control, as

defined in section 2 of the Responsible Fi-

nancial Innovation Act of 2025.

"(5) SELF-CERTIFICATION.—

"(A) SUBMISSION.—An ancillary asset

originator may, in connection with an offer,

distributed in the manner described in

sale, or distribution of the related paragraph (3), is an ancillary asset, submit

unless the originator of that network

token submits to the Commission a

6 completed written self-22 certification, supported sup-

7 ported by reasonable evidence, as de-

8 fined by the Commission, sufficient to

9 23 demonstrate that suchthe network token is

10 not an ancillary asset does not provide the.

11 "(II) CONTENTS.—A certification

12 submitted under subclause (I) shall

13 include a statements in accordance

14 24 owner of the asset with a right described in25 subsection (ad)(13)(BC)(i).

26 1

15 "(ii) NOTIFICATION.—The Commis-
16 sion shall notify the Commodity Futures
17 Trading Commission of each certification
18 made pursuant to clause (i) and of any
19 final agency action with regards to such
20 certification.
21 "(B) AUTOMATIC EFFECTIVENESS AUTOMATIC EFFECTIVENESS.—A cer-
22 2 self-certificationtification submitted under subparagraph3 (A) by
23 an ancillary asset originator shall be-4 come effective upon the
24 earlier of—

25 5

1 "(i) the date on which the Commis-

2 6 sion notifies the ancillary asset originator7 in writing that

3 the Commission does not8 object to the self-certificationcer-

4 tification; or

5 9 "(ii) if the Commission has not issued

6 10 a rebuttal to the ancillary asset originator11 in accordance

7 with subparagraph (C), 60 12 days after the

8 date on which the ancillary

13 asset originator submits the self-certifi-

14 cation.

9 certification.

10 15 "(C) SEC DENIAL.—

11 "(i) IN GENERAL.—The Commission

12 may16 deny a self-certification submitted under sub-

17 paragraph (A) by an ancillary asset origi-

18 nator—

13 subparagraph (A) by an originator—

14 19 "(iI) only during the 60-day period de-

15 20 scribedriod described in subparagraph (B)(ii)

16 or upon determining, based on reason-

17 able evidence, that a material change

18 in circumstances has occurred after

19 the submission of the certification and

20 before or after the certification takes

21 effect; and

22 21 "(iiII) by providing to the ancillary origi-

23 22 asset originatornator 10 days notice of the in-23 tent of

24 the Commission to deny that selfcertifi-

25 24 certificationcation, during which period— inter-

25 ested interested

1 persons shall have an opportunity to

1 submit written data, views, and argu-
2 ments relating to that self-certification;
3 "(ii) REQUIREMENTS AFTER NOTICE
4 OF INTENT.—After the 10-day period de-
5 scribed in clause (i)(II), and after
6 which the Commission
7 shall—
8 "(I) upon request of the ancillary origi-
9 asset originator nator, provide an opportunity for the
10 oral presentation of data, views, and
11 arguments by interested persons; and
12 "(II) have a vote of the Commis-
13 sion to deny the self-certification after a
14 finding that the related asset provides the owner of the asset with a right described de-
15 scribed in subsection (a)(16)(B).
16 "(iii) INTERESTED PERSON.—For
17 purposes of this subparagraph, the term
18 'interested person' means, with respect to
19 a network token—
20 "(I) the originator of the network
21 token (referred to in this clause as
22 'the originator');
23 "(II) a subsidiary of the origi-

24 nator;

"(III) a related person of the originator;

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

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

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

15 "(D) FINAL AGENCY ACTION.—Denial 16 under this paragraph constitutes final agency 17 action reviewable under applicable law.

18 "(E) VOLUNTARY.—Submission of a self- "(E) TOLLING.—Any applicable period 19 certification under specified in this paragraph is voluntary may be tolled, for periods of not longer than 60 days, during the 3-year period following the date of enactment of

this section, upon a showing in writing that the originator has not substantially responded to a request for information from the Commission within a reasonable time.

"(F) WITHDRAWAL.—An originator may withdraw a certification submitted under subparagraph (A) at any time before approval.

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

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

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

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

"(H) MISSTATEMENTS OR OMISSIONS.—Any material misstatement or omission to state a material fact, including with respect to con-

~~and shall not be a precondition to any offer, sale, or distribution otherwise permitted by law.~~

~~"(F) NO ADVERSE INFERENCE.—Failure~~

~~23~~ ~~submit~~

1 tinuing compliance, in a self-certification that has
2 become effective under this para-
24 graph paragraph shall not be used to infer
3 constitute grounds for the status of Commission, con-
4 25 any asset under sistent with the Federal securities laws
or

, as defined in

1 section 3(a) of the Commodity Securities Exchange Act of

2 1934 (715 U.S.C. 1 et 78c(a)), to issue an order de-

3 nying, suspending, or revoking the effectiveness

4 of the certification and to pursue any appro-

5 priate enforcement action.

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.—Any offer, sale, or dis-

11 tribution of an ancillary asset by, or caused by,

12 an ancillary asset originator (other than a foreign originator) pursuant to Regu-

13 lation Crypto (as adopted pursuant to section

14 103 of the Lummis-Gillibrand Responsible Fi-

15 nancial Innovation Act of 2026) or an effective

16 registration statement, and any resale of any

17 ancillary asset offered, sold, or distributed pur-

18 suant to any other exemption from registration that is

19 provided under this Act (and was added to this Act by the Responsible Financial Innovation Act of 2025) title, shall be sub-

20 ject to the

21 initial and periodic disclosure requirements

24 ~~16 quirements~~ under subsection (d).

25 17

1 "(B) EXCLUSION.—Subparagraph (A)

2 18 shall not apply if—

3 19 "(i) the aggregate value raised by the gross proceeds

4 20 ancillary asset originator through from the offer, 21 sale, or distribution of the security to

5 22 which the ancillary asset relates was 23 were $5,000,000 or less

6 (adjusted for inflation) 24 during the 12-

7 month period immediately

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

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

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

26 20

1 "(2) COMMENCEMENT OF COMPLIANCE WITH

2 21 SPECIFIED INITIAL AND PERIODIC DISCLOSURE RE-

3 22 QUIREMENTS.—

4 23 "(A) IN GENERAL.—An ancillary asset

5 24 originator subject to the requirements of para-

graph (1) shall comply with the disclosure requirements under subsection (d)—

"(i) either—

"(I) prior to any initial offer, sale, or distribution of an ancillary asset pursuant to Regulation Crypto, as adopted pursuant to section 103 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026; or

"(II) prior to eligibility for resale of any ancillary asset offered, sold, or distribution of an ancillary asset distributed pursuant to an effective registration statement or an exemption from registration under this Act, or otherwise involving a public securities offering occurring within the United States that occurs after the implementation date specified in the applicable rulemaking required under section 102 of the Responsible Financial Innovation Act of 2025;

and

"(ii) and semiannually thereafter.

"(B) EXCLUSION.—The requirements of this paragraph shall not apply to an offer, sale,

23 ~~16~~ or distribution of an ancillary asset that occurs

24 ~~17~~ after the date of enactment of this section if an

25 ~~18~~

1 ancillary asset originator has submitted a cer-

2 ~~19~~ tification under subsection (d)(3)(B) and the

3 ~~20~~ Commission has not denied that certification

4 ~~21~~ within a 60-day period following the process

5 ~~22~~ under that subsection.

6 ~~23~~ ''(3) TRANSITION RULE.—

7 ~~24~~ ''(A) IN GENERAL.—An ancillary asset

8 ~~25~~ originator~~, other than a foreign originator,~~ that

26 1 initially offered, sold, or distrib-
9 uted (or other-
2 wise otherwise controlled or caused the
10 offer, sale, or dis-
3 tribution distribution of) an investment
11 contract involving an ancillary asset before the
12 date4 of enactment of this section; shall avail itself ofcomply
13 5 with the periodic disclosure requirementrequirements under sub-
14 6 sectionsubsection (d), if applicable, beginning on the im-
15 7 plementationeffective date of section 103 of the applicable rulemakingLummis-
16 8 required in section 102 of theGillibrand Responsible Fi-9 nancial Innovation Act
17 of 2025 2026.
18 10 "(B) EFFECT ON CERTIFICATION.—An an-
19 11 cillary asset originator, or any other certifi-
20 cation covered party, subject to this para-paragraph
21 12 graph that meets the requirements of sub-section
22 13 section (d)(3) may furnish a certification as14 provided in
23 that subsection without complying15 with the
24 periodic disclosure requirements under sub-
16 subsection (d).
25 section (d).

1 "(C) PERIOD OF DISCLOSURES.—The dis-
2 closures 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.
6 17 "(4) APPLICATION TO OTHER TRANSACTIONS.—
7 18 "(A) IN GENERAL.—For resales of ancil-
8 lary assets to the public by any person, after
9 any initial offer,19 sale, or distribution of the an ancillary asset occur-
10 cillary assets occurring after the date of enact-
11 20 ring after the date of enactmentment of this section21 that is conducted pursuant
12 to sections 230.50022 through 230.508 of title
13 17, Code of Federal23 Regulations (commonly
14 known as 'Regulation24 D') (or any successor reg-
15 ulations), or another private placement exemptionexemp-
16 25 tion under this Act, the disclosures required under

26 1 subsection (d) shall be furnished upon resale (including pursuant to sec-

17 tions 230.901 through 230.905 of title 17, Code

18 of Federal Regulations (commonly known as

19 'Regulation S') or any successor regulations) or

20 2 theotherwise involving a public insecurities offering

21 occurring within the United States (or when such, there shall

3 resale is reasonably expected to occur) in a

22 be current public information as if that resale

23 4 manner that wouldbe subject to was made in reliance on section5 230.144 of title

24 17 (referred to in this para-

6 graph paragraph as 'Rule

25 144'), and on a semiannual7 basis thereafter

until terminated under sub-section (d)(3), regardless of whether any such transaction resale would be considered a transaction in a security.

"(B) CURRENT PUBLIC INFORMATION.—For purposes of subparagraph (A), the disclosures required under subsection (d) shall be deemed to constitute current public information for purposes of Rule 144.

"(5) FAILURE TO COMPLY.—Subject to the requirements of this section, an ancillary asset shall not be listed for trading on a digital asset intermediary if the Commission notifies the Commodity Futures Trading Commission that the ancillary asset originator that initially offered, sold, or distributed the ancillary asset after the date of enactment of this section has materially failed to furnish the required disclosures under this subsection after a reasonable opportunity to cure, as provided by the Commission by rule, in consultation with the Commodity Futures Trading Commission.

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

"(1) IN GENERAL.—

24 20 "(A) FURNISHING OF INFORMATION.—An

25 21 ancillary asset originator that is subject to the

26 ~~22~~

1 requirements of paragraph (1) or (3) of sub-

2 ~~23~~ section (c) shall furnish the Commission with,

~~24 in connection with an initial offer, sale or dis-~~

~~25 tribution of an ancillary asset in reliance on an~~

26 1 exemption from registration under this Act, and
2 on a semiannual basis thereafter, in such form3 as the Commission may prescribe
4 by rule after4 providing notice and the opportunity for comment, and until the requirement
5 terminates under paragraph (3) of this sub-
6 section, the information described in paragraph
7 (2) of this subsection, to the extent that the in-
8 formation is material and known, or reasonably
9 knowable, to the ancillary asset originator.
10 "(B) REQUIREMENTS FOR RULES.—A rule
11 prescribed under subparagraph (A) shall be rea-
12 sonably tailored based on the size of the appli-
13 cable ancillary asset originator in accordance
14 with section 109108(ba) of the Lummis-Gillibrand
15 Responsible Finan-15 cial Innovation Act of 2025 2026.
16 "(2) CATEGORIES OF INFORMATION.—The in-
17 formation required under paragraph (1) shall in-
18 clude the following with respect to the applicable an-
19 cillary asset originator and the related ancillary
20 asset:
21 "(A) Basic corporate information regard-
22 ing the ancillary asset originator and the ancil-
23 lary asset activities of the ancillary asset origi-
24

25 ~~24~~

1 nator, which may include the following items, as

2 ~~25~~ the Commission shall determine by rule:

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

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

"(iii) The activities that the ancillary asset originator has taken in the relevant disclosure period, and is projecting to take in the 1-year period following the submission of the disclosure, with respect to promoting the use, value, or resale of the ancillary asset (including any activity to facilitate the creation or maintenance of a trading market for the ancillary asset and any ~~digital network~~distributed ledger system, application, or system that uses the ancillary asset).

24 ~~23~~

1 "(iv) The anticipated cost of the ac-

2 ~~24~~ tivities of the ancillary asset originator de-

3 ~~25~~ scribed in clause (iii), whether the ancillary

~~26 1~~ asset originator has unencumbered, liquid

4 ~~2~~ funds equal to that amount, and, if the an-

5 ~~3~~ cillary asset originator does not have those

6 ~~4~~ funds, the anticipated plan of operations of

7 ~~5~~ the ancillary asset originator for the por-

8 ~~6~~ tion of time where those liquid funds are

9 ~~7~~ less than the anticipated cost of the activi-

10 ~~8~~ ties of the ancillary asset originator.

11 ~~9~~ "(v) ~~To the extent~~The experience of the ancillary ~~asset~~

~~10 involves the use of a digital network or~~

~~11 other technology, the experience of the an-~~

12 ~~12 cillary~~ asset originator with the use of ~~that~~a distrib-

13 ~~13 network~~uted ledger system or technology.

14 ~~14~~ "(vi) The identities and expertise of

15 ~~15~~ the board of directors (or equivalent body)~~;~~

16 ~~16~~ and senior management~~, and key employees~~ of~~17~~ the ~~ancillary asset originator, the experi-~~

~~18 ence or functions of whom are material to~~

~~19 the development or value of the ancillary~~

~~20 asset, as well as any personnel changes re-~~

~~21 lating to the ancillary asset originator dur-~~

~~22 ing the period covered by the disclosure.~~

~~23 "(vii) A concise narrative description~~

~~24 of the assets and liabilities of the~~ ancillary

25 1 asset originator, to the extentexperience or func-

17 tions of whom are material to2 the develop-

18 ment or value of the ancillary asset, as well

19 as any personnel changes relating to the

20 ancillary asset originator during the period

21 covered by the disclosure.

22 "(vii) Financial statements of the an-

23 cillary asset originator that are—

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

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

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

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

25 ~~13~~

1 the market price or value of the ancillary

2 ~~14~~ asset.

3 ~~15~~ "(x) Information relating to owner-

4 ~~16~~ ship of the ancillary asset by—

5 ~~17~~ "(I) persons owning not less than

6 ~~18~~ 10 percent of any class of equity secu-

7 ~~19~~ rity or other ownership interest of the

8 ancillary asset originator;~~20~~ and

9 ~~21~~ "(II) the board of directors (or

10 equivalent body) and senior manage-

11 ment of~~22~~ the ancillary asset originator,

12 if those individuals, in the aggregate,

13 own not less than 5 percent of the an-

14 cillary asset.

15 ~~23~~ "(xi) For any ~~transaction~~ material transactions

16 involving~~24~~ the ancillary asset between the

17 ancillary~~25~~ asset originator and any related

18 person~~;~~

26 1 ~~promoter, control person, or employee~~, a2 description, in the aggregate, of

19 the parties, the number of3 ancillary assets

20 involved, and a summary4 of any material

21 features of the ~~transaction~~transactions,5 including any

22 material terms or ongoing6 obligations.

23 7"(xii) A summary, in the aggregate by

24 8year, of transactions in ancillary assets

25 9during the 4-year period preceding the fur-

26 10

1 nishing of the disclosure, by the ancillary

2 11 asset originator and persons that directly

3 12 or indirectly control the ancillary asset

4 13 originator.

5 14 "(xiii) Purchases or similar acquisi-

6 15 tions of ancillary assets by the ancillary

7 16 asset originator and affiliates of the ancil-

8 17 lary asset originator.

9 18 "(xiv) A statement, made in good

10 19 faith, from the chief financial officer of the

11 20 ancillary asset originator or equivalent offi-

12 21 cial, stating whether the ancillary asset

13 22 originator reasonably expects to maintain

14 23 or have the financial resources to continue

15 24 business as a going concern for the 12-

16 25 month period following the furnishing of

the disclosure, absent a change in circumstances.

"(xv) The current state and timeline for the development of any distributed ledger system to which the ancillary asset relates, detailing how and when the distributed ledger system is intended to no longer be subject to control by any person, or group of persons under common control,

1 including by related persons, if the distrib-
2 uted ledger system has not yet received a
3 certification under section 104(d) of the
4 Lummis-Gillibrand Responsible Financial
5 Innovation Act of 2026.
6 3 ''(B) Economic and technical information
7 4 relating to the ancillary asset, which may in-
8 5 clude the following items, as the Commission
9 6 shall determine by rule:
10 7 ''(i) A general description of the ancil-
11 8 lary asset and any digital network, applicadistributed ledger, dis-
12 9 tion, or tributed ledger system , or distributed ledg-
13 er application that uses the ancillary10 asset,
14 including—
15 11 ''(I) a plain-English description
16 12 of how the digital network, applicadistributed ledger, distrib-
17 13 tion, or uted ledger system, or distributed
18 ledger application functions;
19 14 ''(II) the intended or known
20 15 functionality and uses of the ancillary
21 16 asset and any associated fees for use
22 17 or disposition of the ancillary asset;
23 18 ''(III) the market for the ancil-
24 19 lary asset;

1 "(IV) other assets or services
2 that may compete with the ancillary
3 asset;
4 "(V) the total supply of the ancil-
5 lary asset or the manner and rate of

1 the ongoing production or creation of

2 the ancillary asset; and

3 "(VI) the governance and con-

4 sensus mechanism for the ancillary

5 asset and any digital network, applicadistributed ledger, dis-

6 tion, ortributed ledger system, or distributed

11 ledger application that uses the ancillary-

7 lary asset, as applicable, including for vali-

8 dating validating transactions and imple-

14 menting changes to the distributed

15 ledger system, method of gener-ating

9 ating or mining ancillary assets, and10 any

17 process for burning or destroying

18 11 units of the ancillary asset on the digdis-

19 tributed ledger, distributed ledger sys-

20 12 ital network tem, or distributed ledger application, or system

21 13 that uses the ancillary asset.

22 14 "(ii) If the ancillary asset originator

23 15 has offered, sold, or otherwise provided an-

24 16 cillary assets to affiliates, investors, em-

25 17

1 ployees, intermediaries, or resellers, a de-

2 18 scription of the amount of assets offered,

3 19 sold, or otherwise provided to such ~~person~~persons

4 20 and a summary of any material resale re-

5 21 strictionsor other material obligations

6 22 arising from related contracts, agreements,

7 23 or other arrangements.

8 24 ''(iii) If ancillary assets were distrib-

9 25 uted by the ancillary asset originator with-

1 out charge or upon meeting certain condi-

2 tions, a description of each distributionthe distributions, in-

3 cludingthe aggregate, along with the identity of

4 any recipient that received more than 5

5 percent of the total amount of ancillary as-

6 sets (calculated as a percentage of the

7 total supply of such asset at the time of

8 distribution).

9 ''(iv) The amount of ancillary assets

10 owned by the ancillary asset originator.

11 ''(v) For the 12-month period fol-

12 lowing the furnishing of the disclosure, a

13 description of the current state and antici-

14 pated timeline for the development of any

15 distributed ledger, distributed ledger sys-

1 14 digital network,tem, or distributed ledger application, or system that

2 15 uses the ancillary asset, including—

3 16 "(I) plans of the ancillary asset

4 17 originator to support (or to cease sup-

5 18 porting) the use or development of the

6 19 ancillary asset, including markets for

7 20 the ancillary asset and each digitaldistrib-

8 uted ledger, distributed ledger system,

9 21 network,or distributed ledger application; or system that

10 22 uses the ancillary asset;

11 23 "(II) the various roles that exist

12 24 or are intended to exist in connection

13 25 with the digital network, distributed ledger, distributed

14 ledger system, or distributed ledger

15 application;

26 1 or system, such as users, service pro-
16 2 viders, developers, transaction
17 3 validators, and governance partici-
18 4 pants;
19 5 "(III) a discussion of any mecha-
20 6 nisms by which control or authority
21 7 are exerted with respect to the digitaldistrib-
22 uted ledger, distributed ledger system,
23 8 network, or distributed ledger application, or system, or itsa
24 9 related ancillary asset; and

25 10

1 "(IV) any critical operational de-
2 11 pendencies of the distributed ledger
3 12 system or its a related digitalcom-
13 modity ancillary asset.
4 14 "(vi) Risk factors that may materially
5 15 affect the liquidity of the ancillary asset,
6 16 investor demand with respect to the ancil-
7 17 lary asset, or the market price or value of
8 18 the ancillary asset.
9 19 "(vii) To the extent available to the
10 20 ancillary asset originator, the average daily
11 21 price for a constant unit of value of the
12 22 ancillary asset during the relevant report-
13 23 ing period, as well as the 12-month high
14 24 and low prices for the ancillary asset, as
15 25 calculated based on the 3 largest ex-

1 changes on which the ancillary asset
2 trades.
3 "(viii) If applicable, and subject to cy-
4 bersecurity best practices, information re-
5 lating to any external audit of the code
6 and functionality of the ancillary asset, in-
7 cluding the entity performing the audit
8 and the experience of the entity in con-
9 ducting similar audits.

24 10

1 "(ix) Information relating to custodial
2 11 services available for the ancillary asset.
3 12 "(x) Information on intellectual prop-
4 13 erty rights claimed or disputed relating to
5 14 the ancillary asset.
6 15 "(xi) A description of the technology
7 16 underlying the initial distribution and trad-
8 17 ing of the ancillary asset, including the
9 18 source code for the ancillary asset, if appli-
10 19 cable, and technical requirements for hold-
11 20 ing, accessing, and transferring the ancil-
12 21 lary asset.
13 22 "(xii) If applicable, a description of
14 23 the steps necessary to independently ac-
15 24 cess, search, and verify the transaction his-
16 25 tory of the ancillary asset.

1 "(C) In addition to the information ex-
2 pressly required to be included under subpara-
3 graphs (A) and (B), the ancillary asset origi-
4 nator shall provide such further material infor-
5 mation, if any, as may be necessary to ensure
6 that the statements made in the disclosure are
7 not, in light of the circumstances under which
8 the statements are made, materially misleading.
9 "(3) TERMINATION OF REQUIREMENTS.—

"(A) DEFINITION.—In this paragraph, the term 'certification covered party' means—

"(i) an ancillary asset originator;

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

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

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

10 "(AB) IN GENERAL TERMINATION.—The obligation of an

11 ancillary asset originator to provide disclosures

12 under paragraph (1) shall terminate on the

13 date that is 90 days (or such shorter period as

14 the Commission may determine) after the date

15 on which the ancillary asset originator submits16 a certification becomes effective under

16 subparagraph (BC) of this, including through an ap-

17 paragraph unless the Commission has denied proval or deemed approval.

18 that certification.

19 "(BC) CERTIFICATION.—

20 "(i) IN GENERAL.—An ancillary asset A certification

21 originator covered party may submit to the Commission-

22 sion a certification, based on the knowl-

22 edge of 23 the ancillary asset originatorcertification covered party after

23 due in-

24 quiry and supported by reasonable evi-

24 25 dencceevidence, that states—

25 26

1 "(I) that during the 1-year pe-
2 riod preceding the date on which the
3 ancillary asset originatorcertification covered party submits the
4 certification, and as of the date of
5 submission, the ancillary asset origi-
6 nator including a subsidiary or related
7 party (as defined in section 103(a) of
8 the Responsible Financial Innovation
9 Act of 2025) of the ancillary asset
10 originator or any entity that directly
11 or indirectly controls or is controlled
12 by a common entity with the ancillary
13 asset originator (collectively referred
14 to in this subparagraph as 'certifi-
15 cation certification covered parties') did
6 party engaged in not en-
16 gage in more than a
7 nominal level of17 entrepreneurial or
8 managerial efforts, as determined by
9 18 the Commission by rule, and any such
10 efforts were not a pri-19 mary factor in
11 determining the value20 of the related
12 ancillary asset (which
21 may include
13 that any essential prom-22 ises made by

the ancillary asset origi-
nator certification covered party have
been fulfilled), except that providing
administrative services shall not alone
be considered entrepre-

26 1 neurial entrepreneurial or man-

18 agerial efforts for the2 purposes of this

19 clause; and

20 3 "(II) in good faith that the ancilcer-

21 4 lary asset originatortification covered party does not reason-

22 5 ablysonably expect there to be any efforts

23 6 that would render the ancillary asset certification

24 7 originator covered party unable to provide a new

25 8

1 certification following the date of the

2 9 certification-; and

10 "(ii) AUTOMATIC EFFECTIVENESS.—A

11 certification submitted under clause (i) by

12 an ancillary asset originator shall become

13 effective upon the earlier of—

14 "(I)

3 "(III) that substantially all mate-

4 rial information that is reasonably ex-

5 pected to contribute to the value of

6 the date on which the Com-

15 mission notifies the ancillary asset

16 originator in writing that the Commis-

17 sion does not object assets offered, sold, or

7 distributed to the certifi-

18 cation; or

19 "(II) if the Commission has not

20 issued a notice of rebuttal under

21 clause (iii), 60 days after the date on

22 which the ancillary public by the ancil-

8 lary asset originator

23 submits the certification. is reasonably ex-

9 pected to be available to the public.

10 24 "(iiiii) CHANGE IN CIRCUMSTANCES.—

1 "(I) EFFECTIVENESS OF THE
2 CERTIFICATION.—A certification
3 under this clause (i) shall remain effec-tive
4 tive until the date on which any certifi-
5 tificationcation covered parties engaged in ef-
6 efforts forts that would render the ancillary certifi-
7 asset originator cation covered party unable to meet
8 the standards of the certification.
9 "(II) NEW CERTIFICATIONDISCLOSURES RE-
10 QUIRED.—On and after the date de-
11 scribed in subclause (I), the certifi-
12 cation covered party undertaking ef-
13 forts described in that subclause shall
14 be responsible for furnishing to the
15 Commission the dis-closures required

1 under paragraph~~16~~ (1), including a ~~description~~ de-

2 scription of the~~17~~ change in ~~circumstances~~ cir-

3 cumstances.

4 ~~18~~ "(III) PERIODIC DISCLOSURES.—

5 ~~19~~ The furnishing of disclosures pursu-

6 ~~20~~ ant to subclause (II) shall restart the

7 ~~21~~ schedule for periodic disclosures under

8 ~~22~~ paragraph (1).

9 ~~23~~ "(IV) PRIOR CERTIFICATIONS.—

10 ~~24~~ A certification ~~filed~~submitted under ~~this sub-~~clause

11 ~~25~~ ~~paragraph~~(i) prior to a change in cir-

cumstances

cumstances shall not be deemed false or misleading mis-

leading solely by reason of sub-sequent

sequent reengagement under this clause.

"(iviii) SEC DENIAL.—

"(I) IN GENERAL.—The Commission-

sion may deny a certification sub-

mitted under clause (i) by a certifi-

cation covered party—

"(aa) by issuing a written

notice of objection to the certifi-

cation submitted under clause (i) by an ancillary asset originator—

"(I)(aa) during the 60-day period

described in clause (ii)(II); or

"(bb) with respect to any certifi-

cation covered parties, upon deter-

mining or upon determining that more

than a nominal level of entrepreneurial entrepre-

neurial or managerial efforts ef-

forts has

been undertaken by ~~such person after the filing of the~~any certification~~;~~ covered party after the submission of the certification; and

~~"(H~~(bb) by providing to the ~~ancil-~~ certification covered party 10 ~~lary asset originator 10~~ days~~'~~ notice of~~the~~ the intent of the Commission to deny~~that~~ that certification, during which period inter~~interested~~ested persons shall have an opportunity to submit written data, views, and arguments relating to that~~certification~~ certification~~, and after which~~.

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

1 "(aa) upon the request of the

2 the ancillary asset originator,

18 certification covered party, pro-

19 provide vide an opportunity for the oral

20 presentation of data, views, and

21 arguments by interested per sons;

22 and

23 "(bb) have a vote of the

24 Commission on whether to grant

or deny the certifi-cation, based on a finding that as to whether the applicable ancillary asset does meets the standard for certifi-certification under clause (i) .

"(v) FINAL AGENCY ACTION.—A denial under this paragraph constitutes final agency action reviewable under applicable law.

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

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

1 "(5) RULEMAKING CONSIDERATIONS.—In pro-
2 mulgating rules under this subsection, the Commis-
3 sion shall—
4 "(A) require only such information as the
5 Commission finds to be necessary and appro-
6 priate to protect investors, maintain fair, or-

25 ~~7~~

1 derly, and efficient markets, and facilitate cap-

2 ~~8~~ ital formation, innovation, and efficiency; and

3 ~~9~~ "(B) include in any final versions of those

4 ~~10~~ rules a cost–benefit analysis evaluating the ef-

5 ~~11~~ fects of any such rule on innovation, efficiency, ~~com~~

6 competition, maintaining fair and orderly mar-

7 ~~12 petition~~kets, and capital formation.

8 ~~13~~ "(6) LIMITATIONS.—Rules promulgated under

9 ~~14~~ this subsection shall not require the inclusion of fi-

10 ~~15~~ nancial statements of an ancillary asset originator,

11 ~~16~~ except with respect to the disclosure of financial in-

12 ~~17~~ formation under paragraph (2).

13 ~~18~~ "(e) EXEMPTIONS.—The Commission may, by order,

14 ~~19~~ exempt an ancillary asset originator, or any class of ancil-

15 ~~20~~ lary asset originators, from specified requirements under

16 ~~21~~ subsection (~~d~~c) if it is in the public interest or for the pro-

17 ~~22~~ tection of investors, consistent with the purposes of this

18 section and subject to such conditions as the Commission

19 determines necessary to protect investors and in the public

20 interest.

21 ~~23~~ "(f) CONFIDENTIAL TREATMENT OF CERTAIN IN-

22 ~~24~~ FORMATION.—~~Notwithstanding any other provision of law,~~Subject to Commission rules and proce-

23 ~~25~~ dures, an ancillary asset originator required to furnish the ~~Com-~~

26 1 missionCommission with disclosures under subsection (ed) may

24 submit2 a request for confidential treatment of information in

3 cluded

1 included in such disclosures pursuant to procedures the
2 4 Commission shall establish and that are modeled on or
3 5 identical to section 230.406 of title 17, Code of Federal
4 6 Regulations, or any successor regulation.
5 7 "(g) EFFECT OF FAILURE TO COMPLY.—The failure
6 8 of an ancillary asset originator to comply with a provision
7 9 of this section shall not, by itself, cause an ancillary asset
8 offered, 10 sold, or distributed by that ancillary asset origi-
9 nator to 11 be a security under any applicable law.
10 12 "(h) LIABILITY FOR FALSE OR MISLEADING STATE-
11 13 MENTS.—
12 14 "(1) IN GENERAL.—It shall be unlawful for an
13 15 ancillary asset originator, in any disclosure, certifi-
14 16 cation, or other document furnished under this sec-
15 17 tion, to make an untrue statement of a material fact
16 18 or omit to state a material fact required to be stated
17 19 therein or necessary to make the statements therein
18 20 not misleading.
19 21 "(2) RULE OF CONSTRUCTION.—Nothing in
20 22 this subsection may be construed as creating a pri limiting the ap-
21 plication of section 240.10b–5 of title 17, Code of
22 Federal Regulations, or any successor regulation, to
23 false or misleading disclosure statements or pre-
24 23 vate venting any private right of action otherwise avail-
25 able under the Federal securities laws.

26 ~~24~~

1 "(i) SPECIAL DISPOSITION RESTRICTIONS BY RE-

2 LATED PERSONS.—

3 ~~25 LATED PERSONS~~"(1) IN GENERAL.—The Commission shall

4 adopt rules,

26 1 consistent with the purposes of section 103

5 104 of the Lummis-Gillibrand Responsible Financial

6 2 Innovation Act of 2025 2026, establishing limitations on

7 the 3 disposition of certain ancillary assets with specified char-

8 4 acteristics fied characteristics by related persons, as defined in such section.

5 103.

9 "(2) CONSIDERATIONS.—In adopting rules

10 under paragraph (1), the Commission shall consider

11 what is necessary or appropriate to protect investors,

12 promote capital formation, and maintain fair and or-

13 derly markets, which may include the prevention of

14 insider self-dealing or other abuses of a privileged

15 position.

16 6 "(j) SAFE HARBOR FOR FORWARD-LOOKING STATE-

17 MENTS.—In any action against an ancillary asset origi-

18 nator arising under this Act that is based on an untrue

19 statement of a material fact or omission of a material fact

20 necessary to make the statement not misleading, no liabil-

21 7 MENTS.—No liability ity shall arise with respect to any for 8 ward-looking state-

22 ment (including any statement of plans, 9 objectives, projec-

23 tions, expectations, or assumptions con 10 cerning future per-

24 formance, financial position, develop 11 ment milestones, asset

25 utility, network system adoption, or mar 12 ket conditions) made in an

ancillary asset disclosure,~~13~~ statement, or other document furnished pursuant to this~~14~~ section, if the statement is—

~~15~~ "(1) identified as forward-looking; and

~~16~~ "(2) accompanied by meaningful cautionary

~~17~~ language that identifies important factors that could

~~18~~ cause actual results to differ materially.

~~19~~ "(k) TRANSACTIONS PRIOR TO EFFECTIVE DATE.—

~~20~~ "(1) PRIMARY TRANSACTIONS.—Notwith-

~~21~~ standing any other provision of law, neither the

~~22~~ Commission nor any private plaintiff ~~shall~~may initiate,

~~23~~ pursue, or maintain any action, or ~~its~~an appeal of an action, for

~~24~~ ~~violations~~ a violation of ~~sections~~section 5 or 12(a)(1) of this Act~~,~~ arising~~25~~ from any offer, sale, or distribution of ancillary as~~-~~

26 1 sets occurring before the effective date of

15 the Re-

2 sponsible Financial InnovationDigital Asset Market Clarity Act of 2025, provided3 that

16 the ancillary asset originator or a certification cov-

17 ered party complies with the any applicable require-

18 4 requirementsments under subsection (c)(3).

19 "(2) PRIMARY TRANSACTIONS RELATED TO

20 FRAUD.—Nothing in paragraph (1) shall limit the

21 ability of the Commission to bring an action based

22 on the anti-fraud or anti-manipulation authorities of

23 the Commission.

24 5 "(23) SECONDARY TRANSACTIONS.—Notwith-

25 6 standing any other provision of law, the offer, or sale,

~~7 or distribution of an ancillary asset~~

1 of a network token by a person~~8~~ (other than the offer

2 or sale of an investment contract pursuant to which

3 an ancillary asset is offered or sold by an ancillary

4 asset originator~~ that oc~~, or an underwriter, with respect to

5 an investment contract pursuant to which the ancil-

~~9 curred before the effective date of the Responsible~~

~~10 Financial Innovation Act of 2025 shall be deemed to~~

6 lary asset was originally sold) shall be treated as not

7 ~~11 not be an~~ involving the offer~~,~~ or sale~~, or transfer~~ of a security~~12~~ under—

8 ~~13~~ "(A) section 2(a)(1);

9 ~~14~~ "(B) section 3(a) of the Securities Ex-

10 ~~15~~ change Act of 1934 (15 U.S.C. ~~77b~~78c(a));

11 ~~16~~ "(C) section 2(a) of the Investment Com-

~~17~~12 pany Act of 1940 (15 U.S.C. 80a–2(a));

13 ~~18~~ "(D) section 202(a) of the Investment Ad-

14 ~~19~~ visers Act of 1940 (15 U.S.C. 80b–2(a));

15 ~~20~~ "(E) section 16 of the Securities Investor

16 ~~21~~ Protection Act of 1970 (15 U.S.C. 78lll); or

17 ~~22~~ "(F) any applicable ~~provision~~requirement of State

18 law~~:~~ or any functionally equivalent provisions of

19 State law to the provisions described in sub-

20 paragraphs (A) through (E), including any pro-

21 vision of State law that directly or indirectly

22 prohibits, limits, or imposes any conditions on

23 the use, offer, sale, transfer, or disposition of a

24 network token in a 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 23 "(34) NO INFERENCE OF LIABILITY.—The limi-Nothing
24 tations under paragraphs (1) and (2) shall not be
8 25 in paragraph (1), (2), or (3) may be construed as
9 an admission, acknowledgment, or in-

26 1 ference of liabil-

10 ity for any act, transaction, or con- 2 duct occurring be-

11 fore the effective date of the Re- Digital Asset Market

3 sponsible Financial Innovation Act of 2025.

4 "(4) LIMITATION ON RETROACTIVE APPLICA-

12 Clarity Act.

13 "(5) RULES OF CONSTRUCTION.—Nothing in

14 5 TION.—No provision herein shall this subsection may be construed to im- —

15 6 pair "(A) impair vested rights or contractual

16 obligations lawfully 7 established before the effec-

17 tive date of the Respon- Digital Asset Market Clarity

8 sible Financial Innovation Act of 2025.

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-

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

"(6) RULE OF CONSTRUCTION.—

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

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

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

"(3) prohibit the offer, sale, or distribution of a digital asset in reliance on an exemption from registration underthis Act, other than Regulation Crypto (as ~~described in~~adopted pursuant to section 103 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026); or

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

"(m) ANTI-EVASION.—

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

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

"(A) this section ~~102~~;

"(B) sections 103 and 104 of the ~~Respon~~Lummis-~~22 sible~~Gillibrand Responsible Financial Innovation Act of ~~2025).".~~2026; and

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

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

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

"(B) the Commission may consider if, based on the totality of facts and circumstances, the principal purpose of any arrangement, allocation of rights, interposition of entities, or sequencing of steps is to willfully circumvent the requirements of this section or

the restrictions set forth in section 104 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026, by satisfying the literal terms while defeating the purpose and policy of this section;

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

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

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

"(iii) timing of steps designed to trigger, accelerate, or delay certification or termination of disclosure obligations without

1 a material change in circumstances relat-
2 ing to the asset; and
3 "(D) the Commission shall provide that
4 evasion shall not occur if an agreement, con-
5 tract, or transaction is entered into for a legiti-
6 mate business purpose and is not structured
7 with a principal purpose of willfully circum-
8 venting the requirements of this section.
9 "(n) SAVINGS CLAUSE.—Except as provided by the
10 Digital Asset Market Clarity Act and the amendments
11 made by that Act, nothing in this section may be con-
12 strued to limit the authority of the Commission under the
13 securities laws, as defined in section 3(a) of the Securities
14 Exchange Act of 1934 (15 U.S.C. 78c(a)).
15 "(o) SENSE OF CONGRESS.—It is the sense of Con-
16 gress that common control under section 104 of the Lum-
17 mis-Gillibrand Responsible Financial Innovation Act of
18 2026 shall terminate prior to the completion of entrepre-
19 neurial and managerial efforts under this section.
20 "(p) FIDUCIARY OBLIGATIONS.—
21 "(1) FIDUCIARY DUTIES UNDER STATE LAW.—
22 For the avoidance of doubt, nothing in this section,
23 or in any rules issued under this section, may be
24 construed to limit, preempt, or otherwise affect any
25 fiduciary duty of an ancillary asset originator, or of

any director, officer, or controlling person of an ancillary asset originator, arising under the laws of any State.

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

"(q) APPLICATION OF REGULATION BEST INTEREST TO A BROKER OR DEALER.—Section 240.15l–1 of title 17, Code of Federal Regulations (commonly known as 'Regulation Best Interest'), or any successor regulation, shall apply to any recommendation to a retail customer by a broker or dealer registered with the Commission under section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 78o), to the same extent that such section 240.15l–1 applied before the date of enactment of this section, regarding a digital commodity or a strategy to engage in transactions involving a digital commodity.

"(r) APPLICATION OF INVESTMENT ADVISERS FIDUCIARY DUTY TO DIGITAL COMMODITIES.—Any investment

adviser registered under the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.) that provides investment advice regarding a digital commodity shall, with respect to that advice, be subject to the fiduciary duty under section 206 of that Act (15 U.S.C. 80b–6).”.

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

SEC. 102103. EXEMPTION AND RULEMAKING FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

(a) PROMULGATION OF REGULATION CRYPTO.—The Commission shall adopt rules under the Securities Act of 1933 (15 U.S.C. 77a et seq.) and the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), which shall be referred to collectively as ‘‘Regulation Crypto’’, to implement subsections (b), (c), and (d) of this section.

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

(1)(1) EXEMPTION.—

(A) IN GENERAL.—Rules adopted by the Commission Commission under this section shall provide

that the Seregistration requirements of the Secu-

14 curities

1 rities Act of 1933 (15 U.S.C. 77a et seq.) (other

15 than the provisions of sections 12(a)(2) and section

16 17 of that Act (15 U.S.C. 77l(a)(2), 77q)) shall

2 not17 apply to an offer or sale of an investment

3 contract18 involving an ancillary asset, if the offer

4 or sale does19 not exceed the greater of—

5 20 (Ai) $75,000,000 50,000,000 in gross proceeds per cal-

6 21 endarcalendar year for a period of not longer

7 than 422 years; or

8 23 (Bii) 10 percent of the total dollar value

9 of24 those ancillary assets that are outstanding out-

10 standing, as25 of the date of that offer or

11 sale.

12 (B) CONTINUED APPLICATION OF CERTAIN
13 PROVISIONS.—Sections 12(a)(2) and 17 of the
14 Securities Act of 1933 (15 U.S.C. 77l(a)(2),
15 77q) shall apply with respect to an offer or sale
16 of an investment contract involving an ancillary
17 asset that is described in subparagraph (A).
18 (2) LIMITATION.—An ancillary asset originator
19 may not raise more than $200,000,000 in total
20 gross proceeds in reliance on Regulation Crypto.
26 1 (23) REVIEW AND ADJUSTMENT FOR INFLA-
21 2 TION.—
22 3 (A) IN GENERAL.—Not later than 2 years
23 4 after the date of enactment of this Act, and

24 5

1 every 2 years thereafter, the Commission

2 6 shall—

3 7 (i) review the amount amounts described in

8 paragraph (1)(A);

4 paragraphs (1)(A)(i) and (2);

5 9 (ii) adjust the amount amounts described in

6 10 paragraphparagraphs (1)(A)(i) and (2) to account

7 for inflation;11 and

8 12 (iii) increase the amountamounts described in

9 13 paragraphparagraphs (1)(A)(i) and (2) as the Commission deter-

10 14 minesmission determines appropriate, if that ac-

11 tion would be15 in the public interest and

12 consistent with16 the protection of investors.

13 17 (B) REPORT.—If the Commission, after

14 18 conducting a review under subparagraph (A),

15 19 determines not to increase the amount de-

16 20 scribed in paragraph (1)(A)(i) or (2) (other

17 than to ad-

21 just that amount for inflation, as required re-

18 22 quired under subparagraph (A)(ii) of this para-

19 graph),23 the Commission shall submit to the

20 Committee24 on Banking, Housing, and Urban

21 Affairs of the~~25~~ Senate and the Committee on Fi~~nancial Serv~~-

26 1 icesnancial Services of the House of Representa-
22 tives a report2 detailing the reasons that the
23 Commission did3 not increase that amount.

24 4

1 (34) NO PRESUMPTION CREATED.—The failure

2 5 to use or satisfy the exemption under this subsection

63 may not be construed or deemed to create a pre-

4 7 sumption that an offer, sale, or distribution of an

5 8 ancillary asset by any party is an offer or sale of a

6 9 security.

7 10 (c) CONDITIONS FOR EXEMPTION.—The following

8 11 conditions shall apply to the exemption provided under

9 12 subsection (b):

10 13 (1) INITIAL DISCLOSURES.—Not later than 30

11 14 days before the date on which the applicable ancil-

12 15 lary asset originator, any affiliate of the ancillary

13 16 asset originator, or any underwriter of the invest-

14 17 ment contract, offers or sells an ancillary asset in re-

15 18 liance on Regulation Crypto, the ancillary asset

16 19 originator shall furnish with the Commission the dis-

17 20 closures required under section 4B(d) of the Securi-

18 21 ties Act of 1933, as added by this Act, subject to

19 22 the ongoing semiannual disclosure requirements of

20 23 that section.

21 24 (2) COMMON CONTROL.—If the applicable ancil-

22 25 lary asset is reliant on a digital network distributed ledger system

23 that is sub-

26 1 ject to common control, including by re-

24 lated persons, as de-

2 fined in section 103(a), the restrictions on disposi- 3 tion under

25 section 103104 shall apply.

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

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

(~~A~~B) a development stage company that either—

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

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

(~~B~~C) an investment company~~,~~ (as defined in section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)~~,~~) or ~~excluded~~a company (as defined in section 2 of that Act (15 U.S.C. 80a–2)) that would be an investment company under section 3(a) of that Act (15 U.S.C. 80a–3(a)) but for the exclusions provided from ~~the~~that definition ~~of the term "investment company"~~ by ~~subsection (c) of such~~ section 3(c) of that Act (15 U.S.C. 80a–3(c)), provided that an ancillary asset originator shall not be deemed to be an investment company solely by virtue of investing, re-

25 investing, owning, holding,~~21~~ or trading ancillary

assets, including ancillary[22] assets offered for sale by the ancillary asset[23] originator;

[24] (~~C~~D) a person issuing fractional undivided [25] interests in other commodities;

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

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

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

(H) a person convicted of a felony offense involving insider trading, embezzlement, cybercrime, money laundering, financing of ter-

1 rorism, or financial fraud, within the last 10
2 years.
3 12 (4) FURNISHING NOTICE OF RELIANCE.—The
4 13 applicable ancillary asset originator shall electroni-
5 14 cally furnish with the Commission a notice of reli-
6 15 ance on Regulation Crypto not fewer than 30 days
7 16 before the date on which the ancillary asset origi-
8 17 nator first offers, sells, or distributes an ancillary
9 18 asset in reliance on Regulation Crypto, which shall
10 19 contain the following information:
11 20 (A) The name of the ancillary asset origi-
12 21 nator.
13 22 (B) A statement by a person duly author-
14 23 ized by the ancillary asset originator that the
15 24 conditions of Regulation Crypto are satisfied.

25 1 (C) The website where the white paper, ifsummary docu-
16 2 any,ments of the ancillary asset originator , if any,
18 may be3 found and made available for public
19 consumption.
20 4 (D) An email address at which the ancil-
21 5 lary asset originator may be contacted.
22 (5) PUBLIC AVAILABILITY.—The Commission
23 shall require that the disclosures furnished with the
24 Commission under section 4B(d) of the Securities
25 Act of 1933, as added by this Act, be made publicly

available in a manner that provides timely and continuing access.

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

(d) STATUS UNDER SECURITIES LAWS.—

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

(A) a "prospectus" solely—

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

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

26 ~~19~~

1 (B) a ''statement'' solely for purposes of

2 ~~20~~ section 10(b) of the Securities Exchange Act of

3 ~~21~~ 1934 (15 U.S.C. 78j(b)) and section 240.10b5–

4 ~~22~~ 1 of title 17, Code of Federal Regulations, or

5 ~~23~~ any successor regulation.

6 ~~24~~ (2) REGISTRATION STATEMENT.—

(A) IN GENERAL.—An ancillary asset disclosure under section 4B of the Securities Act of 1933, as added by this Act, or any other document furnished under Regulation Crypto, shall not be deemed to be a ''registration statement'' for purposes of section 11 of the Securities Act of 1933 (15 U.S.C. 77k) or to have been ~~fur-~~filed ~~nished~~ under the Securities Exchange Act of~~9~~ 1934 (15 U.S.C. 78a et seq.).

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

20

(3) FORWARD-LOOKING STATEMENTS.—No li-In any action against an ancillary asset originator under this title or the amendments made by this title that is based on an untrue statement of a material fact or omission of a material fact necessary to make the 21 abilitystatement not misleading, no liability shall arise with respect to any forward-look-22 ing statement (including a statement of plans, objec-23 tives, projections, expecta-tions, or assumptions con-24 cerning concerning future performance perform-ance, financial position, devel-25 opment milestones, tokendig-ital asset utility, networksystem adoption,

26 1 or market condi-

12 tions) made in an ancillary asset disclosure, state-

13 2 closure, statementment, or other document furnished pur-3 suant to sec-

14 tion 4B of the Securities Act of 1933,4 as added by

15 this Act, or this section, if the state-5 ment is—

16 6(A) identified as forward-looking; and

17 7(B) accompanied by meaningful cautionary

18 8language that identifies important factors that

19 9could cause actual results to differ materially.

20 10 **SEC. 103104. SPECIAL DISPOSITION RESTRICTIONS BY RE-**

21 11 **LATED PERSONS.**

12 (a) DEFINITION.—In this section, the term "related

13 person"—

22 (a) DEFINITIONS.—In this section:

23 (1) CERTIFICATION COVERED PARTY.—The

24 14 (1)term "certification covered party" means—, with re-

25 spect to an ancillary asset—

(A) the ancillary asset originator;

(B) a subsidiary of the ancillary asset originator;

15 (AC) anya related person of the ancillary asset originator; or

(D) any entity that is,directly or was, a founder,indirectly

16 executive officer, director, trustee, general part-

17 ner, owner of more than 5 percent of any class

controls or is controlled by a common entity with an ancillary asset originator.

(2) COVERED TOKEN.—The term "covered token" means any unit of an ancillary asset that was

18 of equity shares ofacquired from the ancillary asset originator with re-

19 nator, or person serving in a similar capacity

spect to that ancillary asset or an agent or under-writer thereof.

(3) DISTRIBUTED LEDGER CONTROL PERSON.—The term "distributed ledger control person" means,

20 with respect to an ancillary asset originator; or

21 (B)a distributed ledger system, any per-

son or group of persons under22 common control that beneficially owns 1 percent,

23 or more of the outstanding units of an ancillary

24 asset, if those units were acquired from—

~~25 1 (i) the applicable ancillary asset origi-~~

~~2 nator; or~~

~~3 (ii) persons acting on behalf of the ap-~~

~~4 plicable ancillary asset originator; and~~

18 ~~5 (2) does not include~~other than a decentralized governance~~6~~ system, that

19 has the unilateral authority, directly or indirectly,

20 through any contract, arrangement, understanding,

21 relationship, or otherwise, to control or materially

22 alter the functionality, operation, or rules of con-

23 sensus or agreement of the distributed ledger system

24 or a related ancillary asset.

25 ~~7~~(b) COMMON CONTROL.—

26 8

1 (1) IN GENERAL.—The Commission shall pro-

2 9 mulgate clear and specific rules, based on the cri- 10 teria described in

3 paragraph (2), to define the cir- 11 cumstances under

4 which a digital network is consid- distributed ledger system, together with a

5 12 cred related ancillary asset, is considered to be under

6 common control by related persons

13 for the purposes of sections 101(a)(2) and

14 102(c)(2).

7 15 (2) CONSIDERATIONS.—In promulgating rules

8 16 under paragraph (1), the Commission shall consider

9 17 criteria with respect to a digital network distributed ledger system

10 described 18 in that paragraph, including which shall include the

11 following criteria:

12 19 (A) OPEN DIGITAL SYSTEM.—Whether the

20 digital network is—

13 distributed ledger system is—

14 21 (i) a distributed ledger, the protocol of

15 22 which is freely and publicly available via

16 open- 23 source code;

17 24 (ii) a distributed ledger smart con- application

18 25 tract, the source code of which is—

26 1 (I) freely and publicly available

19 2 via open-source code; and

20 3 (II) recorded on a distributed

21 4 ledger described in clause (i);

22 5 (iii) an analogue to a distributed ledg-

23 er or distributed ledger or con application de-

6 tract described

1 scribed in clause (i) or (ii), as de-termined

2 7 termined by the Commission by rule or8 order.

3 9 (B) PERMISSIONLESS DIGITAL SYSTEMAND CREDIBLY NEU-

4 TRAL DIGITAL SYSTEM.—10 Whether person or

5 group of persons under com-11 mon control has—

6 12 (i) the unilateral authority, via oper-

7 13 ation of the networkdistributed ledger system, to

8 restrict, censor, or14 prohibit use of the networkdis-

9 tributed ledger system, including any appli-

10 15 applicablecable system-based user activity; or

11 16 (ii) private permissions, hard-coded

12 17 privileges, or similar rightscapabilities granted

13 by the18 source code of the networkdistributed ledger

14 system that provides19 preferential treatment

15 compared to other20 similarly situated per-

16 sons.

17 21 (C) DISTRIBUTED DIGITAL NETWORK.—

18 22 WhetherThe extent to which a person or group of per-

19 sons under23 common control has— beneficial own-

24 (i) the unilateral authority to direct

20 25 the votingership of, in the aggregate, not less

26 1 than 25 49

21 percent of the then total amount of outstanding

2 voting power of any governance system

3 that relates to the network; or

4 (ii) beneficial ownership of, in the ag-

5 gregate, not less than 25 percent of the

22 6 outstandingunits of the ancillary assetsasset.

23 7 (D) AUTONOMOUS DIGITAL NETWORKDISTRIBUTED LEDGER

24 SYSTEM.—8 Whether—

25 9

1 (i) the networkdistributed ledger system has

2 reached an autonomous state; and

3 (ii) a person or group of persons

4 under common control has the unilateral

5 authority, directly or indirectly, to alter or

6 change the functionality, operation, or

7 rules of consensus or agreement of the netdis-

16 work.

8 tributed ledger system.

9 (E) ECONOMIC INDEPENDENCE.—Whether

10 the primary programmatic mechanisms of the

11 networkdistributed ledger system that are intended to

12 facilitate substantial value accrual to the ancil-

13 lary asset throughthe functioning of the networkdis-

14 tributed ledger system are functional.

15 (3) SAFE HARBORS.—

16 (A) IN GENERAL.—The Commission shall

17 establish safe harbors under which a digital net-distributed

18 worklledger system will not be considered to be under com-

26 1 ~~mon~~common control by related persons for the pur~~poses~~-

19 2 poses of section ~~102~~103(c)(2).

20 3 (B) NONEXCLUSIVE.—The safe harbors es-

21 4 tablished under subparagraph (A) shall not be

22 5 exclusive and the Commission shall consider

23 6 such other circumstances as the Commission

1 finds in the public interest or for the protection
2 of investors.
3 (4) EVIDENCE.—The Commission may, in pro-
4 mulgating rules under this subsection, require such
5 certifications, third party verifications, or other evi-
6 dence as the Commission determines necessary or
7 appropriate to determine whether a digital network distributed ledg-
8 er system is under common control by related per-
9 sons for the purposes of section 102103(c)(2).
10 (c) CERTAIN SPECIAL RESTRICTIONS ON SALE DISPOSITION.—The Com-
11 mission Commission shall adopt rules that provide that, with respect-
12 spect to transactions involving an ancillary asset conducted pur- for which
13 suant disclosures are required pursuant to the exemption under section 1024B(bd) of the
14 Securities Act of 1933, as added by this Act, when a sale
15 of that ancillary asset is made by a related person, the
16 following restrictions on that sale shall apply:
17 (1) SALES PRIOR TO CERTIFICATION.—If the
18 covered token was acquired after the effective date
19 ancillary asset of this Act and principally relies on a digital network distributed
20 ledger system, the ancil-
24 lary asset covered token may be sold by a
21 related person before that digital network distributed ledger system

22 is certified as not subject to

26 1 common control by re~~lated persons, pursuant to sub~~-

23 2 ~~section~~lated persons, pursuant to subsection (d), if—

24 3 (A) with respect to that ~~digital network,~~distributed ledger

25 4 system, the disclosures ~~have been furnished~~required pursuant to

26 5

1 section 4B(d) of the Securities Act of 1933, as

2 6 added by this Act, have been furnished;

3 7 (B) the holder of the ancillary assetcovered token has

4 8 held the units for not less than 12 months; and

5 9 (C) the net amount of ancillary assetscovered tokens sold

6 10 in any 12 -month period by the related person

11 in any calendar year is

7 not greater than 20 per-

12 cent of the totalan amount of ancillary assets ac-to be determined

13 quired from the applicable ancillary asset origi-

14 nator; and

8 by the Commission pursuant to notice and com-

9 15 (D)ment rulemaking not later than 5 business360 days after

16 that sale, the related person furnishes the Com-

17 mission with a public report with such informa-

18 tion as the Commission may require by rule

19 consistent with reports required under section

20 16(a) of the Securities Exchange Act of 1934

21 (15 U.S.C. 78p(a)), relating to the number of

22 ancillary assets sold and the material terms of

10 the date of enactment of this Act, which rule-

11 making shall consider what is necessary or ap-

12 propriate in the public interest, including,

13 among other things, the protection of investors,

14 whether the action will promote efficiency, com-

15 petition, and capital formation, and how to fos-

16 ter the development of distributed ledger sys-

17 23 that sale.tems that are not subject to common control.

18 24 (2) SALES AFTER CERTIFICATION.—The ancilIf the an-

19 25 larycillary asset may be sold by a related personwas acquired after the

effective date of

26 1 digital network on which the ancillary assetthis Act and principally relies on a distributed ledger

20 system that is2 certified as not subject to common

21 control by related3 persons; pursuant to subsection

22 (d), the ancillary asset may be sold by a related per-

23 son, if—

24 4

1 (A) with respect to that digital network, distributed ledger

2 5 system, the disclosures have been furnished required pursuant to

3 6 section 4B(d) of the Securities Act of 1933, as

4 7 added by this Act, have been furnished;

5 8 (B) the holder of the ancillary asset that is

6 a covered token has 9 held the units for not less

7 than 12 6 months; and

8 10 (C) the net amount of ancillary assets sold

9 11 in any 12 -month period by the related person

12 in any calendar year is

10 not greater than 10 per- an amount to be determined

11 by the Commission pursuant to rulemaking that

12 13 cent shall not be less than 10 percent of the total

13 amount of outstanding units of 14 such ancillary

14 assets; and.

15 (D) in the case of

15 (3) SALES OF PRE-EXISTING COVERED TO-

16 KENS.—If the covered token was acquired prior to

17 the effective date of this Act and principally relies

18 on a distributed ledger system, the covered token

19 may be sold by a related person if—

20 (A) in the case that

16 beneficially owns 5 percent or more of the out-

17 standing the distributed ledger

21 system has not been certified as not subject to

22 common control by related persons pursuant to
23 subsection (d)—
24 (i) the disclosures required pursuant
25 to section 4B(d) of the Securities Act of

1933, as added by this Act, have been furnished; and

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

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

(4) LIMITATIONS ON TRANSACTIONS BY DISTRIBUTED LEDGER CONTROL PERSONS.—If the holder of an ancillary ~~assets, the~~asset that principally relies on a distributed ledger system that has been certified as not subject to common control by related persons is a distributed ledger control person~~;~~ ~~not later than 5 business days after that sale,~~ with respect to that distributed ledger system, that control person may resell that ancillary asset if—

(A) that control person furnishes ~~the Commission with a public report~~ notice with ~~such information as~~ the Commission ~~may~~, in a form and manner de~~require by rule relating to the assets sold and~~termined by the Commission, that the person ~~the circumstances surrounding that sale.~~has or intends to obtain an authority described in subparagraph (B) with respect to the distrib-

20 uted ledger system;

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

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

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

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

1 (1) SUBMISSION.—With respect to an ancillary

2 asset that satisfies the conditions for an exemption

3 under section 102(b) and that relies on a digital net-

4 work, the ancillary asset originator, 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 digdis-

8 ital network

1 tributed ledger system is not under the common con-

2 trol of re- 9 lated persons.

3 10 (2) AUTOMATIC EFFECTIVENESS.—Acertifi-

4 11 cation furnished under paragraph (1) shall become

5 12 effective, and the digital networkdistributed ledger system shall be

6 deemed13 not to be under the common control of related per-

7 14 sonslated persons, on the date that is the earlier of—

8 15 (A) the date on which the Commission no-

9 16 tifies the ancillary asset originatorcertification covered party in writing

10 17 that the Commission does not object to the cer-

11 18 tification; or

12 19 (B) if the Commission has not denied the

13 20 certification under paragraph (3), the date that

14 21 is 90 days after the date on which the certifi-

15 22 cation is furnished, or such shorter period as

16 23 the Commission may determine by rule.

17 24 (3) DENIAL.—

25 1 (A) IN GENERAL.—The Commission may
18 2 deny a certification furnished under paragraph
19 3 (1)—
20 4 (i) only during the 90-day period be-
21 5 ginning on the date on which the certifi-
22 6 cation is furnished, or such shorter period
23 7 as the Commission may determine by rule,
24 or upon determining, based on reasonable

evidence, that a material change in circumstances has occurred after the furnishing of the certification;8 and

9 (ii) by providing to the ancillary asset certification

10 originator covered party 10 days notice of the intent

of11 the Commission to deny that certification,-

cation.

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

13 (Ii) conduct a hearing before the Com-

14 Commission mission; and

15 (Hii) vote to deny the certification if

16 after there is a finding that the applicable ancil-

17 cillary lary asset does not meet the stand-

18 ard for

certification that the operations of the digital dis-

19 network is tributed ledger system are not under such

common20 control.

21 (BC) FINAL AGENCY ACTION.—Denial under

22 this paragraph constitutes final agency action

23 reviewable under applicable law.

~~24 1~~ (4) VERIFICATION.—The Commission may, by

22 ~~2~~ rule, require appropriate third-party verification of a

23 ~~3 self-~~certification furnished under paragraph (1).

24 ~~4~~ (e) DISGORGEMENT.—

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

(2) ENFORCEMENT.—An action to recover profit described in ~~subparagraph~~paragraph (~~A~~1)—

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

(i) the applicable ancillary asset originator;~~ or~~

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

(iii) the owner of any units of the applicable ancillary asset, in the name and on behalf of the ancillary asset originator, if the ancillary asset originator—

(I) fails or refuses to bring the action within 60 days after a written request by any owner of not less than

~~25 1~~ 5 percent of the total amount of out-

23 standing units of that ancillary~~2~~ asset;

24 or

3

(II) fails to diligently prosecute the action; and

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

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

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

(1) MATERIAL HARDSHIP EXEMPTION.—

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

(i) The death of the related person.

1 (ii) The bankruptcy or insolvency of
2 the related person.
3 (iii) The dissolution, merger, or acqui-
4 sition of a corporate person.
5 (iv) Tax liability relating to the re-
6 ceipt of the applicable ancillary asset.
7 (v) Such other material hardships as
8 may be designated by the Commission.
9 (B) REQUIREMENTS.—The rules and pro-
10 cedures adopted under subparagraph (A) shall
11 be designed to mitigate the risk that parties
12 may seek to structure holdings to evade resale
13 restrictions and exempt or waive the application
14 of resale restrictions only to the extent nec-
15 essary to address the identified material hard-
16 ship.
17 (2) LIQUIDITY PROVISION EXEMPTION.—The
18 Commission shall adopt rules to exempt from dis-
19 position restrictions parties buying or selling an an-
20 cillary asset through regular two-sided bidding and
21 offering for the purposes of providing market liquid-
22 ity, provided that such activities are not undertaken
23 for the purpose of evading the requirements of this
24 section.

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

(4) EXCHANGE-TRADED PRODUCT AND PASSIVE FUND EXEMPTION.—The Commission shall adopt rules to exempt from disposition restrictions, as appropriate, exchange-traded products, the shares of which are created and redeemed by authorized participants and registered with the Commission or other passive pooled investment vehicles, whether or not the shares of which are registered with the Commission.

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

(1) DISCLOSURE REPORTS.—

(A) DISCLOSURE OF RELATED PERSON STATUS.—Any person, or group of persons

1 under common control, directly or indirectly,
2 that acquire beneficial ownership of 10 percent
3 or more of the total amount of outstanding
4 units of the ancillary asset, measured as of the
5 end of any calendar quarter, shall furnish initial
6 and continuing reports as determined by the
7 Commission.
8 (B) SALES OF COVERED TOKENS BY RE-
9 LATED PERSON PRIOR TO CERTIFICATION OF
10 NON-CONTROL.—Quarterly reports relating to
11 the number of ancillary assets sold by a related
12 person in a form as required by the Commis-
13 sion.
14 (C) SALES OF COVERED TOKENS BY RE-
15 LATED PERSON AFTER CERTIFICATION OF NON-
16 CONTROL.—Quarterly reports relating to the
17 number of ancillary assets sold by a related per-
18 son that holds, at any point during the applica-
19 ble calendar quarter, in excess of 5 percent of
20 the total amount of outstanding units of such
21 ancillary asset in a form as required by the
22 Commission.
23 (D) SALES OF PRE-EXISTING COVERED TO-
24 KENS BY RELATED PERSON.—Quarterly reports
25 relating to the number of ancillary assets sold

1 by a related person that holds in excess of 5
2 percent of the total amount of outstanding
3 units of such ancillary asset in a form as re-
4 quired by the Commission.
5 (2) CONFIDENTIAL TREATMENT.—The Com-
6 mission may provide for confidential treatment of in-
7 formation provided under, or exempt, certain related
8 persons from the requirement to furnish a report re-
9 quired under this subsection, pursuant to procedures
10 the Commission shall establish and that are modeled
11 on or identical to section 230.406 of title 17, Code
12 of Federal Regulations, or any successor regulation.
13 (3) GOOD-FAITH FURNISHING STANDARD.—
14 (A) IN GENERAL.—Any obligation to fur-
15 nish information under this section applies only
16 to the furnisher acting on its own behalf and is
17 limited to information that is material and
18 known, or reasonably knowable after due in-
19 quiry, to that furnisher.
20 (B) RELIANCE.—A furnisher described in
21 subparagraph (A) may reasonably rely on pub-
22 lic sources and third party attestations where
23 appropriate.
24 (C) LIABILITY.—Furnishing in good faith
25 pursuant to this section shall not create liability

1 for information outside the furnisher's posses-
2 sion, custody, or control, or for omissions of in-
3 formation the furnisher could not reasonably
4 obtain without breaching legal privilege, con-
5 tractual confidentiality, or other applicable law.
6 (D) OTHER PERSONS.—Any person other
7 than the furnisher may, in good faith and ab-
8 sent knowledge to the contrary, presume that a
9 report required under paragraph (1) has been
10 timely furnished.
11 (4) LIFE CYCLE EVENT CONSIDERATIONS.—The
12 Commission shall adopt rules establishing stream-
13 lined processes for the following life cycle events:
14 (A) SUCCESSOR DISCLOSURES IN COR-
15 PORATE TRANSACTIONS.—The transfer of dis-
16 closure obligations under this section to a suc-
17 cessor entity in the event of a merger, acquisi-
18 tion, or sale of substantially all assets relating
19 to the ancillary asset activities, including a no-
20 tice of succession.
21 (B) CESSATION OF WORK.—The cessation
22 or suspension of ongoing disclosure obligations
23 under this section where the ancillary asset
24 originator or related person no longer engages,
25 and does not reasonably expect to engage, in ef-

1 forts with respect to the ancillary asset or its
2 associated distributed ledger system, including
3 a notice of cessation of work.
4 (C) CONTRACTUAL TERMINATION.—The
5 termination of disclosure obligations under this
6 section that attach solely by virtue of a person's
7 status as a related person when a contractual
8 arrangement with the ancillary asset originator
9 or distributed ledger system has concluded, in-
10 cluding a notice of cessation of contractual rela-
11 tionship.
12 (h) RULE OF CONSTRUCTION.—Nothing in this sec-
13 tion may be construed to—
14 (1) limit or impair the anti-fraud or anti-ma-
15 nipulation authorities of the Commission; or
16 (2) preclude reliance on Regulation Crypto, as
17 adopted under section 103, or any other effective
18 registration statement or exemption from registra-
19 tion under the Securities Exchange Act of 1933 (15
20 U.S.C. 77a et seq.), as amended by this Act.
21 13 **SEC. 104105. FINANCIAL INTERESTS OF ANCILLARY ASSETS.**
22 14 (a) IN GENERAL.—Not later than 1 year after the
23 15 date of enactment of this Act, the Commission shall pro-
24 16 mulgate regulations that provide that an ancillary asset—

25 17

1 (1) a network token shall not be considered as meeting

2 providing a disqualifying financial18 interest under

3 section 4B(a)(16)(B) of the Securities Act19 of 1933,

4 as added by this Act, whenif the market value of20 the assetnet-

5 work token is primarily derived, or is reasonably expected-

6 21 pected to be primarily derived, from its system-based utility ona distributed

22 a digital network (including where the ancillary asset is

23 used within, facilitates access to, enables participation in,

24 or is otherwise incorporated into the operation of a distrib-

7 1 uted ledger system) or from the broader adoption and use
8 2 of such a system, including where—
9 (A) the mechanisms of the distributed
10 ledger system collect, receive, accrue, or dis-
11 tribute consideration from the functioning of
12 the distributed ledger system;
13 (B) the network token provides governance
14 capabilities with respect to a distributed ledger
15 system or a decentralized governance system;
16 (C) the value of the network token appre-
17 ciates or depreciates due to the use of, or in re-
18 sponse to the efforts, operations, or financial
19 performance of, the distributed ledger system to
20 which the network token relates or its decen-
21 tralized governance system; or
22 (D) for a network token that meets the
23 definition of an ancillary asset, the value of the
24 network token appreciates or depreciates due to

the efforts of the ancillary asset originator or related person; and

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

(b) RULING BEFORE DATE OF ENACTMENTEFFECT OF RULINGS AND ACTIONS BEFORE DATE OF ENACTMENT.—If, be-

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

SEC. 105. INVESTMENT CONTRACT RULEMAKING.

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

(2) NETWORK TOKENS.—A network token shall not be considered to be an ancillary asset, and, for

the avoidance of doubt, shall not be considered to be a security under any provision of law described in ~~(1) section 2(a~~subsection (b)(1) of section 4B of the Securities Act of 1933, as added by this Act, if, on January 1,

~~(15 U.S.C. 77b(a)(1));~~

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

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

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

2026, any units of that network token were the prin-

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

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

(2) An investment described in paragraph (1) is made in an enterprise or venture, whether incorporated, unincorporated, organized, or unorganized.

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

(4) The investor reasonably expects profits such as a direct share or participation in the income of the enterprise, return on investment, earnings, operating results, and capital appreciation of the enterprise, and may provide for a fixed, adjustable, or floating rate of return, based on the terms of the agreement or arrangement itself and the totality of statements by the counterparty and its agents, when it is clear from the context that such statements—

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

~~(B) are accessible to the investor.~~

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

~~(A)~~

cipal asset of an exchange-traded product, the shares of which are ~~post-sale and essential to the operation or success of the enterprise; and~~

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

~~(c) FURTHER REQUIREMENTS.—The rule adopted under subsection (a) shall—~~

~~(1) provide that an investment contract shall require an investment in an enterprise, but does not require commonality;~~

~~(2) clarify what constitutes more than a nominal level of entrepreneurial or managerial efforts, in-~~listed and traded on a national securi-

~~cluding for purposes of compliance with section 101(d)(3)(B) of this Act;~~

~~(3) provide that interests in a limited partnership interest, a non-managing interest in a limited liability company, and an interest in a managed trust or in a trust the corpus of which includes secu-~~ties exchange registered under section 6 of the Secu-

25 rities or commodities is an investment contract; and

~~(4) provide that a certificate of interest in a profit-sharing arrangement is an investment contract that is evidenced by a certificate, document, or other instrument.~~

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

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

rities Exchange Act of 1934 (15 U.S.C. 78f).

SEC. 106. EXEMPTIVE AUTHORITY.

(a) CONTINUED APPLICABILITY.—Nothing in this Act, or any amendment made by this Act, may be construed to amend, limit, impair, or otherwise affect the authority of the Commission to grant an exemption pursuant to any provision of law that is in effect on the day before the date of enactment of this Act, including pursuant to any of the following:

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

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

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

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

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

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

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

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

(2) by adding at the end the following: ''The Commission shall, by rule or regulation, determine the procedures under which an exemptive order under this section shall be granted and may, in the sole discretion of the Commission, decline to entertain any application for an order of exemption under this section.''.

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

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

~~(1) in the subsection heading, by inserting "Innovation," after "Efficiency,"; and~~

~~(2) by inserting "innovation," after "efficiency,".~~

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

~~(1) in the subsection heading, by inserting "Innovation," after "Efficiency,"; and~~

~~(2) by inserting "innovation," after "efficiency,".~~

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

~~(1) in the subsection heading, by inserting "Innovation," after "Efficiency,"; and~~

~~(2) by inserting "innovation," after "efficiency,".~~

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

~~(1) in the subsection heading, by inserting "Innovation," after "Efficiency,"; and~~

~~(2) by inserting "innovation," after "efficiency,".~~

26 1 SEC. 108. MODERNIZATION OF RECORDKEEPING REQUIRE-

15 2 MENTS.

16 3 (a) IN GENERAL.—The Commission shall promulgate

17 4 rules to modernize the books and recordsrecordkeeping requirements5 under

18 the Securities Exchange Act of 1934 (15 U.S.C.6 78a et

19 seq.), the Investment Advisers Act of 1940 (157 U.S.C.

20 80b–1 et seq.), and the Investment Company Act8 of 1940

21 (15 U.S.C. 80a–1 et seq.), including to allow afacilitate utiliza-

22 9 person to consider records from ation of distributed ledger sys-

10 tem to satisfy such books and records requirements.

11 (b) TAILORING.—To ensure transparency and ac-

12 countability, the Commission shall tailor the regulations

13 regarding recordkeeping, including regulations promul-

14 gated under subsection (a), to what is reasonably nec-

15 essary in the public interest or for the protection of inves-

16 tors.

23 17 SEC. 109108. MODERNIZATION OF SECURITIES REGULATIONS

24 18 FOR DIGITAL ASSET ACTIVITIES.

25 19 (a) TAILORING OF EXISTING REQUIREMENTS.—

26 ~~20~~

1 (1) DEFINITION.—In this subsection:

2 ~~21~~ (A) DIGITAL ASSET RECEIPT; LIQUIDITY

3 ~~22~~ PROVIDER TOKEN; VAULT TOKEN.—The terms

4 ~~23~~ "digital asset receipt", "liquidity provider

5 ~~24~~ token", and "vault token" mean a digital token

6 ~~25~~ or electronic receipt that—

(i) is issued by a vault or a smart contract to a user depositing digital assets; and

(ii) evidences the proportionate interest of the user in, or the ~~right~~ability of the user to redeem, the underlying digital assets and any accrued yield or profits.

(B) VAULT.—The term ''vault'' means a programmable, self-custodial smart contract on a distributed ledger system—

(i) that deploys digital assets according to pre-defined code;

(ii) the strategies governing which are not subject to control by any single person or entity; and

(iii) under which the user retains ownership of the digital assets described in clause (i), as evidenced by digital asset re-

24 19

1 ceipts, liquidity provider tokens, or vault

2 20 tokens.

3 21 (2) REQUIREMENT.—The Commission shall—

4 22 (A) amend, rescind, replace, or supplement

5 by rule, 23 order, guidance, exemptive relief, or

6 any other ap- 24 propriate action (provided such ac-

7 tion is consistent 25 with chapter 5 of title 5,

8 United States Code, and

26 1 other applicable law)

9 each regulation, form, interpre-2 tive statement, or

10 other requirement within the ju-3 risdiction of the

11 Commission that is not otherwise4 amended by

12 this Act (or required to be amended be-5 cause of

13 a provision of this Act or an amendment6 made

14 by this Act), to the extent that such provision

15 7 applies to any digital asset activity, including

16 any8 activity involving a security that is issued,

17 recorded,9 or transferred using distributed ledger

18 technology, so10 to the extent that the provision is no longer

19 outdated, unneces-11 sary, or unduly burdensome

20 in light of the unique12 technological characteris-

21 tics of digital assets or substantially similar

22 technology, which

13 may include regulatory provi-

23 sions governing—

24 14

1 (A i) the custody and possession or control customer protection, including cus-

2 15 tody of digital assets or substantially simi-

3 lar technology;

4 16 (B ii) transfer agent or recordkeeping obliga rules;

5 (iii) books and records, or record-

17 tions;

6 keeping requirements;

7 18 (C iv) clearing, clearance and settlement, and net-capital or

19 customer protection requirements rules;

8 20 (D v) broker-dealer, alternative trading sys-

9 21 tem system, and exchange registration or conduct

22 standards (including market access, trans-

23 parency regarding trading operations, fees, con-

24 flicts, pre and post trade data, fair access, sys-

25 1 tems security and integrity, compliance, and
2 trading venue obligations) rules;
10 3 (Evi) issuer disclosure and ongoing reporting-
11 4 porting requirements tailored to digital
12 asset securities or substantially similar
13 technology involving securities;5 and
14 6 (Fvii) the use of vaults, digital asset re-
15 ceipts, or receipts, involving substantially
16 7 similar technology, vault tokens, or liquid-
17 ity provider tokens.
8 (b) REQUIREMENTS.—In tailoring the provisions to
9 which subsection (a) applies,; and
18 (B) shall, in imposing future obli-10 gations as
19 those obligations relate to digital assets, the
11 Commission shall ensure that the regulatory obligations
12 applicable to a digital asset activity are not more burden-
13 some (in cost, complexity, or operational constraints) than
14 those applicable to a functionally analogous activity con or sub-
15 ducted without the use of digital assets that presents a
20 16 stantially similar risk profile.technology do so in a manner
21 consistent with the requirements described in
22 subparagraph (A).
23 17 (eb) RULE OF CONSTRUCTION.—Nothing in this sec-
24 18 tion may be construed to limit the authority of the Com-
25 19 mission to pursue fraud, manipulation, or deceptive prac-

1 tices involving digital assets or substantially similar tech-
2 nology.
3 (dc) USE OF EXISTING AUTHORITY.—When consid-
4 ering, proposing, adopting, or engaging in any rule or pro-
5 gram or developing new rules or programs, including those
6 mandated or authorized under this Act, or any amend-
7 ment made by this Act, the activities of the Commission

(which may include the solicitation of data and other input from investors, regulated entities, and market participants or the representatives of any of those persons) shall be considered actions taken under subsection (e) of section 19 of the Securities Act of 1933 (15 U.S.C. 77s) and shall be subject to subsection (f) of that section.

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

(1) in subsection (b)—

(A) in paragraph (3)—

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

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

25 ~~19~~

1 (iii) in the second sentence—

2 ~~20~~ (I) by striking ''term 'qualified

3 ~~21~~ purchaser' ''and inserting ''term

4 ~~22~~ 'qualified transaction' and 'qualified

5 ~~23~~ purchaser' '';

1 (II) by inserting "and categories
2 of transactions, including secondary
3 transactions," after "securities"; and
4 (III) by inserting "and with due
5 regard to the facilitation of capital
6 formation and the promotion of inno-
7 vation" before the period at the end;
8 and
9 (B) in paragraph (4)—
10 (i) in subparagraph (A), by inserting
11 "or, if the issuer does is not required to file
16 such reports, 12 where the Commission otherwise deter other-
17 13 mines wise determines, consistent with the public
18 interest 14 and the protection of investors and
19 with 15 due regard to the facilitation of capital for-
20 16 mation ital formation and the promotion of inno-
21 vation" 17 before the semicolon at the end;
22 18 (ii) in subparagraph (D)(ii) after "of-
23 19 fered or sold" by inserting "in a qualified
24 20 transaction or";

21

(iii) in subparagraph (F), by striking

22 "or" at the end;

23 (iv) in subparagraph (G), by striking

24 the period at the end and inserting "; or";

25 and

(v) by adding at the end the following:

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

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

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

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

(2) RULE OF CONSTRUCTION.—Nothing in this section, section 4B of the Securities Act of 1933 (as added by this Act), or the amendments made by this section may be construed to limit the existing authority described in section 18(c)(1) of the Securities Act of 1933(15 U.S.C. 77r(c)(1)) of a securities

commission (or any agency or office performing like functions) of any State with respect to a covered security or any security.

7 (f) PREEMPTION FOR ANCILLARY ASSET ACTIVITIES

8 UNDER THE SECURITIES EXCHANGE ACT OF 1933.—Section 15 18(b)

of

9 the Securities Exchange Act of 1934 1933 (15 U.S.C. 78o r(b)) is

10 amended by adding at the end the following:

11 "(p) LIMITATIONS ON STATE LAW REGARDING AN amend-

12 CILLARY ASSETS.—

ed by adding at the end the following:

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

13 "(1A) DEFINITIONS.—In this subsectionparagraph,

the

14 terms term 'ancillary asset' and 'digital asset' havehas the

15 meanings meaning given those terms

the term in section 2 of the Re-4B(a).

"(B) EXEMPTION IN CONNECTION WITH ANCILLARY ASSETS.—An ancillary asset offered, sold, or distributed in Reliance on Regulation Crypto, as adopted under section 103 of

16 sponsible the Lummis-Gillibrand Responsible Financial

Innovation Act of 2025 2026, shall be treated as a

17 "(2) LIMITATIONS.—No law, rule, regulation,

18 ~~or order, or other administrative action of any State~~
19 ~~or political subdivision thereof shall establish any li-~~
20 ~~censing, registration, money transmitter, ancillary~~
21 ~~asset, capital, custody, margin, financial responsi-~~
22 ~~bility, recordkeeping, bonding, financial or oper-~~
23 ~~ational reporting, or any other regulatory require-~~
24 ~~ment on any person registered with the Commission~~
25 ~~(or, with respect to such persons registered with the~~

26 1 Commission, on any supervised person, as defined in
2 section 202(a) of the Investment Advisers Act of
3 1940 (15 U.S.C. 80b–2(a)), or person associated
4 with a broker or dealer) in connection with that per-
5 son's business in digital assets.
6 "(3) ENFORCEMENT PERMITTED.—Nothing in
7 this subsection shall prohibit any State or political
8 subdivision thereof from investigating and bringing
9 enforcement actions with respect to fraud or deceit
10 in connection with a business in digital assets.".
19 covered security.".
20 11 **SEC. 110109. SECURITIES INVESTOR PROTECTION CORPORA-**
21 12 **TION APPLICABILITY.**
22 13 Section 16(14) of the Securities Investor Protection
23 14 Act of 1970 (15 U.S.C. 78lll(14)) is amended, in by inserting
24 after the sec-15 ond sentence, by adding the following: "The term 'secu-
25 rity' does not in-16 clude a digital commodity." after the period at the end.

TITLE II—PROTECTING AGAINST ILLICIT FINANCE

SEC. 201. TREATMENT UNDER THE BANK SECRECY ACT AND SANCTIONS LAWS.

~~(a) IN GENERAL.—A digital asset service provider~~

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

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

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

(b) BANK SECRECY ACT REQUIREMENTS.—

(1) REGULATIONS.—The Secretary of the Treasury, acting through the Director of the Financial Crimes Enforcement Network, and in consultation with Commodity Futures Trading Commission, shall—

~~(1) be treated as a financial institution for pur-~~ issue requirements consistent with the requirements of futures commission merchants to apply the ~~poses of the~~ Bank Secrecy Act~~; and~~

to digital commodity brokers, dig- ~~(2) be subject to all Federal laws applicable to a financial institution located in the United States relating to economic sanctions, prevention of money laundering, customer identification, and due dili-~~

ital commodity dealers, and digital commodity exchanges that are tailored to the size and complexity ~~gence~~of such entities, including by requiring each such entity to—

26 6

1 (A) maintenance ofestablish and maintain an effective anti-money

2 7 laundering and countering the financing of ter-

3 rorism program, which shall include appro- —

4 (i) an appropriate risk assessment;

5 (ii) the development of internal poli-

6 cies, procedures, and controls;

7 8 priate risk assessments and(iii) the designation of ana compliance

8 9 officer to supervise the;

9 (iv) an ongoing employee training pro-

10 gram; and

11 (v) an independent audit function to

12 test such program;

13 10 (B) retention ofretain appropriate records of trans-

14 actions;

11 (C) monitoring and reporting of any sus-

12 picious transaction relevant to a possible viola-

13 tion of law or regulation;

14 (D) technical capabilities, policies, and pro-

15 cedures to block, freeze, and reject specific or(C) monitor and report suspicious activity,

16 impermissible transactions that violate Federalwhich may include use of appropriate distrib-

17 or State law;uted ledger analytics; and

18 (ED) maintenance ofmaintain an effective customer identi-

19 identification program, including identification

19 20 and verification offication program to identify and verify account

20 holders with the dig-

21 ital asset service provider, high-value trans-

22 actions, and carry out appropriate enhanced customer due dili-

21 diligence.

22 (2) COMPLIANCE WITH SANCTIONS.—A digital

23 gence; andcommodity broker, digital commodity dealer, or dig-

24 (F) maintenance of an effective economicital commodity exchange shall comply with all laws

25 sanctions compliance program, includingand regulations related to United States sanctions

26 1 verification of sanctions lists, consistent with

1 administered by the Office of Foreign Assets Con-

2 Federal law.trol.

3 (b) RULEMAKING.—The Secretary of the Treasury(c) SENSE OF CONGRESS.—It is the sense of Con-

4 shall adopt rules, tailored to the size and complexity of

5 digital asset service provider, to implement this section.

4 6 (c) RESERVATION OF AUTHORITY.—Nothinggress that nothing in

this7 section shall restrict the authority of the Secretary of the

8 Treasury to implement, administer, and enforcelimit the

provi applica-

9 sions of subchapter II of chapter 53 of title 31, United

5 bility of any law imposing or authorizing the imposition

6 10 of economic sanctions by the United States Code.

7 11 **SEC. 202. DIGITAL ASSET EXAMINATION STANDARDS.**

8 12 (a) DEFINITIONS.—In this section:

9 13 (1) FEDERAL FUNCTIONAL REGULATOR.—The

10 14 term "Federal functional regulator" has the mean-

11 15 ing given the term in section 509 of the Gramm-

12 16 Leach-Bliley Act (15 U.S.C. 6809).

13 17 (2) FINANCIAL INSTITUTION.—The term "fi-

14 18 nancial institution" has the meaning given the term

15 19 in section 5312(a)(2) of title 31, United States

16 20 Code.

17 21 (b) EXAMINATION AND REVIEW.—The Secretary of

18 22 the Treasury, in consultation with Federal functional reg-

19 23 ulators, shall establish , coordinated to the extent feasible,

20 risk-based examination standards

~~for~~ to assess financial insti-

tutions ~~to assess~~involved in the ~~following relating~~

~~to~~ digital ~~assets~~asset sector for compliance

with anti-money laundering and countering the financing

of terrorism requirements under the Bank Secrecy Act.

1 **SEC. 203. PREVENTING ILLICIT FINANCE THROUGH PART-**
2 **NERSHIP 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, effective public-

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

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

SEC. 203. PREVENTING ILLICIT FINANCE THROUGH PARTNERSHIP.

(a) DEFINITIONS.—In this section:

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

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

(B) the Financial Crimes Enforcement Network; and

(C) the Department of Homeland Security.

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

private partnership network that meets standards for security, accountability, and participation that are equivalent to the standards that would be required by the Secretary of the Treasury for certification under clause (i).

(3) COVERED AGENCY.—The term "covered agency" means—

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

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

(C) the Department of Homeland Security.

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

1 (35) DIRECTOR.—The term "Director" means
2 the Director of the Financial Crimes Enforcement
3 Network.

24 4

1 (46) ILLICIT FINANCE VIOLATION.—The term

2 5 "illicit finance violation" means the illicit use of dig-

3 6 ital assets.

4 7 (57) ILLICIT USE.—The term "illicit use" in-

5 8 cludes fraud, darknet marketplace transactions,9 money laundering, terrorist financing,

6 the purchase and sale of illicit10 goods, trafficking of

7 fentanyl (including fentanyl precursors and trade in

8 other illicit drugs), sanctions evasion, theft of funds,

9 funding of11 illegal activities, transactions relatedrelating to

10 child sexual12 abuse material or elder fraud abuse, and

11 any other financial transaction13 involving the pro-

12 ceeds of specified unlawful activity,14 as defined in

13 section 1956(c) of title 18, United15 States Code.

14 16 (68) MONEY SERVICES BUSINESS.—The term

15 17 "money services business" has the meaning given

16 18 the term in section 1010.100 of title 31, Code of

17 19 Federal Regulations (or any corresponding similar

18 20 regulation).

21 (7) SECRETARY.—The term "Secretary" means

22 the Secretary of Homeland Security.

19 23 (bc) ESTABLISHMENT OF PROGRAM.—The AttorneySecretary

20 24 Generalof the Treasury shall establish a pilot program under

21 which cov-25 ered agencies and designated private sector entities se-

26 1 curelyties securely share information aboutfocused on potential illicit

22 finance vio-2 lations and threats and emerging risks relating

23 to illicit3 finance violations.

24 4 (ed) DESIGNATION OF PRIVATE SECTOR ENTITIES.—

25 5

1 (1) REQUIRED ACTION.—

2 6 (A) INITIAL COMPANIES.—Not later than

3 7 90 days after the date of enactment of this Act,

8 the Attorney General, in consultation with the

4 9 the Director and the Secretary, shall designate

5 10 10 private sector entities that are money serv ices-

6 11 ices businesses , 10 private sector entities that

7 are digital commodity brokers, digital com-

8 modity dealers, or digital commodity exchanges,

9 and 10 private sector entities from

12 the digital asset industry that are banks to

10 participate in the 13 pilot program established

11 under subsection (b c), 14 if such entities agree and

12 volunteer to participate in the pro- 15 gram.

13 16 (B) BIANNUAL REVIEW.—Not less fre-

14 17 quently than once every 6 months, the Attorney

18 General, in consultation with the Director and

15 19 the Secretary, shall review and, as appropriate, 20 replace the

16 private sector entities designated 21 under this

17 paragraph.

18 22 (C) RULE OF CONSTRUCTION.—Nothing in

19 23 this paragraph shall section may be construed as—

~~24 1~~ (i) requiring an entity to participate

20 ~~2~~ in the pilot program established under this

21 ~~3~~ section; or

22 ~~4~~ (ii) enabling the ~~Attorney General~~Director to~~5~~ select an

23 entity to participate in the pilot~~6~~ program

24 without the consent of such enti~~-7~~ty.

(2) OPTIONAL DESIGNATION.—In addition to the ~~2030~~30 private sector entities designated under paragraph (1), ~~the Attorney General, in consultation with~~ the Director ~~and the Secretary,~~ may designate—

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

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

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

~~(d~~e) INFORMATION SHARING WITH PRIVATE SECTOR ENTITIES.—A covered agency that initiates an investigation into a potential illicit finance violation, or identifies a threat or emerging risk relating to an illicit finance violation, may share with any designated private sector entity such information about the investigation, threat, or emerging risk as the covered agency determines is appropriate.

~~(e~~f) USE OF INFORMATION BY PRIVATE SECTOR ENTITIES.—Information received by a designated private sector entity under this section may not be used for any purpose other than identifying and reporting on activities that

~~26~~ ~~1~~25 may involve illicit finance violations or threats and emerg-

~~2~~ ing risks relating to illicit finance violations, unless otherwise prescribed by regulation or permitted by the covered agency sharing the information.

~~3~~ (~~f~~g) MEANS OF SHARING INFORMATION.—The cov~~ered~~-~~4~~ ered agencies and designated private sector entities may share~~5~~ information about potential illicit finance violations, or~~6~~ threats and emerging risks relating to illicit finance vio~~la~~-~~7~~ ~~tions~~lations, with each other—

~~8~~ (1) through a portal established by the ~~Attorney~~Sec-~~9~~ ~~General~~retary of the Treasury or a similar mechanism deter~~mined appro~~-

~~10 priate by the Attorney General;~~

mined appropriate by the Secretary of the Treasury;

~~11~~ (2) through secure email; ~~or~~

~~12~~ (3) at monthly meetings, which shall be facili-~~13~~ tated by the ~~Attorney General~~Secretary of the Treasury; or

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

~~14~~ (~~g~~h) LIMITATION ON LIABILITY.—A designated pri-~~15~~ vate sector entity that transmits, receives, or shares infor-~~16~~ mation for the purposes of identifying and reporting ac-~~17~~ tivities that may constitute illicit finance violations, or ~~18~~ threats and emerging risks relating to illicit finance viola-~~19~~ tions, shall not be liable to any person for such disclosure ~~20~~ or for any failure to provide notice of such disclosure to ~~21~~ the person who is the subject of such disclosure or any ~~22~~ other person identified in such disclosure.

1 (~~h~~i) SUNSET.—The pilot program established under
2 subsection (~~b~~c) shall terminate on the date that is 5 years
3 after the date of enactment of this Act, unless made per-
4 manent through notice and comment rulemaking by the
5 Department of the Treasury.

SEC. 204. FINANCIAL TECHNOLOGY PROTECTION ACT.

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

(ab) DEFINITIONS.—In this section:

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

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

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

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

mittee on Homeland Security,(D) the Committee on the Judiciary, the Committee on Ways and Means, and the Permanent Select Committee on IntelligenceAgriculture of the House of Representatives.

(2) DIGITAL ASSET.—The term "digital asset" means any digital representation of value that is re-

~~corded on a cryptographically secured digital ledger or any similar technology.~~

~~(3~~(2) DISTRIBUTED LEDGER ANALYTICS COMPANY.—The term ''distributed ledger analytics company'' means any business providing software, research, or other services (such as tracing tools,

24 27

1 geofencing, transaction screening, the collection of
2 business data, and sanctions screening) that—
3 (A) support private and public sector in-
4 vestigations and risk management activities;
5 and
6 (B) involve cryptographically secured dis-
7 tributed ledgers or any similar technology or
8 implementation.
9 (43) EMERGING TECHNOLOGIES.—The term
10 "emerging technologies" means the critical and
11 emerging technology areas listed in the Critical and
12 Emerging Technologies List developed by the Fast
13 Track Action Subcommittee on Critical and Emerg-
14 ing Technologies of the National Science and Tech-
15 nology Council, including any updates to such list.
16 (54) FOREIGN TERRORIST ORGANIZATION.—The
17 term "foreign terrorist organization" means an or-
18 ganization that is designated as a foreign terrorist
19 organization under section 219 of the Immigration
20 and Nationality Act (8 U.S.C. 1189).
21 (65) ILLICIT USE.—The term "illicit use" in-
22 cludes fraud, darknet marketplace transactions,23 money laundering, terrorist financing,
1 the purchase and sale of illicit24 goods, trafficking of
2 fentanyl (including fentanyl precursors and trade in
3 other illicit drugs), sanctions evasion, theft of funds,

1 funding of~~25~~ illegal activities, transactions related to

2 child sexual

1 abuse material or elder fraud abuse, and
2 any other financial transaction involving the pro-
3 ceeds of specified unlawful activity (as defined in
4 section 1956(c) of title 18, United States Code).
5 (6) STATE SPONSOR OF TERRORISM.—The term
6 "state sponsor of terrorism" means a country deter-
7 mined by the Secretary of State to have repeatedly
8 provided support for acts of international terrorism
9 under section 40 of the Arms Export Control Act
10 (22 U.S.C. 2780) or section 620A of the Foreign
11 Assistance Act of 1961 (22 U.S.C. 2371).
12 (7) TERRORIST.—The term "terrorist" includes
13 a person carrying out domestic terrorism or inter-
14 national terrorism (as such terms are defined, re-
15 spectively, under section 2331 of title 18, United
16 States Code).
17 (8) TRANSNATIONAL ORGANIZED CRIME.—The
18 term "transnational organized crime" has the mean-
19 ing given the term in section 284 of title 10, United
20 States Code.
21 (~~b~~c) INDEPENDENT FINANCIAL TECHNOLOGY WORK-
22 ING GROUP TO COMBAT TERRORISM, NARCOTICS TRAF-
23 FICKING, AND ILLICIT FI-
24 NANCING.—

25 13

1 (1) ESTABLISHMENT.—There is established the
2 14 Independent Financial Technology Working Group
3 15 to Combat Terrorism, Narcotics Trafficking, and Il-
4 licit Financing (in this16 section referred to as the
5 "Working Group"), which17 shall consist of the fol-
6 lowing:
7 18 (A) The Secretary of the Treasury or their
8 19 designee, who shall serve as the chair of the
9 20 Working Group.
10 21 (B) A senior-level representative from each
11 22 of the following:
12 23 (i) The Department of the Treasury.
13 24 (ii) The Office of Terrorism and Fi-
14 25 nancial Intelligence.

26 1

2

3

4 tion.

5

15 (iii)

(iii) The Internal Revenue Service.

16 (iv) (iv) The Department of Justice.

17 (v) (v) The Federal Bureau of Investiga-

18 tion.

19 (vi) (vi) The Drug Enforcement Administra-

(vii) 6 tration.

20 7 (vii) The Department of Homeland

21 8 Security.

22 ~~9~~ (viii) The United States Secret Serv-

23 ~~10~~ ice.

24 ~~11~~ (ix) The Depart ment of State.

25 12

1 (x) The Office of the Director of Na-

2 13 tional Intelligence.

3 14 (C) At least 5 individuals appointed by the

4 15 Secretary of the Treasury to represent the fol-

5 16 lowing:

6 17 (i) Digital asset companies.

7 18 (ii) Distributed ledger analytics com-

8 19 panies.

9 20 (iii) Financial institutions.

10 21 (iv) Institutions or organizations en-

11 22 gaged in research.

12 23 (v) Institutions or organizations fo-

13 24 cused on individual privacy and civil lib-

14 25 erties.

1 (D) Such additional individuals as the Sec-
2 retary of the Treasury may appoint as nec-
3 essary to accomplish the duties described in
4 paragraph (2).
5 (2) DUTIES.—The Working Group shall—
6 (A) conduct research on terrorist andthe illicit7 use of
digital assets and other related emerging tech-
nologies, including by terrorists, foreign ter-
rorist organizations, state sponsors of ter-
rorism, and transnational organized crime
8 technologiesgroups; and

25 9

1 (B) develop legislative and regulatory pro-
2 posalsto improve anti-money laundering,
3 counter-terrorist,and other counter-illicit fi-
4 nancing efforts in the United States.
5 (3) REPORTS.—
6 (A) IN GENERAL.—Not later than 1 year
7 after the date of enactment of this Act, and an-
8 nually for the 3 years thereafter, the Working
9 Group shall submit to the Secretary of the
10 Treasury, the heads of each agency represented
11 in the Working Group pursuant to paragraph
12 (1)(B), and the appropriate congressional com-
13 mittees a report containing the findings and de-
14 terminations made by the Working Group in
15 the previous year and any legislative and regu-
16 latory proposals developed by the Working
17 Group.

1 (B) FINAL REPORT.—Before the date on
2 which the Working Group terminates under
3 paragraph (4)(A), the Working Group shall
4 submit to the appropriate congressional com-
5 mittees a final report detailing the findings,
6 recommendations, and activities of the Working
7 Group, including any final results from the re-
8 search conducted by the Working Group.

25 9

1 (4) SUNSET.—

2 10 (A) IN GENERAL.—The Working Group

3 11 shall terminate on the later of—

4 12 (i) the date that is 4 years after the

5 13 date of enactment of this Act; or

6 14 (ii) the date on which the Working

7 15 Group completes any wind-up activities de-

8 16 scribed in subparagraph (B).

9 17 (B) AUTHORITY TO WIND UP ACTIVI-

10 18 TIES.—If there are ongoing research, proposals,

11 19 or other related activities of the Working Group

12 20 ongoing as of the date that is 4 years after the

13 21 date of enactment of this Act, the Working

14 22 Group may temporarily continue working in

15 23 order to wind-up such activities.

16 24 (C) RETURN OF APPROPRIATED FUNDS.—

17 25 On the date on which the Working Group ter-

minates under subparagraph (A), any unobligated funds appropriated to carry out this subsection shall be transferred to the Treasury.

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

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

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

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

(ii) a strategy for the United States to mitigate and prevent the illicit use of dig-

1 ital assets and other related emerging tech-
2 nologies.
3 (B) FORM OF REPORT; PUBLIC AVAIL-
4 ABILITY.—
5 (i) IN GENERAL.—The report required
6 by subparagraph (A) shall be submitted in
7 unclassified form, but may include a classi-
8 fied annex.
9 (ii) PUBLIC AVAILABILITY.—The un-
10 classified portion of each report required
11 by subparagraph (A) shall be made avail-
12 able to the public and posted on a publicly
13 accessible website of the Department of the
14 Treasury—
15 (I) in precompressed, easily
16 downloadable versions, in all appro-
17 priate formats; and
18 (II) in machine-readable format,
19 if applicable.
20 (C) SOURCES OF INFORMATION.—In pre-
21 paring the reports required by subparagraph
22 (A), the President may utilize any credible pub-
23 lication, database, or web-based resource, and
24 any credible information compiled by any gov-
25 ernment agency, nongovernmental organization,

~~26 1 or other entity that is made available to the~~

~~2 President.~~

~~3 (2) BRIEFING.—Not later than 2 years after~~

~~4 the date of enactment of this Act, the Secretary of~~

~~5 the Treasury shall brief the appropriate congres-~~

~~6 sional committees on the implementation of the~~

~~7 strategy required by paragraph (1).~~

20 ~~8~~ **SEC. 205. ~~SANCTIONS COMPLIANCE RESPONSIBILITIES~~DIGITAL ASSET KIOSKS.**

21 (a) REGISTRATION.—Section 5330 of title 31, United

22 States Code, is amended—

23 (1) in subsection (d)—

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

(B) by adding at the end the following:

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

(2) by adding at the end the following:

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

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

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

1 "(A) the legal name of the digital asset
2 kiosk operator;
3 "(B) any fictitious or trade name of the
4 digital asset kiosk operator;
5 "(C) the physical address of each digital
6 asset kiosk owned, operated, or managed by the
7 digital asset kiosk operator that is located in
8 the United States or the territories of the
9 United States;
10 "(D) the start date of operation of each
11 digital asset kiosk;
12 "(E) the end date of operation of each dig-
13 ital asset kiosk, if applicable; and
14 "(F) each digital asset address used by the
15 digital asset kiosk operator.
16 "(3) FALSE AND INCOMPLETE INFORMATION.—
17 The filing of false or materially incomplete informa-
18 tion in a submission required under paragraph (1)
19 shall be deemed a failure to comply with the require-
20 ments of this subsection.".
21 (b) PREVENTING FRAUDULENT TRANSACTIONS AT
22 DIGITAL ASSET KIOSKS.—
23 (1) IN GENERAL.—Subchapter II of chapter 53
24 of title 31, United States Code, is amended by add-
25 ing at the end the following:

"§ 5337. Digital asset kiosk fraud prevention

"(a) DEFINITIONS.—In this section:

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

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

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

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

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

"(6) DIGITAL ASSET KIOSK.—The term 'digital asset kiosk' means a stand-alone machine that is ca-

pable of accepting or dispensing legal tender in exchange for digital assets.

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

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

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

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

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

"(b) DISCLOSURES.—

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

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

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

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

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

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

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

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

"(ii) the most common types of fraudulent schemes involving digital asset kiosks, 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 contract 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 a engaging
22 in 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 contract 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 REQUIRED.—The physical
2 receipt required under subsection (d) shall be issued to
3 the customer at the time of the digital asset kiosk trans-
4 action if the customer opts for the receipt.
5 "(f) ANTI-FRAUD POLICY.—
6 "(1) IN GENERAL.—Each digital asset kiosk op-
7 erator shall establish, maintain, and implement a
8 written anti-fraud policy if required by, and con-
9 sistent with, applicable State law in those States
10 where the digital asset kiosk operator is licensed.
11 "(2) FEDERAL STANDARD.—A digital asset
12 kiosk operator operating in any State that does not
13 require an anti-fraud policy under paragraph (1),
14 shall establish, maintain, and implement an anti-
15 fraud policy that, at a minimum, includes—
16 "(A) the identification and assessment of
17 fraud related areas;
18 "(B) procedures and controls to protect
19 against risks identified under subparagraph
20 (A);
21 "(C) allocation of responsibility for moni-
22 toring the risks identified under subparagraph
23 (A); and
24 "(D) procedures for the periodic evaluation
25 and revision of the anti fraud procedures, con-

1 trols, and monitoring mechanisms under sub-
2 paragraphs (B) and (C).
3 "(g) APPOINTMENT OF COMPLIANCE OFFICER.—
4 Each digital asset kiosk operator shall designate and em-
5 ploy a compliance officer who—
6 "(1) is qualified to coordinate and monitor com-
7 pliance with this section and all other applicable
8 Federal and State laws, rules, and regulations;
9 "(2) is employed full-time by the digital asset
10 kiosk operator;
11 "(3) is not the chief executive officer of the dig-
12 ital asset kiosk operator; and
13 "(4) does not own or control more than 10 per-
14 cent of any interest in the digital asset kiosk oper-
15 ator.
16 "(h) USE OF DISTRIBUTED LEDGER ANALYTICS AND
17 WALLET PINNING.—
18 "(1) IN GENERAL.—Each digital asset kiosk op-
19 erator shall use distributed ledger analytics to pre-
20 vent sending digital asset to a digital asset wallet
21 known to be affiliated with fraudulent activity at the
22 time of a digital asset kiosk transaction and to de-
23 tect transaction patterns indicative of fraud or other
24 illicit activities.

1 "(2) WALLET PINNING.—Each digital kiosk op-
2 erator shall maintain restrictions that prevent more
3 than one customer of the digital asset kiosk operator
4 from using the same digital wallet address.
5 "(3) COMPLIANCE.—The Director of FinCEN
6 may request evidence from any digital asset kiosk
7 operator to confirm compliance with this subsection.
8 "(i) CONFIRMATION REQUIRED BEFORE NEW CUS-
9 TOMER TRANSACTIONS.—Before entering into a digital
10 asset kiosk transaction valued at $500 or more with a new
11 customer, the digital asset kiosk operator shall obtain con-
12 firmation from the new customer that—
13 "(1) the new customer wishes to proceed with
14 the digital asset kiosk transaction; and
15 "(2) the new customer is not being fraudulently
16 induced into engaging in the transaction.
17 "(j) HOLDING PERIOD.—No digital asset kiosk oper-
18 ator shall execute a transaction on behalf of a new cus-
19 tomer that sends digital assets to a specific wallet address
20 unless at least 72 hours have elapsed since the initiation
21 of the transaction by the new customer.
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

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

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

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

"(p) CIVIL PENALTIES AND STATE ENFORCEMENT.—Any State regulator may bring a civil action or other appropriate proceeding to enforce the provisions of

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) RELATIONSHIP TO STATE LAWS.—The provi-
5 sions of this section shall preempt any State law, rule, or
6 regulation only to the extent that such State law, rule,
7 or regulation conflicts with a provision of this section.
8 "(r) RULE OF CONSTRUCTION.—For the avoidance
9 of doubt, nothing in this section may be construed to pro-
10 hibit a State from enacting a law, rule or regulation, that
11 provides greater protection to customers, if such law, rule,
12 or regulation, does not conflict with a provision of this
13 section, such as refunds of amounts other than fees and
14 fee caps or any other provision.
15 "(s) PREEMPTION WITH RESPECT TO TRANSACTION
16 LIMITS.—A State law on the issue of transaction limits
17 that was enacted before the effective date of the Digital
18 Asset Market Clarity Act shall not be preempted by this
19 section.".
20 (2) TECHNICAL AND CONFORMING AMEND-
21 MENT.—The table of sections for subchapter II of
22 chapter 53 of title 31, United States Code, is
23 amended by adding at the end the following:

"5337. Digital asset kiosk fraud prevention.".

24 **SEC. 206. STUDY ON ILLICIT USE OF DIGITAL ASSETS.**
25 (a) DEFINITIONS.—In this section:

1 (1) FOREIGN TERRORIST ORGANIZATION.—The
2 term ''foreign terrorist organization'' means an or-
3 ganization that is designated as a foreign terrorist
4 organization under section 219 of the Immigration
5 and Nationality Act (8 U.S.C. 1189).
6 (2) TRANSNATIONAL ORGANIZED CRIMINAL.—
7 The term ''transnational organized criminal'' means
8 an individual who participates in transnational orga-
9 nized crime, as defined in section 284(i) of title 10,
10 United States Code.
11 (b) REVIEW.—Not later than 1 year after the date
12 of enactment of this Act, the Secretary of the Treasury,
13 in consultation with the Attorney General, shall conduct
14 a comprehensive review of how foreign terrorist organiza-
15 tions and transnational organized criminals utilize digital
16 assets in connection with illicit activities.
17 (c) REPORT.—Not later than 180 days after com-
18 pleting the review under subsection (b), the Secretary of
19 the Treasury shall submit to the Committee on Agri-
20 culture, Nutrition, and Forestry and the Committee on
21 Banking, Housing, and Urban Affairs of the Senate and
22 the Committee on Agriculture and the Committee on Fi-
23 nancial Services of the House of Representatives a report
24 on the findings of the Secretary, including—

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

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

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

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

TITLE III—RESPONSIBLE INNOVATION IN DECENTRALIZED FINANCE

SEC. 301. RULEMAKING ON APPLICATION OF EXISTING SECURITIES INTERMEDIARY REQUIREMENTS AND EXISTING BANK SECRECY ACT REQUIREMENTS TO NON-DECENTRALIZED FINANCE TRADING PROTOCOLS.

(a) DEFINITIONS.—In this section:

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

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

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

(2) NON-DECENTRALIZED FINANCE TRADING PROTOCOL.—The term "non-decentralized finance trading protocol" means a decentralized finance

trading protocol that meets 1 or more of the following exclusions:

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

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

(C) A person or group of persons under common control has the unilateral authority, via operation of the decentralized ledger finance trading protocol, to restrict, censor, or prohibit the use of the decentralized ledger finance trading protocol, including any applicable system-based user activity.

(b) RULES.—

1 ~~10~~ (~~a~~1) IN GENERAL.—The Commission, in con-
2 sultation with the Department of the Treasury, shall
3 promulgate tailored, clear, and specific rules that
4 clarify how a person, or group of persons under com-
5 mon control or acting pursuant to an agreement to
6 act in concert, that controls the operation of a non-
7 decentralized finance trading protocol shall comply
8 with applicable requirements under the Securities
9 Exchange Act of 1934 (15 U.S.C. 78a et seq.), as
10 amended by this Act, including with respect to reg-
11 istration, conduct, disclosure, recordkeeping, super-
12 vision, and other requirements under the securities
13 laws.
14 (2) REQUIREMENTS.—The rulemaking required
15 under paragraph (1) shall—
16 (A) ensure that the rules promulgated pur-
17 suant to that rulemaking are consistent with
18 the purposes of the securities laws, including
19 the public interest, the protection of investors,
20 and the maintenance of fair and orderly mar-
21 kets;
22 (B) protect the rights of software devel-
23 opers, publishers, and users to create, publish,
24 and use code and software in a manner con-

1 sistent with the First Amendment to the Con-
2 stitution of the United States;
3 (C) provide legal clarity for the develop-
4 ment, publication, and operation of distributed
5 ledger systems and the components therein in a
6 manner consistent with the purposes of this sec-
7 tion; and
8 (D) result in, by operation of law, the ap-
9 plication and enforcement by the Department of
10 the Treasury, where applicable and pursuant to
11 existing law, of anti-money laundering and
12 countering the financing of terrorism require-
13 ments under the Bank Secrecy Act and other
14 Federal law with respect to any person or group
15 of persons that the Commission determines,
16 through that rulemaking, is required to register
17 with, or comply as a registrant under, the Secu-
18 rities Exchange Act of 1934 (15 U.S.C. 78a et
19 seq.).
20 (3) APPLICATION.—Any person or group of per-
21 sons determined under this subsection to be required
22 to register with, or comply as a registrant under, the
23 Securities Exchange Act of 1934 (15 U.S.C. 78a et
24 seq.) (referred to in this paragraph as the "Ex-
25 change Act") shall be subject to that Act and the

1 Bank Secrecy Act to the extent applicable under ex-
2 isting law, as of the day before the date of enact-
3 ment of this Act, consistent with the treatment of
4 similarly situated participants under the Exchange
5 Act, as that applicability is determined pursuant to
6 the rulemakings conducted under this subsection
7 and subsection (c).
8 (c) APPLICATION OF BANK SECRECY ACT TO CER-
9 TAIN NON-DECENTRALIZED FINANCE TRADING PROTO-
10 COLS.—The Secretary of the Treasury, in consultation
11 with the Commission, shall promulgate tailored, clear, and
12 specific rules that define compliance with obligations
13 under the Bank Secrecy Act and other Federal laws relat-
14 ing to anti-money laundering and countering the financing
15 of terrorism with respect to any person, or group of per-
16 sons under common control or acting pursuant to an
17 agreement to act in concert—
18 (1) that controls the operation of a non-decen-
19 tralized finance trading protocol identified in the
20 rulemaking conducted under subsection (b);
21 (2) that is required to register with, or comply
22 as a registrant under, the Securities Exchange Act
23 of 1934 (15 U.S.C. 78a et seq.), as determined in
24 the rulemaking conducted under subsection (b); and

(3) to the extent that registration or compliance described in paragraph (2) causes that person, or group of persons, to be treated as a financial institution under the Bank Secrecy Act pursuant to existing law.

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

(e) RULES OF CONSTRUCTION.—

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

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

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

(2) NO EXPANSION OF STATUTORY AUTHORITY.—Notwithstanding the rulemaking required

1 under subsection (b), and notwithstanding any ac-
2 tion the Commission may take under that sub-
3 section, nothing in this section, including that rule-
4 making, may be construed to—
5 (A) expand or contract the statutory au-
6 thority of the Commission or the Department of
7 the Treasury, as in effect on the day before the
8 date of enactment of this Act, under the Bank
9 Secrecy Act; or
10 (B) limit the use of the authority described
11 in subparagraph (A) to determine, pursuant to
12 that rulemaking, the applicability of existing
13 statutory requirements to persons or activities
14 described in this section.
15 (3) NO PRESUMPTION OF APPLICABILITY.—
16 Nothing in this section may be construed to create
17 a presumption that any person or activity described
18 in this section is or is not subject to the Securities
19 Exchange Act of 1934 (15 U.S.C. 78a et seq.) or
20 the Bank Secrecy Act absent a determination made
21 pursuant to a rulemaking required under this sec-
22 tion.
23 (f) PRESERVATION OF EXISTING AUTHORITIES.—
24 Nothing in this section may be construed to limit the au-
25 thority of the Commission under the securities laws to in-

1 vestigate violations, bring actions, or issue subpoenas with
2 respect to persons determined, pursuant to rulemaking, to
3 be subject to the securities laws under this section.
4 (g) NON-DECENTRALIZED FINANCE TRADING PRO-
5 TOCOLS.—
6 (1) IN GENERAL.—In promulgating rules under
7 subsection (b), the Commission shall treat a decen-
8 tralized governance system and any person partici-
9 pating in the decentralized governance system as a
10 separate person unless such person is under common
11 control or acting pursuant to an agreement to act in
12 concert.
13 (2) EMERGENCY MEASURES.—For the avoid-
14 ance of doubt, pre-defined, temporary rules-based
15 cybersecurity emergency measures exercised by an
16 incident-response or security council exclusively in
17 response to a specific and documented cybersecurity
18 incident and pursuant to publicly disclosed, on-chain
19 authorization mechanisms, strictly limited in scope
20 and duration solely to address such specific and doc-
21 umented cybersecurity incident, and without unilat-
22 eral control by any single person, shall not, by them-
23 selves, constitute common control or an agreement
24 to act in concert, provided that such rules and au-
25 thorities, including the procedures and operational

limits governing such emergency measures, are disclosed in publicly available written documentation reasonably available to the applicable Federal regulator, by a decentralized autonomous organization or similar legal entity sufficiently in advance of any exercise of such emergency powers.

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

SEC. 302. ILLICIT FINANCE OBLIGATIONS FOR DISTRIBUTED LEDGER APPLICATION LAYERS.

(a) DEFINITIONS.—In this section:

(1) DISTRIBUTED LEDGER APPLICATION LAYER.—The term "distributed ledger application layer"—

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

(B) does not include—

(i) a distributed ledger application;

(ii) a distributed ledger protocol;

(iii) a distributed ledger system;

(iv) a decentralized finance trading protocol;

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

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

(2) UNITED STATES SANCTION LAW.—The term "United States sanction law" means any provision of Federal law, or any regulation, order, directive, or licensed issued under such a provision, that restricts or prohibits economic or financial transactions with, or requires the blocking of property or interests in property of, a foreign government, person, or sector for reasons relating to the foreign policy or national security of the United States.

(b) GUIDANCE.—Not later than ~~120~~360 days after the ~~11~~ date of enactment of this Act, the Secretary of the Treas- ~~12~~ ury shall issue guidance clarifying the economic sanctions ~~compli-~~ obligations, as well as applicable anti-money laundering and countering the financing of terrorism requirements,

applicable to a distributed ledger application layer that is owned or operated by a United States person, as defined in any law imposing or authorizing the imposition of economic sanctions, which shall include—

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

~~ance responsibilities and liability of an issuer of a payment~~(2) blocking, rejecting, preventing the routing ~~stablecoin with respect to downstream~~of, or otherwise restricting attempted transactions ~~relat-~~ prohibited by United States sanctions laws;

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

(4) implementing and maintaining risk-based measures, consistent with applicable law, to identify, mitigate, and address anti-money laundering and

countering the financing of terrorism risks, including to the —

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

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

(c) ENFORCEMENT AND PENALTIES.—The Secretary of the Treasury, acting through the Financial Crimes Enforcement Network, and any other Federal department or agency with relevant jurisdiction, shall enforce compliance with the requirements of this section using their existing authorities under applicable law.

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

(1) alter or amend any laws imposing or authorizing imposition of economic sanctions by the United States, including those that apply to United States persons that own or operate a distributed ledger application layer;

(2) limit the applicability of economic sanctions, anti-money laundering, or any other illicit finance

law to any person, including any person that owns or operates a distributed ledger application layer; or

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

SEC. 303. SPECIAL MEASURE RELATING TO CERTAIN TRANSMITTAL OF FUNDS.

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

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

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

"(6) SPECIAL MEASURE FOR CERTAIN TRANSMITTALS OF FUNDS.—If the Secretary of the Treasury finds that a jurisdiction outside of the United States, 1 or more financial institutions operating outside of the United States, or 1 or more classes of transactions within, or involving, a jurisdiction outside of the United States is of primary money

1 laundering concern in connection with illicit finance
2 through the use of digital assets, as defined in sec-
3 tion 2 of the GENIUS Act (12 U.S.C. 5901), the
4 Secretary may, by order, regulation, or otherwise as
5 permitted by law, prohibit, or impose conditions
6 upon, certain transmittals of funds (to be defined by
7 the Secretary by regulation) by any domestic finan-
8 cial institution or domestic financial agency, if such
9 transmittal of funds involves any such institution,
10 class of transaction, or type of account.”.

11 **SEC. 304. OFFSHORE STABLECOIN REPORT.**

12 (a) DEFINITIONS.—In this section:
13 (1) MATERIAL VOLUME OF TRANSACTIONS.—
14 The term “material volume of transactions” means
15 a sustained level of transaction activity that is—
16 (A) publicly observable;
17 (B) exceeds de minimis usage over a 12-
18 month period; and
19 (C) is reasonably likely to affect the illicit
20 finance or national security risk exposure of the
21 United States.
22 (2) PAYMENT STABLECOIN.—The term “pay-
23 ment stablecoin” has the meaning given the term in
24 section 2 of the GENIUS Act (12 U.S.C. 5901).

(3) UNITED STATES-DEPENDENT OFFSHORE STABLECOIN.—The term "United States-dependent offshore stablecoin" means a payment stablecoin that ~~take place after the stablecoin~~—

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

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

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

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

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

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

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

(b) REPORT.—Not later than June 30 of the first calendar year that begins after the date of enactment of this Act, and every 4 years thereafter, the Secretary of the Treasury shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives, and make available on the website of the Department of the Treasury, a report assessing whether there is credible, articulable, and publicly supportable evidence ~~is first provided to a customer of the issuer.~~of significant illicit finance threats or vulnerabilities associated with any United States-dependent offshore stablecoin employed in a material volume of transactions.

~~17 (b~~(c) CONTENTS ~~OF GUIDANCE.—The guidance issued18 under~~ .—Each report required under subsection (b) shall include—

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

(2) an assessment of the controls employed by the issuers of United States-dependent offshore

stablecoins to address the use of such stablecoins in illicit finance, as available;

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

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

(5) such other information or analysis as the Secretary of the Treasury deems relevant to assessing the illicit finance risks of United States-dependent offshore stablecoins.

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

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

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

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

(2) the collection or use of any information other than publicly available data or information lawfully obtained by the Department of the Treasury under existing authorities.

SEC. 305. TEMPORARY HOLD FOR CERTAIN DIGITAL ASSET TRANSACTIONS.

(a) DEFINITIONS.—In this section:

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

(2) COVERED PERSON.—The term "covered person" means a person that is a permitted payment stablecoin issuer or a digital asset service provider, as that term is defined in section 2 of the GENIUS Act (12 U.S.C. 5901).

(3) PAYMENT STABLECOIN; PERMITTED PAYMENT STABLECOIN ISSUER.—The terms "payment stablecoin" and "permitted payment~~19~~ stablecoin issuer" have the meanings given those terms in section 2 of the GENIUS Act (12 U.S.C. 5901).

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

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

(B) includes a designated agency contact.

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

(b) PROTECTION FROM PRIVATE CAUSES OF ACTION.—

(1) IN GENERAL.—Any covered person that, in good faith and in compliance with this section, or any person complying with a temporary lawful order under subsection (e) that, voluntarily implements a temporary hold shall not be held ~~strictly~~ liable pursuant to any Federal or State private right of action for ~~sanc~~im-

~~tions violations due to downstream transactions that take place within a certain transaction interval, frequency, or time period after the stablecoin is first~~

25 plementing the temporary hold, provided to a non-that—

(A) the covered person—

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

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

(B) the covered person—

(i) makes reasonable efforts to notify ~~23 sanctioned~~ the affected customer of the ~~issuer, so long as the payment~~ temporary hold;

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

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

(C) the covered person notifies as soon as reasonably practicable an appropriate State or Federal law enforcement agency or the Federal Trade Commission, provided that such notifica-

~~stablecoin issuer maintains—~~tion is not required when the covered person

has received a qualified written request from a covered agency.

(2) DOCUMENTATION.—A covered person shall—

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

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

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

(1) compel or require any covered person to take action to freeze, seize, or block digital assets that is not otherwise required under existing Federal or State law;

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

(3) limit or affect the application of—

(A) section 5318(g)(3) of title 31, United States Code, and any regulation requiring any

1 ~~(1) processes to conduct due diligence on its~~financial institution to report suspicious activ-

2 ~~primary customers on a risk-based basis;~~ity; or

3 ~~(2) processes and controls to prevent digital ad-~~(B) any lawful authority to seize or freeze

4 ~~dresses listed on an applicable~~assets pursuant to a lawful order or sanctions ~~list from ac-~~

5 ~~cumulating the payment stablecoin; and~~designation.

6 (~~3~~4) limit the ~~technological~~ ability ~~to freeze or prevent~~of a covered person de-

7 ~~the transfer of payment stablecoins in a digital~~scribed to apply a temporary hold to any wallet, ad-

8 dress ~~upon the discovery that the digital address~~, account, or transaction located outside the

1 United States.

2 (d) REPORTING.—The Attorney General and the

3 Federal Trade Commission may issue regulations or guid-

4 ance relating to any notification by covered persons pursu-

5 ant to this section to the Department of Justice and the

6 Federal Trade Commission, respectively.

7 (e) COMPLIANCE WITH TEMPORARY LAWFUL OR-

8 ~~9 holding the~~DERS.—A permitted payment stablecoin issuer shall com-

9 ply with any valid writ, process, order, rule, decree, com-

10 mand, or other requirement issued or promulgated under

11 Federal law by a court of competent jurisdiction that—

12 (1) requires a person to freeze or prevent the

13 transfer of payment stablecoins;

14 (2) specifies the payment stablecoins or ac-

15 counts subject to blocking with reasonable particu-

16 larity; and

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

SEC. 306. VOLUNTARY CYBERSECURITY PROGRAM FOR DECENTRALIZED FINANCE TRADING PROTOCOLS.

(a) DEFINITIONS.—In this section:

(1) COVERED ACTIVITIES.—The term "covered activities" means the activities described in section 15H(b) of the Securities and Exchange Act of 1934, as added by section 601.

(2) DECENTRALIZED FINANCE TRADING PROTOCOL.—The term "decentralized finance trading protocol" has the meaning given the term in section 15H(a) of the Securities and Exchange Act of 1934, as added by section 601.

(3) DIRECTOR.—The term "Director" means the Director of NIST.

(4) NIST.—The term "NIST" means the National Institute of Standards and Technology.

(b) ESTABLISHMENT OF PROGRAM.—The Director shall, in consultation with the Commission and the Commodity Futures Trading Commission, establish a voluntary program for the adoption by persons developing decentralized finance trading protocols or engaging in cov-

1 ered activities of applicable cybersecurity standards pub-
2 lished by NIST.
3 (c) DEVELOPMENT OF PROGRAM CRITERIA.—
4 (1) REQUEST FOR INFORMATION.—The Direc-
5 tor shall issue a request for information in the Fed-
6 eral Register to gather input from experts and in-
7 dustry stakeholders on—
8 (A) cybersecurity threats, vulnerabilities,
9 and risks to decentralized finance trading pro-
10 tocols;
11 (B) auditing and code security standards,
12 including best practices for code audits;
13 (C) consumer protection and code trans-
14 parency best practices on decentralized finance
15 trading protocols; and
16 (D) existing NIST standards and their ap-
17 plicability to decentralized finance trading pro-
18 tocols.
19 (2) REPORT.—The Director shall develop a re-
20 port on the software development of decentralized fi-
21 nance protocols to assess technical input from para-
22 graph (1).
23 (3) PUBLICATION OF PROGRAM CRITERIA.—
24 After evaluating input, the Director shall release a
25 special publication containing a detailed evaluation

1 of cybersecurity best practices and existing applica-
2 ble standards for decentralized finance trading pro-
3 tocols, to provide program criteria to software devel-
4 opers and industry stakeholders under the voluntary
5 program, which shall include a summary of public
6 comments and responses as to how input was incor-
7 porated.
8 (4) REQUESTS FOR REVISION.—
9 (A) IN GENERAL.—After the Director pub-
10 lishes the program criteria under paragraph
11 (3), the Director shall issue a request for com-
12 ment in the Federal Register to gather input on
13 the workability of the program.
14 (B) PETITION.—The public may petition
15 the Director to reevaluate certain aspects of the
16 program criteria published under paragraph
17 (3).
18 (5) PROGRAM UPDATES.—As the technology un-
19 derpinning decentralized finance trading protocols
20 evolves, the Director shall update the special publi-
21 cation under paragraph (3) in compliance with sub-
22 section (d).
23 (d) PROGRAM.—
24 (1) APPLICATION.—A person seeking evaluation
25 of a decentralized finance trading protocol or a cov-

1 ered activity under the program established under
2 subsection (b) shall submit to the Director an appli-
3 cation at such time and in such manner as the Di-
4 rector considers appropriate for purposes of the pro-
5 gram.
6 (2) REVIEW.—In carrying out the program es-
7 tablished under subsection (b), the Director shall re-
8 view each application submitted by a person under
9 paragraph (1) of this subsection.
10 (3) DETERMINATION.—In carrying out a review
11 under paragraph (2) of an application regarding a
12 decentralized finance trading protocol or covered ac-
13 tivity, the Director shall determine whether the pro-
14 tocol or activity is in compliance with existing appli-
15 cable standards, frameworks, and guidelines pub-
16 lished by the Director under subsection (c).
17 (4) NOTICE.—For each determination made
18 under paragraph (3) pursuant to an application by
19 a person of a decentralized finance trading protocol
20 or covered activity, the Director shall transmit to the
21 person a notice of the determination.
22 (e) BENEFITS OF PROGRAM.—
23 (1) DISPLAY.—A person that receives notice
24 under subsection (d)(4) that the Director has deter-
25 mined that a decentralized finance trading protocol

1 or a covered activity has adopted the applicable cy-
2 bersecurity standards published by NIST, the person
3 may publicly display a designation, seal, or other
4 identifier issued by the Director.
5 (2) TREATMENT OF ADOPTION.—In promul-
6 gating a regulation or guidance relating to this sec-
7 tion, a Federal agency shall consider adoption of cy-
8 bersecurity standards under the program required by
9 subsection (b) as evidence of good faith compliance
10 with the law.
11 (f) RULE OF CONSTRUCTION RELATING TO PREEMP-
12 TION.—Nothing in this section may be construed to pre-
13 empt any otherwise applicable provision of law of a State.
14 **SEC. 307. AMENDMENTS TO MONETARY INSTRUMENT DEFI-**
15 **NITION.**
16 (a) DEFINITIONS.—In this section:
17 (1) SELF-HOSTED WALLET.—The term ''self-
18 hosted wallet'' means a digital interface—
19 (A) that is used to secure and transfer dig-
20 ital assets; and
21 (B) under which the owner of digital assets
22 secured and transferred under subparagraph
23 (A) retains independent control over those dig-
24 ital assets.

(2) UNITED STATES SANCTION LAW.—The term "United States sanction law" has the meaning given the term in section 302(a).

(b) MONETARY INSTRUMENTS.—Section 5312(a)(3)(D) of title 31, United States Code, is amended by inserting ", including digital assets (as defined in section 2 of the GENIUS Act (12 U.S.C. 5901)), as may be applicable," after "value".

(c) TREASURY RISK ASSESSMENT.—As part of the national strategy for combating terrorist and other illicit financing required under sections 261 and 262 of the Countering America's Adversaries Through Sanctions Act (Public Law 115–44; 131 Stat. 934), the Secretary of the Treasury shall consider—

(1) illicit activity, such as money laundering and sanctions evasion, involving self-hosted wallets;

(2) the effectiveness of and gaps in existing methods, techniques, and strategies used by regulated financial institutions in detecting illicit activity, such as money laundering, involving self-hosted wallets;

(3) any illicit actors, including nation state actors, that pose a high risk of facilitating illicit activity through the use of self-hosted wallets;

1 (4) the benefits of the use of self-hosted wallets
2 to—
3 (A) enhance user privacy and civil liberties
4 through direct asset custody; and
5 (B) expand financial inclusion and access for
6 communities underserved by traditional fi-nancial
7 institutions;
8 (5) end user and counterparty risks associated
9 with self-hosted wallets, including consumer fraud,
10 cybersecurity, and identity verification;
11 (6) the use of hardware self-hosted wallets to
12 smuggle digital assets for financing cross-border il-
13 licit activity;
14 (7) the use of hardware self-hosted wallets for
15 tax evasion and asset concealment; and
16 (8) other considerations the Secretary may de-
17 termine appropriate.
18 (d) GUIDANCE.—The Secretary of the Treasury may
19 issue guidance for financial institutions that transact with
20 self-hosted wallets based on the results of the research on
21 benefits and risks required under this subsection, which
22 shall—

23 (1) not require a regulated entity to collect,

24 with respect to any transaction, personally identifi-

25 able information about the controller of a self-hosted

wallet when the controller is not both the customer of the regulated entity and a party to such transaction, except as required by United States sanctions laws and regulations or lawful process; or

(2) be construed to hinder, restrict, or otherwise impair the authority of any Federal agency to investigate, detect, counteract, or prevent illegal activity.

SEC. 308. RISK MANAGEMENT STANDARDS FOR DIGITAL ASSET INTERMEDIARIES.

(a) IN GENERAL.—Before conducting trading activity (including routing orders and directed trading) through a decentralized finance trading protocol, a digital asset intermediary shall implement risk management standards as described in subsection (b) with respect to trading activity using such decentralized finance trading protocol.

(b) REQUIREMENTS.—The risk management standards applicable to a digital asset intermediary shall be comprised of the following:

(1) Conducting an effective risk analysis with respect to the decentralized finance trading protocol, including—

(A) money laundering and sanctions evasion risks;

(B) fraud and market manipulation;

1 (C) operational and cybersecurity risk, in-
2 cluding settlement; and
3 (D) implementing robust policies and pro-
4 cedures to mitigate the risks identified under
5 this paragraph.
6 (2) Disclosing the risks identified under para-
7 graph (1) using plain language to customers.
8 (3) Maintaining robust capability to detect mar-
9 ket manipulation, fraud, money laundering, and
10 sanctions evasion occurring on the decentralized fi-
11 nance trading protocol, which may include the use of
12 alternative tools that will properly target such risks,
13 including distributed ledger analytics tools.
14 (4) Implementing an effective risk-based proce-
15 dure for determining whether to execute, reject, or
16 suspend an incoming or outgoing transaction relat-
17 ing to the decentralized finance trading protocol, in-
18 cluding a determination based on suspected risk of
19 money laundering, sanctions evasion, fraud, or mar-
20 ket manipulation.
21 (5) Consistent with this subsection, imple-
22 menting other reasonable standards which may be
23 required by rule.
24 (c) EXAMINATIONS.—

1 (1) COMPLIANCE.—The Commission or the
2 Commodity Futures Trading Commission, or other
3 or appropriate self-regulatory organization, shall
4 verify compliance with the requirements of this sec-
5 tion as part of the regular examination of the digital
6 asset intermediary at the frequency and under the
7 conditions otherwise provided by law or rule.
8 (2) RULE OF CONSTRUCTION.—Nothing in this
9 section may be construed to limit the authority of
10 the Financial Crimes Enforcement Network or the
11 Office of Foreign Assets Control from conducting
12 examinations, investigations, or enforcement actions
13 relating to this section as otherwise provided by law.
14 (d) RULEMAKING.—Rules shall be adopted to imple-
15 ment this section as follows:
16 (1) The Department of the Treasury, in con-
17 sultation with the Commission and the Commodity
18 Futures Trading Commission, shall adopt rules to
19 implement the money laundering and sanctions eva-
20 sion risk components of this section.
21 (2) The Commission and the Commodity Fu-
22 tures Trading Commission shall adopt rules to im-
23 plement this section other than the provisions de-
24 scribed in paragraph (1).

(3) Rules adopted under this paragraph shall be reasonably tailored to the size and risks of the digital asset intermediary that are reasonably knowable to the digital asset intermediary.

SEC. 309. STUDY ON DIGITAL ASSET MIXERS AND TUMBLERS.

(a) DIGITAL ASSET MIXER AND TUMBLER DEFINED.—In this section, the term "digital asset mixer and tumbler" means a smart contract, or set of smart contracts, that obfuscates or eliminates the source or other forms of identification of a digital asset, including by pooling assets from different users and redistributing those assets among users.

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Director of the Financial Crimes Enforcement Network of the Department of the Treasury shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report that analyzes the following issues:

(1) Current (as of the date on which the report is submitted) typologies of digital asset mixers and tumblers and historical transaction volume.

(2) Estimates of the percentage of transactions relating to digital asset mixers and tumblers which are used by actors engaged in illicit finance.

(3) Estimates of the reliance, and financial exposure, of centralized exchanges and traditional financial institutions to digital asset mixers and tumblers, and the extent to which centralized exchanges and traditional financial institutions are adequately implementing anti-money laundering and economic sanctions compliance with respect to digital asset mixers and tumblers.

(4) An assessment of potential non-illicit uses of mixers and tumblers described in paragraph (1).

(5) Analysis of regulatory approaches employed by other jurisdictions relating to digital asset mixers and tumblers.

(6) Recommendations for legislation or regulation relating to digital asset mixers and tumblers.

SEC. 310. GAO STUDY ON INTERMEDIARIES IN FOREIGN JURISDICTIONS.

(a) IN GENERAL.—The Comptroller General of the United States, in consultation with the Secretary of the Treasury, shall conduct a study to—

(1) assess the risks posed by digital asset intermediaries that are primarily located in foreign juris-

1 dictions that lack regulatory requirements that are
2 substantially similar to the requirements of the
3 Bank Secrecy Act that provide services to United
4 States persons; and
5 (2) provide any regulatory or legislative rec-
6 ommendations to address these risks under para-
7 graph (1).
8 (b) REPORT.—Not later than 1 year after the date
9 of enactment of this Act, the Comptroller General of the
10 United States shall submit to Congress a report con-
11 taining all findings and determinations made in carrying
12 out the study required under subsection (a).
13 **SEC. 311. STUDIES ON FOREIGN ADVERSARY ACTIVITIES.**
14 (a) DEFINITIONS.—In this section:
15 (1) FOREIGN ADVERSARY.—The term "foreign
16 adversary" means a foreign government or foreign
17 nongovernment person determined by the Secretary
18 of Commerce to be a foreign adversary under section
19 7.4(a) of title 15, Code of Federal Regulations, or
20 any successor regulation.
21 (2) RELEVANT CONGRESSIONAL COMMIT-
22 TEES.—The term "relevant congressional commit-
23 tees" means—
24 (A) the Committee on Banking, Housing,
25 and Urban Affairs of the Senate;

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

(C) the Select Committee on Intelligence of the Senate;

(D) the Committee on Financial Services of the House of Representatives;

(E) the Committee on Agriculture of the House of Representatives; and

(F) the Permanent Select Committee on Intelligence of the House of Representatives.

(b) TREASURY REPORT.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury, in consultation with the Commodity Futures Trading Commission and the Commission, shall conduct a study and submit a report to the relevant congressional committees, which may include a classified annex, that—

(1) identifies any digital asset intermediary that is controlled by a government of a foreign adversary, or by individuals or entities acting at the direction of a foreign adversary;

(2) determines whether any government of a foreign adversary is collecting trading data about United States persons in digital asset markets; and

(3) evaluates whether any proprietary intellectual property of digital asset intermediaries is being

1 misused or stolen by any government of a foreign
2 adversary.
3 (c) GAO STUDY AND REPORT.—Not later than 1
4 year after the date of enactment of this Act, the Comp-
5 troller General shall conduct a study and submit a report
6 to the relevant congressional committees, which may in-
7 clude a classified annex, that—
8 (1) identifies any digital asset intermediary that
9 is owned by a ~~sanc-~~government of a foreign adversary, or
10 by individuals or entities acting at the direction of
11 a foreign adversary;
12 (2) determines whether any government of a
13 foreign adversary is collecting trading data about
14 United States persons in digital asset markets; and
15 (3) evaluates whether any proprietary intellec-
16 tual property of digital asset intermediaries is being
17 misused or stolen by any government of a foreign
18 adversary.
19 **SEC. 312. TREASURY STUDY ON CYBERSECURITY STAND-**
20 **ARDS.**
21 (a) STUDY.—The Secretary of the Treasury, in con-
22 sultation with the Director of the Cybersecurity and Infra-
23 structure Security Agency, the Director of the National
24 Security Agency, and the Director of the National Insti-
25 tute of Standards and Technology, shall conduct a study

1 on cybersecurity standards applicable to digital asset
2 smart contracts, custody, key management, and smart
3 contract deployment.
4 (b) REPORT.—
5 (1) IN GENERAL.—Not later than 365 days
6 after the date of enactment of this Act, the Sec-
7 retary shall submit to the Committee on Banking,
8 Housing, and Urban Affairs of the Senate and the
9 Committee on Financial Services of the House of
10 Representatives a report containing—
11 (A) the findings of the study under sub-
12 section (a); and
13 (B) any legislative recommendations.
14 (2) CLASSIFIED ANNEX.—The report under
15 paragraph (1) may include a classified annex, as ap-
16 propriate.
17 **SEC. 313. STUDIES ON FINANCIAL STABILITY RISKS OF DE-**
18 **CENTRALIZED FINANCE TRADING AND CRED-**
19 **IT IN DIGITAL COMMODITY MARKETS.**
20 Not later than 1 year after the date of enactment
21 of this Act, and every 4 years thereafter until 4 consecu-
22 tive reports have been issued, the Secretary of the Treas-
23 ury, the Board of Governors of the Federal Reserve Sys-
24 tem, the Commission, and the Commodity Futures Trad-
25 ing Commission shall—

1 (1) conduct a study examining—
2 (A) the role of decentralized finance proto-
3 cols in the financial system, including—
4 (i) the functions of such protocols;
5 (ii) the use of such protocols to obtain
6 leverage or financing;
7 (iii) the effects of such protocols on
8 the pricing and trading of financial instru-
9 ments, including descriptions of any link-
10 ages between such protocols and tradi-
11 tional financial instrument; and
12 (iv) the types and volumes of financial
13 activity conducted through such protocols;
14 (B) the risks of decentralized finance pro-
15 tocols to financial stability, fair and orderly
16 markets, and otherwise to the financial system
17 to the United States, which shall include a
18 quantification of those risks, to the extent pos-
19 sible;
20 (C) the strategies and guardrails regu-
21 lators and market participants have used and
22 are using to mitigate risks arising from the use
23 of decentralized finance protocols; and

(D) an assessment of whether the regulatory framework adequately controls any risk with respect to decentralized finance protocols;

(2) conduct a separate study examining the risks to financial stability and orderly markets arising from the extension and maintenance of credit with respect to digital assets by digital asset service providers, including—

(A) the effect of gaps in the regulatory ~~tioned person.~~framework for credit extended on digital assets, such as risks arising from the extension and maintenance of credit on digital assets; and

(B) the interconnections between leverage in the market for digital assets and the financial system; and

(3) submit to the Committee on Banking, Housing, and Urban Affairs of the Senate, the Committee on Agriculture, Nutrition, and Forestry of the Senate, the Committee on Financial Services of the House of Representatives, and the Committee on Agriculture of the House of Representatives a report on the studies conducted under paragraphs (1) and (2), which—

(A) shall include legislative and regulatory recommendations, as appropriate; and

(B) may include a classified annex.

TITLE ~~III~~IV—RESPONSIBLE BANKING INNOVATION

SEC. ~~301~~401. PERMISSIBILITY OF DIGITAL ASSET ACTIVITIES.

(a) DEFINITIONS.—In this section:

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

(2) INSURED CREDIT UNION.—The term "insured credit union" has the meaning given the term in section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

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

(b) AUTHORIZED ACTIVITIES FOR FINANCIAL HOLDING COMPANIES.—

~~25~~ ~~1~~ (1) IN GENERAL.—A financial holding company

~~2~~21 may use a digital asset or distributed ledger system

22 ~~3~~ to perform, provide, or deliver any activity, function,

23 ~~4~~ product, or service that the financial holding com-

24 ~~5~~ pany is otherwise authorized by law to perform, pro-

25 ~~6~~ vide, or deliver.

26 7

1 (2) FINANCIAL IN NATURE.—The activities de-
2 8 scribed in subsection (f g) are financial in nature for
3 9 purposes of section 4(k) of the Bank Holding Com-
4 10 pany Act of 1956 (12 U.S.C. 1843(k)).
5 11 (3) RULE OF CONSTRUCTION.—Nothing in this
6 12 subsection may be construed to exempt the perform-
7 13 ance, provision, or delivery by a financial holding
8 14 company of an activity, function, product, or service
9 15 from a requirement that would apply if the activity
10 16 were not performed, provided, or delivered using a
11 digital asset or distributed ledger system, such as by
12 requiring a financial holding company, in order to
13 conduct an activity described in subsection (g)(13)
14 with respect to a digital asset that is a security, de-
15 rivative, swap, or security-based swap, to comply
16 with any prohibition, restriction, registration, limita-
17 tion, or other similar requirement placed on an ac-
18 tivity conducted by a financial holding company
19 through securities, derivatives, swaps, or security-
20 based swaps that would apply if the activity were
21 not performed, provided, delivered, or conducted
22 17 using a digital asset or distributed ledger system.
23 18 (c) AUTHORIZED ACTIVITIES FOR NATIONAL
24 19 BANKS.—
25 20 (1) IN GENERAL.—

21

(A) AUTHORIZED ACTIVITIES.—A national 22 bank may use a digital asset or distributed 23 ledger system to perform, provide, or deliver 24 any activity, function, product, or service that

the national bank is otherwise authorized by law to perform, provide, or deliver.

(B) FEDERAL-LICENSED BRANCHES AND STATE-LICENSED BRANCHES.—The activities authorized for a national bank under subparagraph (A) shall be permissible for a Federal-licensed branch and a State-licensed branch, respectively, to engage in as a principal.

(2) BUSINESS OF BANKING.—The activities described in paragraphs (1) through (5) and (7) through (14) of subsection (~~f~~g) are authorized as part of, or incidental to, the business of banking under the paragraph designated as the "Seventh" of section 5136 of the Revised Statutes (12 U.S.C. 24).

(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to exempt the performance, provision, or delivery by a national bank of an activity, function, product, or service from a ~~require~~prohibition, restriction, registration, limitation, or other ~~ment~~requirement that would apply if the activity were not ~~performed~~performed, provided, or delivered using a digital

asset or distributed ledger system, such as by requiring a national bank, in order to conduct an activity described in subsection (g)(13) with respect to a digital asset that is a security, derivative, swap, or security-based swap, to comply with any prohibition, restriction, registration, limitation, or other similar requirement placed on an activity conducted by a national bank through securities, derivatives, swaps, or security-based swaps that would apply if the activity were not performed, provided, delivered, or conducted using a digital asset or distributed ledger system.

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

26 1 for

18 an insured State bank and any subsidiary of an in-sured

19 2 sured State bank to engage in as principal.

20 (e) STATE MEMBER BANKS AND SUBSIDIARIES OF AUTHORIZED ACTIVITIES FOR FEDERAL CREDIT

21 UNIONS.—

22 (1) IN GENERAL.—A Federal credit union may

23 use a digital asset or distributed ledger system to

24 perform, provide, or deliver any activity, function,

25 product, or service that the Federal credit union is

otherwise authorized by law to perform, provide, or deliver.

(2) BUSINESS OF CREDIT UNIONS.—The activities described in subsection (g) are authorized as part of, or incidental to, the authority necessary or requisite to carry on effectively the business for which Federal credit unions are incorporated under paragraph (17) of section 107 of the Federal Credit Union Act (12 U.S.C. 1757(17)).

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

(f) INSURED CREDIT UNIONS.—The activities authorized for a Federal credit union under subsection (e)(1) shall be permissible for an insured credit union that is insured by the National Credit Union Administration, subject to State law.

(g) ACTIVITIES DESCRIBED.—The activities described in this subsection are—

24 ~~12~~ (1) providing custodial, fiduciary, or safe-

25 ~~13~~ keeping services for digital assets;

26 14

1 (2) providing related custodial services for dig-
2 15 ital assets and distributed ledgers, including staking,
3 16 facilitating digital asset lending, distributed ledger
4 17 governance services, and advancing funds for the
5 18 purchase of digital assets or in respect of distribu-
6 19 tions on digital assets, whether as principal or agent;
7 20 (3) facilitating customer purchases and sales of
8 21 digital assets;
9 22 (4) making loans collateralized by digital assets;
10 23 (5) engaging in payment activities involving dig-
11 24 ital assets;

1 (6) holdingpurchasing or selling digital assets as principal or agent-

2 cipal for any investment or trading purpose, including to

3 make a market in digital assets;

4 (7) operating a node on a distributed ledger;

5 (8) providing self-custodial wallet software;

6 (9) engaging in derivatives transactions, includ-

7 ing related hedging activities, in a manner consistent

8 with section 7.1030 of title 12, Code of Federal Reg-

9 ulations, as in effect as of the date of enactment of

10 this Act;

11 (10) providing brokerage services, including

12 clearing and execution services, whether alone or in

13 combination with other incidental activities;

14 (11) facilitating transactions in the secondary

15 market for all types of digital assets on the order of

25 ~~16~~

1 customers as a riskless principal to the extent of en-

2 ~~17~~ gaging in a transaction in which a company, after

3 ~~18~~ receiving an order to buy or sell a digital asset from

4 ~~19~~ a customer, purchases or sells the digital asset for

5 ~~20~~ its own account to offset a contemporaneous sale to

6 ~~21~~ or purchase from the customer;

7 ~~22~~ (12) holding as principal digital assets to the

8 ~~23~~ extent incidental to an otherwise permissible activity,

9 ~~24~~ which shall include, without limitation, holding dig-

ital assets as principal in order to pay fees arising from interactions with a distributed ledger system;

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

(14) exercising all such incidental powers as are necessary to carry out any of the activities described in paragraphs (1) through (13).

(~~g~~h) OTHER REQUIREMENTS.—There shall be no other prior notice or approval requirements to engage in the activities described in subsections (b) through (~~f~~g) of this section other than those required under the National Bank Act (12 U.S.C. 38 et seq.), the Federal Reserve Act (12 U.S.C. 226 et seq.), or the Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.).

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

1 (1) exclude other possible permissible activities

2 18 that are not listed underactivities described in subsection (fg);

3 19 (2) imply that inclusion of an activity on thedescribed

4 20 list underin subsection (fg) means that the activity is21 otherwise

5 impermissible; or

6 22 (3) limit the authority of a Federal banking

7 23 agency to determine that activities other than those

8 24 listed underactivities described in subsection (fg) are permissible

9 through25 interpretations, guidance, or rulemaking; or

10 (4) limit the authority of an appropriate Fed-

11 eral or State banking agency to supervise and take

12 enforcement action with respect to an insured depos-

13 itory institution (or, to the extent applicable, a fi-

14 nancial holding company) engaging in a digital asset

15 activity authorized by this section that the Federal

16 or State banking agency determines, pursuant to ap-

17 plicable law, to be unsafe or unsound.

1 (~~i~~j) APPLICATION.—The authorities described in this
2 section shall not apply to non-fungible assets.
3 **SEC. ~~302~~402. JOINT RULES FOR PORTFOLIO MARGINING DE-**
4 **TERMINATIONS.**
5 (a) IN GENERAL.—The Commodity Futures Trading
6 Commission and the Commission shall jointly issue rules
7 to facilitate portfolio margining of securities (including re-
8 lated extensions of credit), security-based swaps, futures

contracts for future delivery, options on futures contracts for future delivery, swaps, and digital commodities, or any subset thereof, for persons registered with either such Commission, in—

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

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

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

(4) a digital commodity account carried by a registered digital commodity broker or digital commodity dealer that is also registered in such other capacity as is necessary to also carry the other customer or counterparty positions being held in the account.

(b) PROCESS.—The rules required to be jointly issued under subsection (a) shall—

(1) describe the treatment of any account to which the rules relate, and any assets that may be held therein, in a proceeding under title 11, United States Code, the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.), title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 et seq.), or other appli-

25 10

1 cable insolvency law with respect to the person car-

2 11 rying the account;

3 12 (2) be issued only if that issuance is in the pub-

4 13 lic interest and provides for the appropriate protec-

5 14 tion of customers, including appropriate disclosures

6 15 to each current and potential customer concerning

7 16 the treatment of any account to which the rules re-

8 17 late, and any assets that may be held therein, in a

9 18 proceeding under title 11, United States Code, the

10 19 Securities Investor Protection Act of 1970 (15

11 20 U.S.C. 78aaa et seq.), title II of the Dodd-Frank

12 21 Wall Street Reform and Consumer Protection Act

13 22 (12 U.S.C. 5381 et seq.), or other applicable insol-

14 23 vency law with respect to the person carrying the ac-

15 24 count;

(3) require the Commission and the Commodity Futures Trading Commission to consider the public interest of, and the protection of investors by, those rules through the solicitation of public comments; and

(4) require the Commission and the Commodity Futures Trading Commission to—

(A) consult with other relevant foreign or domestic regulators, including the Board of Governors of the Federal Reserve System, the

25 11

1 Federal Deposit Insurance Corporation, and the

2 12 Office of the Comptroller of the Currency and

3 13 State bank supervisors, as appropriate; and

4 14 (B) if the rules pertain to a securities ac-

5 15 count carried by a registered broker or dealer

6 16 that is a member of the Securities Investor Pro-

7 17 tection Corporation, consult with the Securities

8 18 Investor Protection Corporation.

9 19 **SEC. 303403. CAPITAL REQUIREMENTS TO ADDRESS NETTING**

10 20 **AGREEMENTS.**

11 21 (a) DEFINITIONS.—In this section, the terms ''depos-

12 22 itory institution holding company'' and ''insured deposi-

13 23 tory institution'' have the meanings given those terms in

14 24 section 3 of the Federal Deposit Insurance Act (12 U.S.C.

15 25 1813).

(b) CAPITAL REQUIREMENTS.—Not later than 360 days after the date of enactment of this Act, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Chair of the Federal Deposit Insurance Corporation shall develop risk-based and leverage capital requirements for insured depository institutions, depository institution holding companies, and nonbank financial companies supervised by the Board of Governors of the Federal Reserve System that address netting agreements that provide for termination and close-

25 11

1 out netting across multiple types of financial transactions,

2 12 consistent with section 302402, in the event of the default

3 13 of a counterparty.

4 **SEC. 404. PRESERVING REWARDS FOR STABLECOIN HOLD-**

5 **ERS.**

6 øTo be supplied.¿

7 14 TITLE IVV—RESPONSIBLE 8 15 REGULATORY INNOVATION

9 16 **SEC. 401501. CFTC-SEC MICRO-INNOVATION SANDBOX.**

10 17 (a) DEFINITIONS.—In this section:

11 18 (1) COMMISSION.—The term "Commission"

12 19 means either of the Commissions, as the context re-

13 20 quires.

14 21 (2) COMMISSIONS.—The term "Commissions"

15 22 means the Securities and Exchange Commission and

16 23 the Commodity Futures Trading Commission.

17 24 (3) ELIGIBLE FIRM.—The term "eligible firm"

18 25 means a person that is eligible to participate in the

1 Sandbox, in accordance with the requirements under

2 this section.

3 (4) INNOVATIVE.—The term "innovative"

4 means new or emerging technology, or a new usenovel appli-

22 cation of

5 existing technology, including artificial intelligence,

23 that—

24 6

1 (A) provides a financial product, service,

2 7 business model, or delivery mechanism to the

3 8 public; and

4 (B) lacks—

5 9 (B i) has no a substantially comparable, wide-ly

6 10 ly available analogue in common use in the

7 11 United States; and

8 (ii) an analogous Federal regulatory

9 regime.

10 (5) PERSON.—The term "person" means a per-

11 son, as defined in section 3(a) of the Securities Ex-

12 change Act of 1934 (15 U.S.C. 78c(a)) or section 1a

13 of the Commodity Exchange Act (7 U.S.C. 1a).

14 12 (5 6) SANDBOX.—The term "Sandbox" means

15 13 the CFTC-SEC Micro-Innovation Sandbox estab-

16 14 lished under subsection (b).

17 15 (6 7) SELF-REGULATORY ORGANIZATION.—The

18 16 term "self-regulatory organization" means a self-

19 17 regulatory organization, as defined in—

20 18 (A) section 3(a) of the Securities Exchange

19 21 Act of 1934 (15 U.S.C. 78c(a)); or

22 20 (B) section 1.52(a)(2) of title 17, Code of

23 21 Federal Regulations, or any successor regula-

24 22 tion.

1 (b) ESTABLISHMENT.—Not later than 360 days after
2 ~~24~~ the date of enactment of this Act, the Commissions shall,
3 ~~25~~ by joint notice and comment rulemaking, establish a

1 CFTC-SEC Micro-Innovation Sandbox to enable eligible

2 firms described in subsection (e) to test innovative activi-3 ties within the United States,

5 subject to existing—

6 (1) applicable Federal4 and State statutory anti-fraud prohibitionssecurities and

7 commodities laws;

8 (2) other State laws that are not specific to the limita-

9 regulation of securities or commodities; and

10 5 tions(3) the limitations of this section.

11 6 (c) ELIGIBLE FIRM.—Any person may

12 (1) IN GENERAL.—A United States-based per-

13 son shall be an eligible firm, and shall be eligible to

14 participate in7 the Sandbox upon filing a notice of participation under

8 subsection (e), if the person—

15 (A) submits an application under sub-

16 section (e) that is approved under that sub-

17 section;

18 9 (1B) seeks to conduct an eligible and lawful

19 innovative activ-10 ity in the United States; and

20 11 (2(C) is not subject to—

21 (i) a bad actorstatutory disqualification, as de-

22 fined in section 3(a) of the Securities Ex-

23 change Act of 1934 (15 U.S.C. 78c(a));

(ii) a disqualification resulting from an investigation conducted under section 8(a)(2) of the Commodity Exchange Act (7 U.S.C. 12(a)(2)); or

(iii) a disqualification under State 12 under the securities laws or State law; and 13 (3D) does not have a criminal conviction for 14 fraud.;

(E) agrees to submit to the jurisdiction and oversight of the Commissions, to the extent that the person is not subject to that jurisdiction or oversight, for purposes of, and while participating in, the Sandbox;

(F) designates to the Commissions an individual as a point of contact with respect to activities that the person undertakes as an applicant and participant with respect to the Sandbox;

(G) employs not more than 25 employees; and

(H) has annual gross revenues of not more than $10,000,000 in any fiscal year.

(2) APPLICATION OF REQUIREMENTS.—The requirements under paragraph (1) shall be satisfied

during the entire period in which an eligible firm participates in the Sandbox.

15 (d) ELIGIBLE ACTIVITIES AND ACTIVITY CEIL-

16 INGS.—

17 (1) LIST OF ELIGIBLE ACTIVITIES.—

18 (A) IN GENERAL.—The After providing notice and an opportunity for public comment, the Commissions shall19 maintain and publish a list of eligible innovative20 activities (which may include activities relating to artificial intelligence), which shall be—

21 (i) updated from time to time basedonce every 2 years after providing notice and an opportunity for 22 on public comment;

23 (ii) reasonably tailored to include ac-

24 tivities that—

(I) further the purposes of this

25 section;

and

19 (II) are consistent with the inter-

20 ests of the public and the protection

21 of investors;

26 1 (iii) sufficiently flexible to accommo-

22 2 date evolving technological developments,

23 3 including distributed ledger-based products

24 4 and services; and

25 5

1 (iv) focused exclusively on activities

2 for which6 specific provisions of the securi-

3 ties and commodities laws

7 may create a

4 material impediment to the8 proposed inno-

5 vative activity.

6 9(B) IDENTIFICATION OF REQUIRE-

7 10MENTS.—

8 11(i) IN GENERAL.—For each eligible

9 12innovative activity, the Commissions shall,

10 13consistent with existing statutory and reg-

11 14ulatory precedent concerning the respective

12 15jurisdiction of each Commission, identify

13 16the requirements that each Commission

14 17will administer.

15 18(ii) JOINT JURISDICTION.—With re-

16 19spect to an eligible innovative activity that

17 20is subject to the jurisdiction of both Com-

18 21missions, the rulemaking under subsection

19 22(b) shall specify which requirements each

20 23Commission will administer and any co-

21 24ordinated conditions needed to protect in-

22 25vestors and market integrity.

1 (2) ACTIVITY CEILINGS.—For each eligible in-
2 novative activity, the Commissions shall, after public
3 input and consultation, establish individual customer

and mon- etary ceilings, which—

(A) the Commissions may extend on an individual basis, as the Commissions determine may be necessary for the protection of investors or in the public interest; and

(B) shall be designed to permit meaningfulprovide that an market testing while protecting investors, maintaining market integrity, and ensuring that Sandbox activity remains limited in scale relative to the broader applicable market.

eligible firm may not raise or commit more than $20,000,000 in aggregate customer, investor, or counterparty funds in connection with Sandbox activities.

(e(3) NOTICE OFANNUAL PARTICIPATION CAP.—Each of the Commissions may approve not more than 20 projects per year.

(e) APPLICATION.—

(1) IN GENERAL.—An eligible firm seeking to participate in the Sandbox shall submit to the Commission or Commissions, as applicable, a notice an application that—

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

(B) subject to approval of the applicable

(B)Commission, identifies the provisions of lawthe

se-

18 curities laws, or of the Commodity Exchange

19 Act (7 U.S.C. 1 et seq.), from22 which the eligible

20 firm proposes to be exempt; during the period in

21 which the eligible firm participates in the Sand-

22 23 subject to approval of the Commissionbox, which—

23 24 (i) shall not include any Federal or

24 State anti-25 fraud law or any other law that

1 is not specific to the regulation of securi-
2 ties or commodities; and
3 (ii) shall be subject to the limitations
4 of this section;

1 (C) sets forth how current law presents arelief from the provi-
2 sions of law identified under subparagraph (B)
3 is reasonably necessary to engage in the innova-
4 significant barrier to the innovativetive activity;
5 (D) identifies material risks to investors,
6 customers, or market integrity and how the eli-
7 gible firm will mitigate those risks;
8 (E) certifies that the eligible firm will com-
9 ply with applicable Federal and State anti-fraud
10 laws; and
11 (F) states thean exit objective of the eligible
12 firmfirm involving action from the applicable Com-
13 mission, which may include registration, an exemp-
14 tiveemptive order, interpretive orguidance, a no-ac-
15 tion reliefletter, or a rulemaking petition, together
16 with milestones and metrics the eligible firm
17 will use to demonstrate readiness for that exit;
18 (G) states the agreement of the eligible
19 firm to submit to the jurisdiction and oversight
20 of the Commissions, to the extent that the eligi-
21 ble firm is not otherwise subject to that juris-

diction and oversight, for purposes of, and while participating in, the Sandbox;

(H) designates to the Commissions an individual as a point of contact with respect to activities that the eligible firm undertakes as an applicant and participant with respect to the Sandbox; and

(I) states the agreement of the eligible firm to abide by any condition that either of the Commissions may impose for engaging in an eligible innovative activity in the Sandbox.

~~(2) EFFECTIVE DATE.—A notice submitted~~(2) DEADLINE FOR DECISION.—Not later than ~~under this subsection that is substantially complete (as provided by rule of the applicable Commission or the Commissions) shall be deemed effective 10 business~~ 180 business days after the date on which an eligible firm submits an application under this subsection, the ~~notice is submitted to the applicable~~ Commission or Commissions, as applicable, shall ~~sions, after~~ make a decision with respect to the application, after which the eligible firm submitting the ~~notice~~ application may commence eligible innovative activities in the ~~Sandbox.~~ Sandbox unless the application is denied.

20 24 (3) UPDATES AND STATUS REPORTS.—Each eli-

21 25 gible firm shall submit to the applicable Commission

~~26 1~~ or to the Commissions, on a semi-annual basis while

22 ~~2~~ participating in the Sandbox, an updated ~~notice~~application

23 ~~3~~ that—

24 4

1 (A) describes any material changes to the
2 5 information originally provided under para-
3 6 graph (1); and
4 7 (B) reports the progress of the eligible
5 8 firm toward the stated exit objective described
6 9 in paragraph (1)(F), including milestones
7 10 achieved, remaining impediments, and any
8 11 pending requests for official action before the
9 12 applicable Commission or the Commissions.
10 13 (4) UNREDACTED AND REDACTED VERSIONS.—
11 14 (A) IN GENERAL.—An eligible firm that
12 15 submits an initial or updated ~~notice~~application under
13 this16 subsection may submit to the applicable
14 Commission ~~Com-~~
17 ~~mission~~ or the Commissions an unredacted
15 18 version, together with a request for confidential
16 19 treatment, pursuant to procedures the applica-
17 20 ble Commission shall establish that are modeled
18 21 on the rules of that Commission relating to the
19 22 confidential treatment of information, which
20 23 shall include—
21 24 (i) for the Securities and Exchange
22 25 Commission, sections 200.83, 230.406, and

~~26 1~~ 2402.24b–2 of title 17, Code of Federal

23 ~~2~~ Regulation, or any successor regulations;

24 ~~3~~ and

4

(ii) for the Commodity Futures Trading Commission, section 145.9 of title 17, Code of Federal Regulations, or any successor regulations.

(B) OMITTED INFORMATION.—An eligible firm may omit information granted confidential treatment under subparagraph (A) from any public posting under subsection (h) in accordance with the procedures established under subparagraph (A).

(C) INDICATION OF CONFIDENTIAL INFORMATION.—Any omission in a public posting under subsection (h) shall be clearly indicated by brackets with a prominent legend stating that—

(i) confidential information has been omitted; and

(ii) an unredacted version has been ~~furnished to~~filed with the applicable Commission or the Commissions.

(f) DURATION OF PARTICIPATION.—

25 1 (1) DURATION.—Except as provided in para-
22 2 graph (2), an eligible firm may participate in the
23 3 Sandbox for a period of not more than 2 years, pro-

24 4

1 vided that the eligible firm does not exceed the ceil-

2 5 ings established under subsection (d)(2).

3 6 (2) EXTENSION.—

4 7 (A) SOLE JURISDICTION.—Where an eligi-

5 8 ble innovative activity is subject only to the ju-

6 9 risdiction of 1 Commission, that Commission

10 7 may extend participation by an eligible firm in

8 11 the Sandbox by not more than 1 additional

9 year

12 (or such other time as the Commission deter-

13 mines may be necessary for the protection of in-

14 vestors or in the public interest), if the eligible 15 firm—

10 (i) is actively pursuing permanent rulemakingthe exit objec-

11 tive described in subsection (e)(1)(F) in

12 good faith;

13 (ii) is making demonstrable progress

14 toward achieving such an exit; and

15 (iii) establishes that such an extension

16 or exemptive or other reliefis necessary to achieve such an exit.

17 (B) JOINT JURISDICTION.—Where an eligi-

18 ble innovative activity is subject to the jurisdic-

19 tion of both Commissions, an extension of par-

20 ticipation by an eligible firm in the Sandbox by

21 not more than 1 additional year shall be by

22 joint order of the Commissions. after making

22 (3) COMMISSIONS PRE-EXIT FACILITATION.—
23 Prior to the completion of Sandbox participation by
24 an eligible firm, including any extension, the Com-
25 missions shall aim, to the extent practicable and

~~consistent with the securities laws and the Commodity Exchange Act (7 U.S.C. 1 et seq.), to take appropriate steps designed to facilitate a transition to Commission-level relief or other action consistent with the stated exit objective of the eligible firm, so as to avoid undue disruption of the innovative activity, which may include—~~

~~(A) issuing an order granting, denying, or conditionally granting requested exemptive relief;~~

~~(B) providing interpretive or no-action relief;~~

~~(C) issuing a responsive rulemaking;~~

~~(D) providing conditional or time-limited relief to bridge to final Commission action; or~~

~~(E) issuing a written statement explaining why such action is not appropriate at that time.~~

the findings described in clauses (i) through (iii) of subparagraph (A).

(g) CONDITIONS AND ENFORCEMENT.—

26 ~~19~~

1 (1) CONDITIONS.—An eligible firm shall comply

2 ~~20~~ with applicable regulatory conditions approved by

3 ~~21~~ the applicable Commission or the Commissions

4 ~~22~~ under subsection (e)(1)(B), which shall be consistent

5 ~~23~~ with applicable Federal and State anti-fraud laws.

6 ~~24~~ (2) MONITORING.—The Commissions shall

7 ~~25~~ monitor Sandbox activities and enforce compliance

1 with applicable regulatory conditions and Federal
2 and State anti-fraud laws.
3 (3) COORDINATION.—
4 (3A) COORDINATION IN GENERAL.—The Commissions shall
5 coordinate supervision, information requests,
6 and ex-
7 aminations examinations to avoid duplication while
8 each Commis-
9 sion retains full authority under
10 the provisions of law that such Commission ad-
11 ministers.
12 (B) COOPERATION WITH STATES.—The
13 Commissions may cooperate with any State in
14 enforcing compliance with applicable regulatory
15 conditions and Federal and State anti-fraud
16 laws with respect to the operation of the Sand-
17 box.
18 (4) SELF-REGULATORY ORGANIZATIONS.—Each
19 self-regulatory organization shall recognize and re-

~~10~~ spect Sandbox conditions that are applicable to a ~~11~~ participant in the Sandbox.

(5) CESSATION OF ACTIVITIES.—The Commissions may, at any time during the participation of an eligible firm in the Sandbox, disqualify the eligible firm from continued participation in the Sandbox, order the eligible firm to cease engaging in a permitted activity in the Sandbox, revoke a grant of exemptive relief, or impose additional or more stringent conditions on continuing participation or engagement in a permitted activity in the Sandbox, if the Commissions find that the eligible firm has failed to comply with—

(A) the requirements of this section;

(B) the terms or conditions of participation established by the Commissions; or

(C) other applicable law.

~~12~~ (h) PUBLIC DISCLOSURE.—

~~13~~ (1) INITIAL POSTING.—Each eligible firm shall ~~14~~ post, in a prominent location on a public website of ~~15~~ the eligible firm, the information required under ~~16~~ subsection (e)(1), subject to confidential treatment ~~17~~ under subsection (e)(~~5~~4), not later than the date on ~~18~~ which the notice becomes effective under subsection ~~19~~ (e)(3).

~~20~~

(2) UPDATES.—Each eligible firm shall post, in ~~21~~ the same manner as under paragraph (1), the infor- ~~22~~ mation required under subsection (e)(~~4~~3), subject to ~~23~~ confidential treatment under subsection (e)(~~5~~4), con- ~~24~~ currently with submission to the applicable Commis- ~~25~~ sion or the Commissions.

(3) DISCLOSURE REQUIREMENTS.—Each post under this subsection shall satisfy the disclosure requirements of both Commissions where the jurisdictions of both Commissions are implicated.

(i) USE OF DATA BY COMMISSIONS.—Each Commission may collect and share data from Sandbox activities with the other Commission to inform permanent, principles-based regulatory frameworks that ~~promote effi~~advance the mis-

~~ciency, competition, capital formation, and investor protection.~~

sions of the Commissions.

(j) PUBLICATION BY COMMISSIONS.—Not less frequently than annually, each Commission shall publish on the public website of the Commission a report summarizing the activities conducted under this section, including—

(1) the number and general nature of eligible firms participating in the Sandbox;

(2) the categories of innovative activities tested;

23 ~~19~~

1 (3) the impact of Sandbox participation on in-
2 ~~20~~ novation, investor protection, market integrity, and
3 ~~21~~ the public interest;
4 (4) the disclosures posted by eligible firms
5 under subsection (h)(1); and
6 ~~22~~ (~~4~~5) exit outcomes, including the types of relief
7 ~~23~~ requested and actions taken by the Commissions.
8 (k) RELATIONSHIP OF SANDBOX PARTICIPATION TO
9 STATE LAW.—
10 (1) LIMITED PREEMPTION FOR SANDBOX PAR-
11 TICIPANTS.—Participation in the Sandbox, and any
12 exemption or relief granted under this section, shall
13 supersede any State securities or commodities law
14 requiring registration, qualification, or licensing as a
15 condition of engaging in an approved activity or oth-
16 erwise regulating that activity as a security or com-
17 modity.
18 (2) STATE ENFORCEMENT PRESERVED.—Noth-
19 ing in this section may be construed to prohibit or
20 limit any State securities or commodities regulator,
21 any State bank regulator, or any State law enforce-
22 ment agency from conducting an investigation or
23 bringing an administrative, civil, or criminal enforce-
24 ment action under—

(A) a State law prohibiting fraud or deceive, or fraudulent, deceptive, manipulative, unethical, dishonest, or other unlawful conduct or practices, in connection with securities or securities transactions;

(B) the anti-fraud provisions of the Commodity Exchange Act (7 U.S.C. 1 et seq.) or State commodities laws; or

(C) any State law of general applicability, including such a law relating to banking, consumer protection, contracts, property, or criminal conduct.

(3) NOTICE FILINGS.—A State may require notice of any document filed with either of the Commissions in connection with participation in the Sandbox, together with consent to service of process and reasonable fees, consistent with section 18(c) of the Securities Act of 1933 (15 U.S.C. 77r(c)).

SEC. 402502. INTERNATIONAL COOPERATION.

(a) DEFINITIONS.—In this section, the term "Commissions" means the Securities and Exchange Commission and the Commodity Futures Trading Commission.

(ab) IN GENERAL COOPERATION.—In order to promote United States leadership in effective, reciprocal, and innovative global regulation of digital assets, and to advance the strategic-

5

tegic economic and policy interests of the United States, the

Commission Commissions, as appropriate—

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

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

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

(4) shall advocate in international fora for the development and adoption of technology-neutral, open standards that preserve lawful access to public distributed ledger infrastructure, support dollar-de-

~~27 1~~ nominated digital asset usage, and safeguard indi-

23 ~~2~~ vidual rights, including self-custody and privacy; and

24 3

1 (5) may, as appropriate, engage in, at the least,

2 4 cooperative enforcement, supervisory coordination,

3 5 and joint technical assistance, in a manner that pro-

4 6 motes responsible innovation in digital financial

5 7 markets.

6 8 (bc) CROSS-BORDER SANDBOX.—The Commission Commissions

9 7 may leverage the activities described in paragraphs (1)

8 10 through (5) of subsection (ab) to establish or participate

9 11 in cross-border regulatory sandboxes that build upon the

10 12 Micro-Innovation Sandbox established pursuant to section

13 401.

11 501.

12 14 **SEC. 403503. AUTOMATED REGULATORY COMPLIANCE STUDY.**

13 15 (a) SENSE OF CONGRESS.—Congress finds that— (a) DEFINITIONS.—In this section:

14 (1) AUTOMATED REGULATORY COMPLIANCE.—

15 The term "automated regulatory compliance" means

16 the use of technology, including data standards, au-

17 16 (1) tomation, and distributed ledger technology may make

17 compliance data natively transparent and machine-

18 readable, enabling new forms of "embedded" or

19 code-based compliance with existing regulatory obli-

20 gations, such as proof-of-reserves, on-chain audit-

21 trail logging, and anti-money laundering screenings;

22 and

23 (2) smart- contract

18 functionality can, as of thetto automate, tag, or otherwise stream-

24 date of enactment of this Act, automate contractual

19 25 terms, meaning that embedding applicableline regulatory reporting, disclosure

, supervisory, or

26 1 andother compliance obligations in similar smart-contract.

2 code could lower costs, cut lag times, and improve

3 investor protection.

20 (2) INNOVATIVE.—The term ''innovative'' has

21 the meaning given the term in section 501(a).

22 4 (b) STUDY REQUIRED.—Not later than 2 years after

5 the date of enactment of this Act, theThe Comptroller General6 of

23 the United States shall submit to the Committee on, in consultation with the Depart-

24 ment of the Treasury (including the Financial Crimes En-

forcement Network, the Office of Foreign Assets Control, and the Office of Financial Research), the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Commission, the Commodity Futures Trading Commission, the Bureau of Consumer Financial Protection, and the Federal Housing Finance Agency, carry out a study of distributed ledger-based compliance tools that—

(1) to the extent feasible, identifies and evaluates—

(A) maps the landscape of existing distributed ledger-based compliance tools;

(B) evaluates the feasibility, benefits, and risks of al-

~~Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report~~

22 lowing ~~or requiring registrants~~regulated entities to satisfy appli~~-~~cable

23 ~~cable~~ regulatory obligations through on-chain, code-

24 based, or other automated mechanisms;

(3C) assessesthe potential for interoperability with current (as of the date on which the report is submitted) Commis-automated regulatory compliance mechanisms across and among each of those agencies;

3 sion(D) the data collection systems of each of those agencies; and identifies

(E) standards4 or taxonomies, or other common data elements, if any, the Commissionthat those agen-cies could publish or adopt to support the inter-operability described in subparagraph (C) in 5 order to ensure consistency;

6 (4) analyzes the costs and benefits to issuers of

7 different sizes, secondary market intermediaries, inregulatory ac-

8 vestors, and other applicable parties;

cess;

9 (52) recommends pilot programs, guidance, or10 rule changes, and specifies any statutory amend-or amendments to statutes that would be

11 ments, needed to implement effective automated regulatory compliance;12 and approaches and any other related ap-proaches addressed in the study;

(3) identifies the costs and benefits to issuers of different sizes, secondary market intermediaries, regulators, investors, and other applicable parties, including differential impacts on smaller entities and

21 options to reduce those burdens;

22 13 (64) benchmarks international efforts with re-

23 spect to automated regulatory compliance mecha-

24 nisms and14 consults with any appropriate State, Fed-

25 eral, or for15 eign regulators; and

(5) evaluates whether existing oversight, enforcement, and liability frameworks are sufficient to—

(A) ensure accountability, transparency, fairness, and consumer protection; and

(B) prevent misuse of distributed ledger-based compliance tools.

(c) REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall make publicly available a report that includes the results of the study conducted under subsection (b).

SEC. 404504. REPORT ON LEGISLATIVE RECOMMENDATIONS.

(a) DEFINITIONS.—In this section:

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

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

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

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

25 5

1 (2) FEDERAL FINANCIAL REGULATOR.—The
2 6 term ''Federal financial regulator'' means—
3 7 (A) the Board of Governors of the Federal
4 8 Reserve System;
5 9 (B) the Commodity Futures Trading Com-
6 10 mission;
7 11 (C) the Department of the Treasury;
8 12 (D) the Federal Deposit Insurance Cor-
9 13 poration;
10 14 (E) the Federal Housing Finance Agency;
11 15 (F) the National Credit Union Administra-
12 16 tion;
13 17 (G) the Office of the Comptroller of the
14 18 Currency;
15 19 (H) the Bureau of Consumer Financial
16 20 Protection; and
17 21 (I) the Commission.
18 22 (b) REQUIREMENT.—Not later than 1 year after the
19 23 date of enactment of this Act, and every 3 years thereafter
20 24 for a total of not fewer than 12 years after the date of
21 25 enactment of this Act, each Federal financial regulator

1 shall submit to the appropriate committees of Congress
2 a report that includes—
3 (1) a description of the implementation of this
4 Act and the amendments made by this Act (includ-

25 5

1 ing the adoption of rules and guidance, and the ap-

2 6 proval or rejection of applications submitted, under

3 7 this Act and the amendments made by this Act),

4 8 where applicable to the Federal financial regulator;

5 9 and

6 10 (2) any legislative recommendations for the fur-

7 11 ther effective implementation of this Act and the

8 12 amendments made by this Act.

13 **SEC. 405. OFFICE OF THE OMBUDSMAN FOR INNOVATION.**

14 Section 4 of the Securities Exchange Act of 1934 (15

15 U.S.C. 78d) is amended—

16 (1) by redesignating subsection (j) as sub-

17 section (k); and

18 (2) by inserting after subsection (i) the fol-

19 lowing:

20 "(j) OFFICE OF THE OMBUDSMAN FOR INNOVA-

21 TION.—

22 "(1) DEFINITIONS.—In this subsection:

23 "(A) COVERED REQUESTER.—The term

24 'covered requester' means—

25 1 "(i) any person, or representative of a
2 person, that is, or seeks to be, subject to
3 the securities laws;
4 "(ii) any person seeking to register
5 with the Commission or a self-regulatory
6 organization to—
7 "(I) obtain exemptive relief; or
8 "(II) determine applicable obliga-
9 tions under the securities laws;
10 "(iii) a self-regulatory organization,
11 national securities exchange, national secu-
12 rities association, alternative trading sys-
13 tem, or clearing agency; or
14 "(iv) an industry consortium or a
15 standards body engaging the Commission
16 on innovative matters.
17 "(B) INNOVATIVE.—The term 'innovative'
18 means new or emerging technology, or a new
19 use of existing technology, that—
20 "(i) provides a financial product, serv-
21 ice, business model, or delivery mechanism
22 to the public; and
23 "(ii) lacks a substantially comparable
24 analogue that is widely available in com-
25 mon use in the United States.

26 1 "(C) OFFICE.—The term 'Office' means
2 the Office of the Ombudsman for Innovation es-
3 tablished under paragraph (2).
4 "(D) OMBUDSMAN.—The term 'Ombuds-
5 man' means the Ombudsman for Innovation de-
6 scribed in paragraph (2).
7 "(2) ESTABLISHMENT.—There is established in
8 the Commission the Office of the Ombudsman for
9 Innovation, which shall be headed by the Ombuds-
10 man for Innovation.
11 "(3) APPOINTMENT AND DUTIES OF THE OM-
12 BUDSMAN.—
13 "(A) IN GENERAL.—The Ombudsman
14 shall—
15 "(i) be appointed, and may only be re-
16 moved, by a majority vote of the Commis-
17 sion;
18 "(ii) report directly to the Commis-
19 sion; and
20 "(iii) carry out the functions of the
21 Office independently of any other officer,
22 employee, or division of the Commission.
23 "(B) MISSION.—The mission of the Om-
24 budsman shall be to—

1 "(i) assist covered requesters in obtaining timely, coordinated, and clear responses from the Commission, and offices and divisions of the Commission, regarding innovative matters, including by—

"(I) convening and coordinate across offices and divisions of the Commission;

"(II) escalating unresolved process delays or conflicts for timely resolution;

"(III) shepherding matters into the appropriate channels for Commission or staff guidance, including interpretive guidance, no-action relief, exemptive relief, or rulemaking, while monitoring progress and actively following up with staff to seek timely resolution; and

"(IV) facilitating clear 2-way communication between Commission staff and covered requesters, including appropriate channels of feedback to covered requesters;

25 1 "(ii) assist covered requesters in re-
2 solving significant problems covered re-
3 questers may have with the Commission or
4 self-regulatory organizations;
5 "(iii) identify, report on, and make
6 recommendations in areas in which covered
7 requesters would benefit from changes in
8 the regulations of the Commission or the
9 rules of self-regulatory organizations, con-
10 sistent with the public interest and the
11 protection of investors, including related
12 process delays or conflicts and systemic
13 issues;
14 "(iv) analyze the potential impact on
15 covered requesters of—
16 "(I) proposed regulations of the
17 Commission that are likely to have a
18 significant economic impact on cov-
19 ered requesters; and
20 "(II) proposed rules of self-regu-
21 latory organizations registered under
22 the securities laws that are likely to
23 have a significant economic impact on
24 covered requesters; and

25 1 "(v) conduct outreach and publish
2 process guides, frequently asked questions,
3 or advisories reflecting recurring issues,
4 after removing confidential information.
5 "(4) ACCESS TO DOCUMENTS.—The Commis-
6 sion shall ensure that the Office has full access to
7 the documents and information of the Commission
8 and any self-regulatory organization as necessary to
9 carry out the functions of the Office.
10 "(5) COORDINATION; LIAISONS.—
11 "(A) IN GENERAL.—Each office and divi-
12 sion of the Commission, and each self-regu-
13 latory organization, shall designate a senior liai-
14 son to the Ombudsman and cooperate with the
15 Ombudsman in good faith.
16 "(B) RULE OF CONSTRUCTION.—Nothing
17 in this paragraph may be construed to author-
18 ize the Ombudsman to direct any office or divi-
19 sion of the Commission, compel any particular
20 outcome, or bind the Commission.
21 "(6) CONFIDENTIALITY; FOIA; PRIVILEGE;
22 WHISTLEBLOWERS.—
23 "(A) NONPUBLIC SUBMISSIONS.—For the
24 avoidance of doubt, materials submitted to or
25 generated by the Ombudsman in connection

26 1 with a request made by a covered requester
2 shall be nonpublic and treated in accordance
3 with section 24.
4 "(B) NO WAIVER.—Submission of mate-
5 rials to the Ombudsman does not waive any ap-
6 plicable privilege or protection, including attor-
7 ney-client privilege and work-product protec-
8 tion.
9 "(C) WHISTLEBLOWER & REFERRALS PRE-
10 SERVED.—Nothing in this paragraph may be
11 construed to limit—
12 "(i) the rights of whistleblowers under
13 section 21F; or
14 "(ii) the ability of the Ombudsman to
15 make referrals in accordance with para-
16 graph (7).
17 "(7) REFERRAL TO ENFORCEMENT.—
18 "(A) IN GENERAL.—The Ombudsman may
19 refer a matter to the Division of Enforcement
20 of the Commission only upon a brief written de-
21 termination that there is credible and specific
22 information indicating—
23 "(i) ongoing or imminent conduct pos-
24 ing a material risk of significant investor
25 or market-integrity harm; or

1 "(ii) a knowing or reckless violation of
2 the securities laws.
3 "(B) REVIEW.—The Ombudsman shall ob-
4 tain review by the Office of the General Counsel
5 of the Commission of any referral under sub-
6 paragraph (A) for legal sufficiency.
7 "(C) NOTIFICATION.—Where practicable
8 and not prejudicial to an investigation, the Om-
9 budsman shall notify the applicable covered re-
10 quester that a referral has been made under
11 subparagraph (A).
12 "(D) ROLE OF PARTICIPATION.—Partici-
13 pation by a covered requester in an Ombuds-
14 man process is not an admission of guilt and
15 shall not be used as evidence against the cov-
16 ered requester except for false statements, ob-
17 struction, or independent wrongdoing.
18 "(8) METRICS; TRANSPARENCY; ANNUAL RE-
19 PORT.—The Ombudsman shall—
20 "(A) track, and publish not less frequently
21 than annually, anonymized metrics relating to
22 the Office, including intake volumes, subject
23 matter categories, median days-to-first-re-
24 sponse, median days-to-resolution (and per-
25 centile bands), counts of cross-Division matters

26 1 convened, and counts by outcome type (such as
2 staff-level letters, no-action letters, exemptive
3 relief, frequently asked questions and
4 advisories, and measures relating to the level of
5 satisfaction of covered requesters);
6 "(B) submit to the Committee on Banking,
7 Housing, and Urban Affairs of the Senate and
8 the Committee on Financial Services of the
9 House of Representatives, and publish on a
10 public website, an annual report—
11 "(i) identifying systemic process
12 delays or conflicts;
13 "(ii) that includes aggregate observa-
14 tions regarding the consistency of the
15 Commission with promoting innovation
16 while protecting investors, maintaining fair
17 and orderly markets, and serving the pub-
18 lic interest; and
19 "(iii) that includes non-binding rec-
20 ommendations regarding process improve-
21 ments at the Commission along with rec-
22 ommendations for such changes to the reg-
23 ulations, guidance, and orders of the Com-
24 mission and such legislative actions as may
25 be appropriate to resolve problems with the

26 1 Commission and self-regulatory organiza-
2 tions encountered by covered requesters;
3 and
4 "(C) submit each annual report required
5 under subparagraph (B) to the committees of
6 Congress described in that subparagraph with-
7 out any prior review or comment from the Com-
8 mission, any commissioner, any other officer or
9 employee of the Commission, or the Office of
10 Management and Budget.
11 "(9) RESPONSE.—The Commission shall estab-
12 lish procedures requiring a formal response to all
13 recommendations submitted to the Commission by
14 the Office by not later than 90 days after the date
15 of the submission.
16 "(10) LIMITATIONS.—
17 "(A) IN GENERAL.—The Ombudsman has
18 no authority to—
19 "(i) compel agency action;
20 "(ii) require a particular interpretive
21 or enforcement outcome;
22 "(iii) adjudicate rights;
23 "(iv) create binding precedent; or

~~"(v) engage in any activities which constitute legal representation for any covered requesters.~~

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

~~"(i) create a private right of action; or~~

~~"(ii) limit the authorities of the Commission.".~~

SEC. ~~406~~505. TOKENIZATION OF SECURITIES AND OTHER REAL-WORLD ASSETS.

(a) DEFINITIONS.—In this section:

(1) FINANCIAL INSTRUMENT.—The term "financial instrument" means any security, derivative, contract of sale of a commodity for future delivery, option on any such security, derivative, contract, or deposit, or any other security or financial instrument that the appropriate Federal banking agencies, the Commission, and the Commodity Futures Trading Commission may, by rule determine.

~~12~~ (~~1~~2) QUALIFIED THIRD-PARTY CUSTODIAN.—The ~~13~~ term "qualified third-party custodian" means an ~~14~~ independent entity that—

~~15~~ (A) is registered or regulated in a manner ~~16~~ consistent with qualified custodians under the ~~17~~ securities laws;

26 ~~18~~

1 (B) meets standards for asset verification,

2 ~~19~~ custody, and audit, as established by the Com-

3 ~~20~~ mission pursuant to subsection (c); and

4 ~~21~~ (C) is authorized to verify the legal exist-

5 ~~22~~ ence, title, and ongoing status of real-world as-

6 ~~23~~ sets represented by digital tokens.

7 ~~24~~ (~~2~~3) REAL-WORLD ASSET.—The term "real-

8 ~~25~~ world asset"—

(A) means any tangible property or property right, including real estate, a physical commodity, equipment, or a contractual right; and

(B) does not include—

(i) a security, as defined under any of financial instrument

the securities laws; or a deposit.

(ii) a commodity interest, as defined in section 4m(3) of the Commodity Exchange Act (7 U.S.C. 6m(3)) and in regulations promulgated by the Commodity Futures Trading Commission.

(3 4) TOKENIZATION.—The term ''tokenization'' means the process of creating a unique digital representation of rights, obligations, or interests in a real-world tangible or intangible asset on a distributed ledger.

(4 5) TOKENIZED.—The term ''tokenized'', with respect to an asset, means that the asset has undergone tokenization.

(6) TOKENIZED FINANCIAL INSTRUMENT.—The term ''tokenized financial instrument'' means any digital representation of a financial instrument, including any security, commodity future, swap or other derivative, that is recorded on a distributed

1 ledger or comparable technology, whether or not the
2 digital representation is issued by the issuer of the
3 underlying financial instrument.
4 19 (b) SENSE OF CONGRESS.—It is the sense of Con-
5 20 gress that States should promptly consider and adopt com-
6 21 mercial law frameworks under the Uniform Commercial
7 22 Code that provide clear and uniform rules for the owner-
8 23 ship, control, orand enforceability of rights inrelating to digital
9 assets.
10 24 (c) JOINT STUDY AND RULEMAKING.—
11 25 (1) JOINT STUDY.—

(A) IN GENERAL.—Not later than 360 days after the date of enactment of this Act, the Commission, in coordination with the Commodity Futures Trading Commission, shall conduct a comprehensive study of the regulatory treatment of tokenized real-world assets.

(B) CONTENTS.—The study required under subparagraph (A) shall—

(i) address standards for the verification, custody, audit, regulatory reporting, transaction reporting, and investor reporting of underlying real-world assets issued as digital tokens, including setting

criteria for qualified third-party custodians and how to address fraud and false claims; and

(ii) assess the Federal jurisdictional treatment of tokenized real-world assets, how State and international regulatory regimes may interact with that treatment, and mechanisms for interagency coordination, cross-border cooperation, and enforcement with respect to tokenized real-world assets.;

(iii) assess consumer protection issues, including the potential for fraud, scams, and misrepresentation of financial returns; and

(iv) assess how tokenization may affect the sovereign interests of States related to the ownership and transfers of rights to tangible and intangible property, including the regulation of firearms, automobiles, and real estate.

(2) JOINT AGENCY RULEMAKING.—

(A) IN GENERAL.—After completing the study required under paragraph (1), the Com-

26 1 ~~mission~~Commission and the Commodity Futures Trading

23 ~~2~~ Commission may initiate notice and comment rule-

3 rulemaking to

making to jointly establish tailored regulatory path-

4 pathwaysways for tokens that representtokenized real-world5 assets.

6 (B) LIMITATION.—In issuing rules under a

7 rulemaking carried out under subparagraph

8 (A), the Commission and the Commodity Fu-

9 tures Trading Commission shall ensure that a

10 qualified third-party custodian that serves solely

11 as an

(d) PROHIBITION ON MISREPRESENTATION.—

(1) REAL WORLD ASSETS.—It shall be unlawful for any person to represent that a tokenized real-world asset is itself, or is equivalent to, the underlying real-world asset, except to the extent that such representation is expressly supported by the legal rights and obligations associated with such tokenized real-world asset verifier—

12 (i) .

(2) TOKENIZED FINANCIAL INSTRUMENTS.—It shall be subject only to those

13 standards that may be necessary for

14 verification integrity, audit, and independ-

15 ence of those assets; and unlawful for any person to market, offer, sell, or otherwise represent that a tokenized financial instrument is, or is economically or legally equivalent to, the financial instrument it represents unless—

16 ~~(ii) shall not be required to meet re-~~(A) the tokenized financial instrument con-

17 ~~quirements applicable exclusively to the~~fers substantially equivalent in all material re-

18 ~~safekeeping, transfer, or administration of~~spects economic rights, legal rights, and obliga-

19 ~~securities.~~tions as the underlying financial instrument;

20 (B) the tokenized financial instrument is

21 issued or created in full compliance with all ap-

22 plicable laws governing the underlying financial

23 instrument;

24 (C) records of ownership are maintained in

25 accordance with applicable recordkeeping re-

1 quirements established by the appropriate agen-
2 cy, including pursuant to section 106; and
3 (D) the distributed ledger or comparable
4 technology employed meets such requirements
5 for accuracy, resilience, auditability, and settle-
6 ment finality as the appropriate agency may es-
7 tablish by rule, consistent with sections 106 and
8 107.
9 (e) PARITY IN REGULATORY TREATMENT.—
10 (1) IN GENERAL.—Except as otherwise pro-
11 20 (3) SECURITIES.—Notwithstanding vided in this section or any other21 provision of law or regulation—this
12 Act, a tokenized financial instrument shall be treat-
13 ed for all regulatory purposes as the financial instru-
14 ment it represents.
15 (2) NO WAIVER OR MODIFICATION.—No waiver
16 or modification of any requirement applicable to the
17 22 (A) any—underlying financial instrument that may be granted sole-
18 ly because the instrument is issued, recorded, or
19 transferred using distributed ledger technology.
20 (f) RULEMAKING FOR TOKENIZED FINANCIAL IN-
21 STRUMENTS.—
22 (1) SEC.—The Commission shall issue rules
23 governing tokenized financial instruments rep-
24 resenting securities and security-based swaps.

(2) CFTC.—The Commodity Futures Trading Commission shall issue rules governing tokenized financial instruments representing futures, swaps, and other derivatives regulated under the Commodity Exchange Act.

(3) REQUIREMENTS.—Rules issued under this subsection shall address, and in the case of the Commission, consistent with sections 106 and 107, how requirements applicable to the underlying financial instrument apply to custody, books and records, reconciliation with transfer agents or other recordkeepers, auditability, settlement finality, treatment of chain reorganizations, and other operational risks arising from the use of distributed ledger technology.

(g) ENFORCEMENT.—

(1) SEC.—The Commission may enforce subsections (d) through (f) as violations of section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)), provided that the elements of such section are satisfied.

(2) CFTC.—The Commodity Futures Trading Commission may enforce subsections (d) through (f) as violations of section 6(c)(1) of the Commodity Exchange Act (7 U.S.C. 8(c)(1)), provided that the elements of such section are satisfied.

(h) SAVINGS CLAUSES.—

(1) FINANCIAL INSTRUMENT.—Any financial instrument that is a security23 under the securities laws shall not cease to be24 a security because thatthe financial instrument is issued, re-

1 corded, represented,

6 or transferred using dis-

2 tributeddistributed ledger technology; and.

7 3 (B2) the TOKENIZATION.—The tokenization of a

8 real-world asset4 that is not otherwise a security

9 under Federal5 law shall not, solely by reason of that

10 6 tokenization, be deemed to be a security under the

11 securities laws.

12 (3) NO AUTHORIZATION.—Nothing in this sec-

13 tion shall authorize the Commission or the Com-

14 modity Futures Trading Commission, or any other

15 7 Federal law.or State regulator, to adopt any rule, ex-

8 SEC. 407. VOLUNTARY ADOPTION OF NATIONAL INSTITUTE

9 OF STANDARDS AND TECHNOLOGY POST-

10 QUANTUM CRYPTOGRAPHY STANDARDS.

16 emption, interpretation, or other action that would

17 result in a tokenized financial instrument not being

18 subject to the otherwise applicable rules, require-

19 ments, or restrictions for an untokenized financial

20 instrument with the same rights and interests.

21 (4) NO EXEMPTION.—Except as provided in

22 11 paragraph (a6) DEFINITIONS.—Inand (7), nothing in this section: shall

23 authorize the Commission or the Commodity Fu-

24 tures Trading Commission to exempt any person

25 from an applicable registration requirement arising

1 under the securities laws or Commodity Exchange
2 Act (7 U.S.C. 1 et seq.) solely because that person
3 conducts activities with tokenized financial instru-
4 ments.
5 (5) EFFECT ON STATE LAW.—Nothing in this
6 section may be construed, interpreted, or applied in
7 a manner that preempts, supersedes, invalidates, or
8 otherwise affects any State property transfer rules,
9 laws, regulations, or common law principles relating
10 to the transfer or recording of real tangible or intan-
11 gible assets or interests therein.
12 (6) RULEMAKINGS, ORDERS, AND OTHER AC-
13 TIONS.—For the avoidance of doubt, section 106
14 shall apply to any rulemaking, order, or other action
15 of the Commission under this section.
16 (7) NO LIMIT OF AUTHORITY.—Nothing in this
17 section, or any rule or regulation promulgated under
18 this section, may be construed to limit the authority
19 of the Commodity Futures Trading Commission to
20 grant exemptions pursuant to section 4(c) of the
21 Commodity Exchange Act (7 U.S.C. 6(c)).
22 **SEC. 506. VOLUNTARY ADOPTION OF NATIONAL INSTITUTE**
23 **OF STANDARDS AND TECHNOLOGY POST-**
24 **QUANTUM CRYPTOGRAPHY STANDARDS.**
25 (a) DEFINITIONS.—In this section:

1 (1) APPROPRIATE CONGRESSIONAL COMMIT-
2 TEES.—The term ''appropriate congressional com-
3 mittees'' means—
4 (A) the Committee on Banking, Housing,
5 and Urban Affairs of the Senate;
6 (B) the Committee on Agriculture, Nutri-
7 tion, and Forestry of the Senate;
8 (C) the Committee on Commerce, Science,
9 and Transportation of the Senate;
10 (D) the Committee on Financial Services
11 of the House of Representatives;
12 (E) the Committee on Agriculture of the
13 House of Representatives; and

25 1 (F) the Committee on Energy and Com-
14 2 merce of the House of Representatives.
15 3 (2) DIRECTOR.—The term ''Director'' means
16 4 the Under Secretary of Commerce for Standards
17 5 and Technology.
18 6 (b) SENSE OF CONGRESS.—Congress finds the fol-
19 7 lowing:
20 8 (1) Technical standards with respect to digital
21 9 assets ensure quality, interoperability, and reliability
22 10 in products, processes, and services and facilitate in-
23 11 novation.

24 12

1 (2) The digital asset ecosystem should harness

2 13 standards to solve coordination problems and foster

3 14 innovation, not through regulation, but through vol-

4 15 untary, market-driven measures.

5 16 (3) Advances in quantum computing threaten

6 17 existing cryptographic standards and the security of

7 18 digital assets.

8 19 (c) VOLUNTARY ADOPTION.—The Director, in con-

9 sultation with the Secretary of Com- Homeland Security and the

10 heads of sector risk management agencies, as appropriate,

11 20 merce, acting through the Director, shall supportpromote the vol- 21 untary adoption and deployment of

12 post-quantum cryptography standards

22 finalized by the National Institute of Standards and Tech-

23 nology, including Federal Information Processing Stand- by—

24 ard 203 (relating to module-lattice-based key-encapsula-

25 tion mechanisms), Federal Information Processing Stand-

~~26 1 ard 204 (relating to module-lattice-based digital signa-~~

~~2 tures), and Federal Information Processing Standard 205~~

~~3 (relating to stateless hash-based digital signatures) (or~~

13 (1) disseminating and making publicly available

14 guidance and resources to help organizations adopt

15 and deploy those standards;

16 (2) providing technical assistance, as prac-

17 ticable, to entities that are at high risk of quantum

18 cryptography analytic attacks, such as entities deter-

19 mined to be critical infrastructure or digital infra-

20 structure providers; and

21 (3) conducting such other activities determined

22 necessary by the Director to promote the adoption

23 ~~4 any successor to any such standard),~~ and deployment of those standards across the ~~digital~~

~~5 asset ecosystem.~~

24 United States.

1 6 (d) INDUSTRY CONSULTATION.—In carrying out sub- implementing
2 7 section subsection (c), the Director shall, at a minimum—
3 8 (1) solicit regular input from a broad range of
4 9 industry stakeholders regarding the feasibility and
5 10 practical challenges of adopting the standards de-
6 11 scribed in that subsection;
7 12 (2) facilitate ongoing dialogue between the Na-
8 13 tional Institute of Standards and Technology and in-
9 14 dustry participants to identify, assess, and address
10 15 barriers to the adoption of the standards described
11 16 in that subsection;
12 17 (3) not later than 2 years after the date of en-
13 18 actment of this Act, and biennially thereafter until
14 19 2035, submit to the appropriate congressional com-
15 20 mittees a report on the carrying out implementation of that sub- subsection
16 21 section (c), including stakeholder engagement with re- spect
17 22 spect to those actions and continued challenges in adopt-
18 23 adopting ing the standards described in that subsection; 24 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
learned in implementing subsection (c).

SEC. 507. INTERNATIONAL COORDINATION TO COMBAT DIGITAL ASSET ILLICIT FINANCE.

(a) IN GENERAL.—The Secretary of the Treasury, in coordination with the Secretary of State, the Attorney General, the Secretary of Homeland Security, and the heads of such other Federal departments and agencies as the President may designate, shall lead an interagency initiative to strengthen international cooperation to prevent the misuse of digital assets for illicit finance, sanctions evasion, terrorist financing, or other national-security threats.

(b) OBJECTIVES.—The initiative established under subsection (a) shall—

(1) engage foreign counterparts, including finance ministries, central banks, and financial intelligence units, to promote anti-money-laundering, sanctions evasion, and counter-terrorist financing controls applicable to digital asset activities, consistent with United States standards for those controls and the framework established under the National Strategy for International Digital Asset Illicit Finance submitted under subsection (c);

(2) encourage the adoption and enforcement of effective regulatory and supervisory frameworks for digital asset service providers to ensure transparency and prevent illicit use;

(3) identify and prioritize jurisdictions of concern that present significant risk of facilitating illicit digital asset activity and develop coordinated diplomatic, economic, and law enforcement strategies to address those risks;

(4) support technical assistance and capacity-building programs for partner jurisdictions to enhance anti-money laundering, sanctions evasion, and counter-terrorist financing supervision, enforcement, and information sharing relating to digital assets; and

(5) report annually to Congress on progress made toward the objectives described in paragraphs (1) through (4), including a list of cooperative and non-cooperative jurisdictions and any recommendations for additional actions or sanctions.

(c) NATIONAL STRATEGY.—Not later than 270 days after the date of enactment of this Act, the Secretary of the Treasury, in consultation with the Secretary of State, the Attorney General, and the Director of National Intelligence, shall submit to the Committee on Banking, Housing, and Urban Affairs, the Committee on Foreign Relations, and the Committee on Homeland Security and Governmental Affairs of the Senate, and the Committee on Financial Services, the Committee on Foreign Affairs, and

1 the Committee on Homeland Security of the House of
2 Representatives a National Strategy for International
3 Digital Asset Illicit Finance, which shall—
4 (1) assess global vulnerabilities and enforce-
5 ment gaps with respect to digital assets;
6 (2) set measurable goals and timelines for mul-
7 tilateral engagement with respect to digital assets;
8 (3) recommend resource and staffing require-
9 ments for Treasury attaches, financial intelligence li-
10 aisons, and other personnel necessary to implement
11 the strategy; and
12 (4) identify standards for anti-money laun-
13 dering, sanctions evasion, and counter-terrorist fi-
14 nancing controls applicable to digital asset activities
15 by foreign jurisdictions, informed by United States
16 law, regulation, and supervisory standards, including
17 standards relating to—
18 (A) anti-money laundering and countering
19 the financing of terrorism policies, national risk
20 assessment, and interagency coordination to
21 identify, prioritize, and mitigate illicit finance
22 threats;
23 (B) money laundering offenses, asset sei-
24 zure, and confiscation to recover proceeds of
25 crime;

(C) terrorist financing and proliferation-financing offenses and related targeted financial sanctions;

(D) preventive measures for financial institutions and other covered entities, including customer due diligence, recordkeeping, internal controls, and reporting of suspicious transactions; and

(E) regulation, supervision, and enforcement by competent authorities, including financial intelligence, law enforcement, and sanctions measures.

SEC. 508. ANNUAL REPORT ON FOREIGN DIGITAL ASSET TRADING VOLUME, COMPLIANCE WITH UNITED STATES STANDARDS AND REMEDIATION ACTIONS.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, and annually thereafter for a period of 4 years, the Secretary of the Treasury shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report that—

(1) lists the top 20 foreign jurisdictions by volume of digital asset trading activity on foreign dig-

ital asset service providers during the calendar year immediately preceding the year of the report, as measured by reliable market data providers and distributed ledger analytics;

(2) assesses the degree to which each foreign jurisdiction listed under paragraph (1) has implemented and enforced anti-money laundering, sanctions evasion, and counter-terrorist financing controls applicable to digital asset activities consistent with the standards and framework identified under the National Strategy for International Digital Asset Illicit Finance submitted under section 507; and

(3) identifies foreign jurisdictions with—

(A) material deficiencies in the implementation or enforcement of the standards described in paragraph (2); and

(B) trading volumes that present systemic illicit finance risk to the United States.

~~4 learned in carrying out that~~(b) FORM.—Each report required under subsection (a) shall be submitted in unclassified form, but may include a classified annex, as appropriate.

(c) REMEDIATION AND ENGAGEMENT REPORT.—For each foreign jurisdiction identified pursuant to subsection (a)(3), the Secretary of the Treasury shall include in the applicable report—

(1) a description of bilateral diplomatic, regulatory, or law enforcement engagements undertaken during the calendar year immediately preceding the year in which the report is submitted to remedy the deficiencies of the foreign jurisdiction;

(2) a summary of actions taken by the United States individually, or in conjunction with any applicable international body, to identify, monitor, and remedy high-risk or non-cooperative jurisdictions with respect to digital asset illicit finance, including designations or public statements identifying those jurisdictions and measures to support their remediation;

(3) any commitments obtained from the foreign jurisdiction to address identified deficiencies, including timeliness and benchmarks; and

(4) an assessment of progress made toward full implementation of the standards identified under the National Strategy for International Digital Asset Illicit Finance submitted under section 507.

TITLE ~~V~~VI—PROTECTING SOFTWARE DEVELOPERS AND SOFTWARE INNOVATION

SEC. ~~501~~601. PROTECTING SOFTWARE DEVELOPERS.

(a) AMENDMENT TO THE SECURITIES ACT OF 1933.—The Securities Act of 1933 (15 U.S.C. 77a et seq.) is amended by inserting after section 27B (15 U.S.C. 77z–2a) the following:

"SEC. 27C. APPLICATION TO SOFTWARE DEVELOPERS.

"(a) DISTRIBUTED LEDGER SYSTEM DEFINED.—In this section, the term 'distributed ledger system' has the meaning given the term in section 2 of the Digital Asset Market Clarity Act.

"(b) APPLICATION TO SOFTWARE DEVELOPERS.—Notwithstanding any other provision of this Act, a person shall not be subject to this Act and the regulations promulgated under this Act solely based on the person engaging in any of the following activities, whether singly or in combination, in relation to the operation of a distributed ledger system or any component thereof:

"(1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity.

"(2) Providing computational work, operating a node or oracle service, or procuring, offering, or uti-

lizing network bandwidth, or providing other similar incidental services.”.

(b) AMENDMENT TO THE SECURITIES EXCHANGE ACT OF 1934.—The Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by inserting after section 15G (15 U.S.C. 78o–11) the following:

“SEC. 15H. APPLICATION TO SOFTWARE DEVELOPERS.

“(a) DEFINITIONS.—In this section:

“(1) CONSTITUTE.—The term ‘constitute’ means to compile, assemble, integrate, or otherwise combine software components into a complete software system.

“(2) DECENTRALIZED FINANCE TRADING PROTOCOL.—

“(A) IN GENERAL.—The term ‘decentralized finance trading protocol’ means a distributed ledger system through which multiple participants can execute a financial transaction—

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

“(ii) without reliance on a person other than the user to maintain custody or

~~25 1~~ control of the digital assets subject to the

24 ~~2~~ financial transaction.

25 3

1 "(B) EXCLUSIONS.—

2 4 "(i) IN GENERAL.—The term 'decen-

3 5 tralized finance trading protocol' does not

4 6 include a distributed ledger system if—

5 7 "(I) a person or group of persons

6 8 under common control or acting pur-

7 9 suant to an agreement to act in con-

8 10 cert has the authority, directly or in-

9 11 directly, through any contract, ar-

10 12 rangement, understanding, relation-

11 13 ship, or otherwise, to control or mate-

12 14 rially alter the functionality, oper-

13 15 ation, or rules of consensus or agree-

14 16 ment of the distributed ledger system;

15 or

16 17 "(II) the distributed ledger sys-

17 18 tem does not operate, execute, and en-

18 19 force its operations and transactions

19 20 based solely on pre-established, trans-

20 21 parent rules encoded directly within

21 22 the source code of the distributed

22 23 ledger system.

23 "(III) a person or group of per-

24 sons under common control has the

25 unilateral authority, via operation of

1 the distributed ledger system, to re-
2 strict, censor, or prohibit the use of
3 the distributed ledger system, includ-
4 ing any applicable system-based user
5 activity.
6 24 ''(ii) SPECIAL RULE.—For purposes of
7 25 clause (i), a decentralized governance sys-

1 tem shall not be considered to be a person
2 or a group of persons under common con-
3 trol or acting pursuant to an agreement to
4 act in concert.

11 "(3) DEPLOY.—The term 'deploy' means to
12 bring software or hardware onto a distributed ledger
13 system for active use.

14 "(24) DIGITAL ASSET; DISTRIBUTED LEDGER
15 APPLICATION; DISTRIBUTED LEDGER SYSTEM; DIS-
16 TRIBUTED LEDGER PROTOCOL; DECENTRALIZED
17 GOVERNANCE SYSTEM; SMART CONTRACT.—The
18 terms 'digital asset', 'distributed ledger application',
19 'distributed ledger system', 'distributed ledger pro-
20 tocol', 'decentralized governance system', and 'smart
21 contract' have the meanings given those terms in
22 section 2 of the Digital Asset Market Clarity Act.

23 "(5) DECENTRALIZED FINANCE MESSAGING
24 SYSTEM.—

"(A) IN GENERAL.—The term 'decentralized finance messaging system' means a software application that provides a user with the ability to create or submit an instruction, communication, or message to a decentralized finance trading protocol.

"(B) ADDITIONAL REQUIREMENTS.—The term 'decentralized finance messaging system' does not include any system that provides any ~~nancial Innovation Act of 2025.~~person other than the user with —

"(i) control over the funds of the user; or

"(ii) the authority to execute any of the transaction of the user.

~~11~~ "(b) APPLICATION TO SOFTWARE DEVELOPERS.—

~~12~~ Notwithstanding any other provision of this Act, a person

~~13~~ shall not be subject to this Act and the regulations pro-

~~14~~ mulgated under this Act solely based on the person ~~directly or~~engag-

~~15 indirectly engaging~~ing in any of the following activities,~~16~~ whether singly or

in combination, in relation to the oper~~-17~~ation of a distrib-

uted ledger system or ~~a distributed ledger~~

~~18 application, or in relation to a decentralized finance trad-~~

~~19 ing protocol~~any component thereof:

~~20~~ "(1) Compiling network transactions or relay-

~~21~~ ing, searching, sequencing, validating, or acting in a

similar capacity with respect to a distributed ledger protocol or distributed ledger system.

25 ~~24~~

1 "(2) Providing computational work, operating a

2 ~~25~~ node or oracle service, or procuring, offering, or uti-

lizing network bandwidth, or providing other similar incidental services.

"(3) Providing a user interface that enables a user to read and access data about a distributed ledger system or distributed ledger application.

"(43) Developing, publishing, or constituting, ad—

"(A) a distributed ledger system; or

"(B) software or systems that create or utilize hardware or software, including wallets or other systems, that facilitate the ability of a user to keep, safeguard, or have custody of the digital assets or private keys of the user.

"(c) RULE OF CONSTRUCTION.—Subsection (b)(3) does not extend to any activity covered in any of the activities described in subparagraphs (A) through (D) of subsection (d)(1), including activity taken following deployment of such software or hardware.

"(d) CLARIFICATION.—

"(1) IN GENERAL.—The Commission shall, pursuant to notice and comment rulemaking, clarify the circumstances under which a person shall not be subject to this Act by reason of engaging solely in 1 or more of the following activities in relation to the operation of a decentralized finance trading protocol or any component thereof:

1 "(A) Providing a user interface that en-
2 ables a user to read and access data.
3 7 ministering"(B) Administering, maintaining, or other-
4 wise distributing a
8 distributed ledger system, a
decentralized govern- governance
5 9 ance system relating to a decentralized finance trad-
6 10 ing protocol, or a decentralized finance trading pro-
11 tocol.
12 "(5) Developing, publishing, constituting, ad-
7 protocol.
8 13 ministering"(C) Administering, maintaining, or other-
9 wise distributing a14 decentralized finance mes-
10 saging system or operating15 or participating in
11 a smart contract-based liquidity pool in a de-
12 centralized finance trading protocol.
16 "(6) Developing, publishing, constituting, ad-
13 17 ministering"(D) Administering, maintaining, or other-
14 wise distributing18 software or systems that cre-
15 ate or deploy hardware19 or software, including
16 wallets or other systems, that20 facilitate the abil-
17 ity of a user to keep, safeguard, or21 custody the
18 digital assets or related private keys of22 the
19 user.
20 "(2) CONSIDERATIONS.—In providing the clari-
21 fication under paragraph (1) the Commission shall—

22 "(A) ensure that the rules are consistent
23 with the purposes of the securities laws, includ-
24 ing the public interest, the protection of inves-

tors, and the maintenance of fair and orderly markets;

"(B) provide that section 108(a) of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026 shall apply to such rules;

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

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

"(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to grant the Commission authority over persons, systems, software, or activities that do not otherwise fall within the jurisdiction of the Commission under this Act, or to create a presumption that any such activity is subject to this Act.

"(e) ANTI-FRAUD, ANTI-MANIPULATION, AND FALSE REPORTING.—The determination to be not subject to this Act under subsections (b) and (d) shall not apply to the

1 anti-fraud, anti-manipulation, or false reporting enforce-

2 ~~25 forcement~~ment authorities of the Commission.

1 "(~~d~~f) RULE OF CONSTRUCTION.—For the avoidance of
2 doubt, nothing in this Act or the rules and regulations
3 promulgated under this Act may be construed to apply any
4 requirement of the securities laws to a digital commodity,
5 as defined in section 2 of the Digital Asset Market Clarity
6 Act, or expand the authority of the Commission beyond
7 that which the Commission had before the date of enact-
8 ment of the Digital Asset Market Clarity Act to regulate
9 the activities described in subsection (d)(1).
10 "(g) FEDERAL PREEMPTION.—
11 "(1) IN GENERAL.—Notwithstanding any other
12 provision of law, no securities, commodities, or dig-
13 ital assets law of any State (or of any political sub-
14 division of a State) shall apply to an activity de-
15 scribed in subsection (b).
16 "(2) RULE OF CONSTRUCTION.—Nothing in
17 paragraph (1) may be construed to apply to the
18 anti-money laundering, anti-fraud, or anti-manipula-
19 tion authorities of a State (or of ~~a~~any political sub~~divi~~-
20 ~~sion~~division of a State).~~".~~
21 ~~(b) UNLICENSED MONEY TRANSMITTING BUSI-~~
22 ~~NESSES.—Section 1960(a) of title 18, United States Code,~~
23 ~~is amended by inserting "exercises control over currency,~~
24 ~~funds, or other value that substitutes for currency and"~~
25 ~~after "knowingly~~".
26 (c) APPLICABILITY.—This section, and the amend-

ments made by this section, shall apply to conduct occurring before, on, or after the date of enactment of this Act.

SEC. 502. SAFE HARBOR FOR NONFUNGIBLE DIGITAL TOKENS.

(a) DEFINITIONS.—In this section:

(1) NON-FUNGIBLE TOKEN.—The term ''non-fungible token'' means a digital unit recorded on a distributed ledger that—

~~(A) is individually identifiable and distinguishable from any other digital unit;~~

~~(B) represents ownership of, or rights in, a work of authorship, art, a collectible, a membership, an access credential, a certificate of authenticity, an in-game or in-application item, or another similar specific item or discrete digital or physical good, service, or benefit;~~

~~(C) is not interchangeable on a 1-to-1 basis with any other token or digital unit; and~~

~~(D) may be bought, sold, or transferred for consideration.~~

~~(2) PROMOTER.—The term "promoter" means a person or group that manages, controls, or operates an enterprise in which capital is invested, or any person or group acting on behalf of such a person or group with respect to such an enterprise, including an affiliate, agent, or coordinated actor that contributes to the capital raising efforts of the enterprise.~~

~~(b) SAFE HARBOR.—~~

SEC. 602. SAFE HARBOR FOR NONFUNGIBLE TOKENS.

(a) DEFINITIONS.—In this section:

(1) NONFUNGIBLE TOKEN.—The term "nonfungible token" means a digital asset recorded on a distributed ledger that—

(A) is individually identifiable and distin-

7 guishable from any other digital asset;

8 (B) represents ownership of, or rights in,

9 a work of authorship, art, a collectible, a mem-

10 bership, an access credential, a certificate of au-

11 thenticity, an in-game or in-application item, or

12 another similar specific item or discrete digital

13 or physical good, service, or benefit;

14 (C) is not interchangeable on a 1-to-1

15 basis with any other token or digital asset; and

16 (D) may be bought, sold, or transferred for

17 consideration.

18 (2) PROMOTER.—The term ''promoter'' means

19 a person or group that manages, controls, or oper-

20 ates an enterprise in which capital is invested, or

21 any person or group acting on behalf of such a per-

22 son or group with respect to such an enterprise, in-

23 cluding an affiliate, agent, or coordinated actor that

24 contributes to the capital raising efforts of the enter-

25 prise.

26 (b) SAFE HARBOR.—

1 (1) IN GENERAL.—Except as provided in para-
2 graph (3), the offer, sale, resale, transfer, or convey-
3 ance of a non-fungible token shall not be deemed to
4 constitute an offer or sale of a security or invest-

ment contract under the Securities Act of 1933 (15 U.S.C. 77a et seq.), the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), or any equivalent State law, unless the transaction, in substance, involves all of the elements of an investment contract.

(2) RULES OF CONSTRUCTION.—Neither of the following shall be considered to be a security under the Securities Act of 1933 (15 U.S.C. 77a et seq.) or the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.):

(A) The resale or secondary market transfer of a non-fungible token, where the payment for that resale or transfer does not flow to a promoter or is not used to raise new capital for an enterprise.

(B) A non-fungible token that serves as a collectible, membership right, event ticket, access credential, or other non-investment-based use case solely because the non-fungible token may appreciate in value or depend in part on

21 continued efforts or the reputation of the cre-
22 ator or issuer of the non-fungible token.
23 (3) EXCEPTIONS.—The safe harbor under para-
24 graph (1) shall not apply to—

1 (A) a mass-minted series of items with
2 substantially similar or nearly identical traits
3 that are marketed or sold interchangeably;
4 (B) a fractionalized interest in a non-fun-
5 gible token; or
6 (C) an interest representing a beneficial or
7 economic claim on a non-fungible token or an
8 asset that a non-fungible token represents.
9 (4) RELIANCE; PROSPECTIVE EFFECT.—
10 (A) RELIANCE.—A person, other than an
11 originator or related person, that reasonably
12 and in good faith relies on the safe harbor
13 under this subsection shall not be subject to
14 any civil or administrative penalties.
15 (B) PROSPECTIVE EFFECT.—Any deter-
16 mination by the Commission that the safe har-
17 bor under this subsection does not apply to a
18 particular circumstance shall—
19 (i) be prospective only; and
22

1 (ii) take effect not earlier than 60
2 days after the date on which the Commis-
3 sion publicly posts that determination.

1 SEC. 503603. STUDY ON NON-FUNGIBLE TOKENS.

2 (a) DEFINITION.—In this section, the term ''non-fun-
3 gible token'' has the meaning given the term in section
4 502.
6 602.
5 (b) STUDY.—The Comptroller General of the United
6 States shall carry out a study of non-fungible tokens that
7 analyzes—
8 (1) the nature, size, role, purpose, and use of
9 non-fungible tokens;
10 (2) the similarities and differences between non-
11 fungible tokens and other digital commodities, in-
12 cluding digital commodities and payment stablecoins,
13 and how the markets for those digital commodities
14 intersect;
15 (3) how non-fungible tokens are minted by
16 issuers and subsequently administered to purchasers;
17 (4) how non-fungible nonfungible tokens are stored after
18 being purchased by a consumer;
19 (5) the interoperability of non-fungible tokens
20 between different distributed ledger systems;
21 (6) the scalability of different non-fungible22 nonfungible token
24 marketplaces;

25 23

1 (7) the benefits of non-fungible tokens, includ-ing

2 24 ing verifiable digital ownership;

3 25 (8) the risks of non-fungible tokens, including—

4 26 (A) intellectual property rights;

(B) cybersecurity risks; and

(C) market risks;

(9) whether and how non-fungible tokens have been, or could be, integrated with traditional marketplaces, including marketplaces for music, real estate, gaming, events, and travel;

(10) whether and how non-fungible tokens have been, or could be, used to facilitate commerce or other activities through the representation of documents, identification, contracts, licenses, and other commercial, governmental, or personal records;

(11) any risks to traditional markets from the integration described in paragraph (9); and

(12) the levels and types of illicit activity in non-fungible token markets.

(c) REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall make publicly available a report that includes the results of the study required under subsection (b).

~~**SEC. 504. SAFE HARBOR FOR DECENTRALIZED PHYSICAL INFRASTRUCTURE NETWORKS.**~~

~~The Securities Act of 1933 (15 U.S.C. 77a et seq.) is amended by inserting after section 4B, as added by this Act, the following:~~

1 **"SEC. 4C. EXEMPTION FOR DECENTRALIZED PHYSICAL IN-**
2 **FRASTRUCTURE NETWORKS.**
3 "(a) DEFINITIONS.—In this section:
4 "(1) DECENTRALIZED PHYSICAL INFRASTRUC-
5 TURE NETWORK.—The term 'decentralized physical
6 infrastructure network' means a system that uses
7 distributed ledger technology to coordinate and ad-
8 minister the contribution, operation, or maintenance
9 of physical resources, including devices, data stor-
10 age, computing power, connectivity, or energy infra-
11 structure, by multiple independent participants in a
12 manner that is designed to prevent any single person
13 or entity from exercising unilateral control over the
14 operation or governance of the system.
15 "(2) DECENTRALIZED PHYSICAL INFRASTRUC-
16 TURE NETWORK TOKEN.—The term 'decentralized
17 physical infrastructure network token' means a dig-
18 ital asset that is—
19 "(A) issued solely for use within, and as an
20 integral part of, a decentralized physical infra-
21 structure network; and
22 "(B) designed to—
23 "(i) facilitate participation in the
24 management, operation, resource provi-
25 sioning, or governance of the decentralized

~~physical infrastructure network described in subparagraph (A); or~~

~~"(ii) reward participants for the participation described in clause (i).~~

~~"(3) DIGITAL ASSET; DISTRIBUTED LEDGER.—The terms 'digital asset' and 'distributed ledger' have the meanings given those terms in section 2 of the Responsible Financial Innovation Act of 2025.~~

~~"(b) EXEMPTION.—The offer or sale of a digital asset issued or sold in connection with a decentralized physical infrastructure network shall not be considered an offer or sale of a security, if—~~

~~"(1) the digital asset is issued and administered pursuant to programmatic rules that enable holders of the digital asset or participants in the decentralized physical infrastructure network to participate in a nondiscriminatory basis in the governance, operation, or management of the decentralized physical infrastructure network;~~

~~"(2) the principal purpose of the digital asset is to incentivize or provide compensation for the provision, deployment, operation, or maintenance of physical resources that comprise the decentralized physical infrastructure network;~~

1 "(3) no person or entity, alone or in concert
2 with others, beneficially owns or controls not less
3 than 20 percent of the outstanding supply of digital
4 assets related to that decentralized physical infra-
5 structure network at any time after the initial dis-
6 tribution of the digital asset; and
7 "(4) before the public launch of the decentral-
8 ized physical infrastructure network—
9 "(A) no core developer or service provider
10 sells, directly or indirectly, that digital asset to
11 the general public or to a digital asset broker;
12 and
13 "(B) the proportion of physical resources
14 deployed or activated by core developers and
15 services providers with respect to the decentral-
16 ized physical infrastructure network, in the ag-
17 gregate, does not exceed the proportion of those
18 resources deployed or activated by unaffiliated
19 participants.
20 "(c) NETWORK REQUIREMENTS.—A decentralized
21 physical infrastructure network shall be eligible for the ex-
22 emption under subsection (b) only if—
23 "(1) the operator of, or relevant participants in,
24 the decentralized physical infrastructure network
25 possess all licenses required by applicable Federal,

~~State, or local law to operate as a utility or infrastructure provider, if those licenses are required for lawful operation;~~

~~"(2) the architecture of the decentralized physical infrastructure network minimizes single points of failure by distributing essential infrastructure or control functions across multiple, independent participants;~~

~~"(3) the decentralized physical infrastructure network demonstrates scalability that is reasonably sufficient to address foreseeable increases in demand;~~

~~"(4) the decentralized physical infrastructure network incorporates technical and operational safeguards that are reasonably designed to secure infrastructure, participant data, and network operations against unauthorized access and malicious activity;~~

~~"(5) the decentralized physical infrastructure network includes mechanisms to promote operational reliability and to prevent, detect, and mitigate fraud or abuse; and~~

~~"(6) the decentralized physical infrastructure network provides for technical integration with existing infrastructure, systems, or users as necessary to promote adoption or utility.~~

26

1 "(d) NOTICE OF RELIANCE.—Any person or entity**SEC. 604. BLOCKCHAIN REGULATORY CERTAINTY ACT.**

2 claiming the exemption under this(a) SHORT TITLE.—This section shall furnish the

3 Commission with a notice of reliance in such form and

4 in such manner as the Commission may prescribe by rule,

5 which shall effective upon filing with the Commission, un-

6 less otherwise provided by the Commission.

7 "(e) RULEMAKING.—The Commission shall issue

8 such rules, forms, or guidance as may be necessary or ap-cited as the

9 propriate to carry out this section.".

10 **SEC. 505. TREATMENT OF CERTAIN NON-CONTROLLING DE-**

11 **VELOPERS WITH RESPECT TO MONEY TRANS-**

12 **MISSION LAWS.**

1 "Blockchain Regulatory Certainty Act".

2 13 (ab) DEFINITIONS.—In this section:

3 14 (1) DEVELOPER OR PROVIDER.—The term "de-

4 15 veloper or provider" means any person or business

5 16 that creates or publishes software to facilitate the

6 17 creation of, or provide maintenance to, a distributed

7 18 ledger, or a service associated with a distributed

8 19 ledger.

9 20 (2) DISTRIBUTED LEDGER SERVICE.—The term

10 21 "distributed ledger service" means any information,

11 22 transaction, or computing service or system that

12 23 provides or enables access to a distributed ledger

13 24 networksystem by multiple users, including a service or

sys-

14 ~~25~~ tem that enables users to send, receive, exchange, or

store digital assets described by distributed ledger ~~networks.~~ systems.

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

24 11

1 proval, consent, or direction of any other third

2 12 party.

3 13 (b c) TREATMENT.—Notwithstanding any other provi-

4 14 sion of law, a non-controlling developer or provider—

5 15 (1) shall not be treated as—

6 16 (A) a money transmitting business, as de-

7 17 fined in section 5330 of title 31, United States

8 18 Code, and the regulations promulgated under

9 19 that section; or

10 20 (B) engaged in money transmitting, as de-

11 21 fined in section 1960 of title 18, United States

12 22 Code, as amended by this Act; and

13 23 (2) on or after the date of enactment of this

14 24 Act, shall not be otherwise subject to any registra-

15 25 tion requirement that is substantially similar to a re-

1 quirement (as in effect on the day before the date
2 of enactment of this Act) that applies to an entity
3 described in subparagraph (A) or (B) of paragraph
4 (1), solely on the basis of—
5 (A) creating or publishing software to fa-
6 cilitate the creation of, or providing mainte-
7 nance services to, a distributed ledger or a serv-
8 ice associated with a distributed ledger;

23 9

1 (B) providing hardware or software to fa-

2 10 cilitate a customer's own custody or safekeeping

3 11 of the digital assets of the customer; or

4 12 (C) providing infrastructure support to

5 13 maintain a distributed ledger service.

6 14 (ed) RULES OF CONSTRUCTION.—Nothing in this sec-

7 15 tion may be construed—

8 16 (1) to affect whether a developer or provider of

9 17 a blockchaindistributed ledger service is otherwise subject to classi-

10 18 ficationclassification or treatment as a money transmitter,

11 or as19 engaged in money transmitting, under applicableapplica-

12 20 ble Federal or State law, including laws relating to

13 anti-21 money laundering or countering the financing of ter-

14 22 rismterrorism, based on conduct outside the scope of sub-

23 section (c);

15 subsection (c);

16 24 (2) to affect whether a developer or provider is

17 25 otherwise subject to classification or treatment as a

1 financial institution under subchapter II of chapter
2 53 of title 31, United States Code, this Act, any
3 amendment made by this Act, or any Act enacted
4 after the date of enactment of this Act;
5 (3) to limit or expand any law pertaining to in-
6 tellectual property;
7 (4) to prevent any State from enforcing any
8 State law that is consistent with this section; or

25 9

1 (5) to create a cause of action or impose liabil-

2 10 ity under any State or local law that is inconsistent

3 11 with this section.

4 12 SEC. 506. SELF-CUSTODY. SEC. 605. KEEP YOUR COINS ACT.

5 (a) SHORT TITLE.—This section may be cited as the

6 "Keep Your Coins Act".

7 13 (ab) DEFINITIONS.—In this section:

8 14 (1) COVERED USER.—The term "covered user"

9 15 means a person thatUnited States individual who obtains digital

10 assets to pur-16 chase goods or services on behalf of

11 that person individual,17 without regard to the method in

12 which that person18 individual obtained those digital assets.

13 19 (2) SELF-HOSTED WALLET.—The term "self-

14 20 hosted wallet" means a digital interface—

15 21 (A) that is used to secure and transfer dig-

16 22 ital assets; and

17 23 (B) under which the owner of digital assets

18 24 secured and transferred under subparagraph

(A) retains independent control over those dig-
ital assets.

(~~b~~c) SELF-CUSTODY.—A Federal agency may not pro-
hibit, restrict, or otherwise impair the ability of a covered
user to self-custody digital assets using a self-hosted wallet
or other means to conduct transactions for any lawful pur-
pose.

(d) RULE OF CONSTRUCTION.—Nothing in this section may be construed to limit the authority of the Secretary of the Treasury, the Commission, the Commodity Futures Trading Commission, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the National Credit Union Administration to carry out any enforcement action or special measure authorized under applicable law, including—

(1) the Bank Secrecy Act, section 9714 of the Combating Russian Money Laundering Act (31 U.S.C. 5318A note), and section 7213A of the Fentanyl Sanctions Act (21 U.S.C. 2313a); or

(2) any other law relating to illicit finance, money laundering, terrorism financing, or United States sanctions.

TITLE ~~VI—BANKRUPTCY~~VII—PROTECTING CUSTOMER PROPERTY

SEC. ~~601~~701. CUSTOMER PROPERTY PROTECTIONS FOR ANCILLARY ASSETS AND DIGITAL COMMODITIES IN BANKRUPTCY.

(a) DEFINITIONS FOR STOCKBROKER LIQUIDATION.—

(1) IN GENERAL.—Section 741 of title 11, United States Code, is amended—

26 ~~16~~

1 (A) by redesignating paragraphs (5)
2 ~~17~~ through (9) as paragraphs (7) through (11), re-
3 ~~18~~ spectively;
4 ~~19~~ (B) by redesignating paragraphs (1)
5 ~~20~~ through (4) as paragraphs (2) through (5), re-
6 ~~21~~ spectively;
7 ~~22~~ (C) by inserting before paragraph (2), as
8 ~~23~~ so redesignated, the following:

1 "(1) 'ancillary asset' has the meaning given
2 that term section 2 of the Responsible Financial In-Digital Asset Market
3 novationClarity Act of 2025;";
4 (D) in paragraph (3), as so redesignated—
5 (i) in subparagraph (A)(vi), by strik-
6 ing "and" at the end;
7 (ii) by redesignating subparagraph
8 (B) as subparagraph (C);
9 (iii) by inserting after subparagraph
10 (A) the following:
11 "(B) entity with whom a person deals as
12 principal or agent and that has a claim against
13 such person on account of a digital commodity
14 or an ancillary asset received, acquired, or held
15 by such person from or for the securities ac-
16 count or accounts of such entity for 1 or more
17 of the purposes identified in clauses (i) through

25 18

1 (vi) of subparagraph (A) of this paragraph;

2 19 and''; and

3 20 (iv) in subparagraph (C), as so redes-

4 21 ignated—

5 22 (I) in clause (i)—

6 23 (aa) by inserting '', ancillary

7 24 asset, or digital commodity'' after

8 25 ''security''; and

(bb) by inserting "or (B)"

after "subparagraph (A)"; and

(II) in clause (ii), by inserting

"an ancillary asset, a digital com-

modity," after "a security,";

(E) in paragraph (5), as so redesignated,

in the matter preceding subparagraph (A), by

inserting "ancillary asset, digital commodity,"

after "cash, security," each place it appears;

(F) by inserting after paragraph (5), as so

redesignated, the following:

"(6) 'digital commodity' has the meaning given

that term in section 2 of the ~~Responsible Financial~~Digital Asset Market

~~Innovation~~Clarity Act~~ of 2025~~;"; and

(G) in paragraph (8), as so redesignated,

in subparagraph (A)(i), by inserting ", ancillary

24 17

1 asset positions, and digital commodities posi-

2 18 tions'' after ''securities positions''.

3 19 (b) EXTENT OF CUSTOMER CLAIMS.—Section 746(b)

4 20 of title 11, United States Code, is amended, in the matter

5 21 preceding paragraph (1), by striking ''cash or a security''

6 22 and inserting ''cash, a security, an ancillary asset, or a

7 23 digital commodity''.

~~(c) DEFINITIONS FOR COMMODITY BROKER LIQUIDATIONS.—Section 761 of title 11, United States Code, is amended—~~

~~(1) by redesignating paragraphs (11) through (17) as paragraphs (13) through (19), respectively;~~

~~(2) by redesignating paragraphs (2) through (10) as paragraphs (3) through (11), respectively;~~

~~(3) by inserting after paragraph (1) the following:~~

~~"(2) 'ancillary asset' has the meaning given that term section 2 of the Responsible Financial Innovation Act of 2025;";~~

~~(4) in paragraph (11), as so redesignated, in subparagraph (A)—~~

~~(A) in clause (viii), by striking "and" at the end;~~

~~(B) in clause (ix), by striking "but" at the end and inserting "and"; and~~

~~(C) by adding at the end the following:~~

~~"(x) any ancillary asset or digital commodity held, controlled, or managed for customers in connection with custody, trading, staking, lending, or related services, and accurately classified on the provider's daily records, received, acquired, or~~

~~held by or for the account of the debtor from or for the account of a customer; but"; and~~

~~(5) by inserting after paragraph (11), as so redesignated, the following:~~

~~"(12) 'digital commodity' has the meaning given that term in section 2 of the Responsible Financial Innovation Act of 2025;".~~

(~~d~~c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 546(e) of title 11, United States Code, is amended—

(A) by striking "section 741(7)" and inserting "section 741"; and

(B) by striking "section 761(4)" and inserting "section 761".

(2) Section 561 of title 11, United States Code, is amended—

(A) in paragraph (1), by striking "section 741(7)" and inserting "section 741"; and

(B) in paragraph (2), by striking "section 761(4)" and inserting "section 761".

(3) Section 752(c) of title 11, United States Code, is amended by striking "section 741(4)(B)" and inserting "section 471(5)(B)".

(~~e~~d) CLARIFICATION.—For the avoidance of doubt—

~~26~~

(1) nothing in this section or an amendment made by this section ~~shall~~may be construed to apply to securities or cash held by a broker-dealer and such assets and related claims shall be governed exclusively by the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.);

(2) nothing in this section or an amendment made by this section ~~shall~~may be construed to apply to deposits held by a bank or commodity contracts, which shall be governed by the relevant applicable law; and

(3) in any liquidation proceeding under subchapter III or IV of chapter 7 of title 11, United States Code, those provisions shall be construed to treat ancillary assets and digital commodities held for customers as customer property governed by title 11 and required to be distributed according to such title.

TITLE ~~VII—EFFECTIVE DATE~~VIII—CUSTOMER PROTECTION

SEC. 801. EDUCATIONAL MATERIALS.

The Commission and the Commodity Futures Trading Commission shall require digital asset intermediaries to provide clear and accessible educational materials to the public, including—

1 (1) an overview of how distributed ledger sys-
2 tems function;
3 (2) a description of common risks associated
4 with digital assets;
5 (3) a description of the differences between dig-
6 ital asset markets and traditional financial markets;
7 (4) information on reporting and disclosure re-
8 quirements related to digital asset transactions and
9 investment contracts which may be accompanied by
10 network tokens or ancillary assets; and
11 (5) guidance on recognizing fraudulent schemes
12 and instructions for reporting suspected fraud.
13 **SEC. 802. SAVINGS CLAUSES.**
14 (a) DEFINITIONS.—In this section:
15 (1) DIGITAL CONSUMER TOKEN.—The term
16 "digital consumer token" means a digital asset that
17 is primarily acquired for a consumptive purpose, in-
18 cluding redemption for a specified good or service at
19 the time of sale or within a reasonable token after
20 sale, as defined by the Federal Trade Commission
21 pursuant to rule.
22 (2) NONFUNGIBLE TOKEN.—The term "non-
23 fungible token" means a digital asset recorded on a
24 distributed ledger that—

1 (A) is individually identifiable and distin-
2 guishable from any other digital asset;
3 (B) represents ownership of, or rights in,
4 a work of authorship, art, a collectible, a mem-
5 bership, an access credential, a certificate of au-
6 thenticity, an in-game or in-application item, or
7 another similar specific item or discrete digital
8 or physical good, service, or benefit;
9 (C) is not interchangeable on a 1-to-1
10 basis with any other token or digital asset; and
11 (D) may be bought, sold, or transferred for
12 consideration.
13 (b) FEDERAL TRADE COMMISSION.—Nothing in this
14 Act, or any amendment made by this Act, may be con-
15 strued as limiting or abridging the jurisdiction of the Fed-
16 eral Trade Commission with respect to—
17 (1) investigations or enforcement actions relat-
18 ing to unfair or deceptive acts or practices by per-
19 sons relating to commerce in nonfungible tokens or
20 digital consumer tokens, including deceptive acts
21 with respect to advertising and endorsements relat-
22 ing to nonfungible tokens and digital consumer to-
23 kens;

(2) highlighting best practices relating to commerce in nonfungible tokens or digital consumer tokens;

(3) promoting responsible innovation;

(4) consumer education relating to fraudulent digital asset activity; or

(5) investigating unlawful restraints of trade in the digital asset industry.

(c) RULE OF CONSTRUCTION.—Nothing in this Act, or any amendment made by this Act, may be construed to expand, contract, or otherwise affect the jurisdiction or authority with respect to the Federal consumer financial laws under the Consumer Financial Protection Act of 2010 (12 U.S.C. 5481 et seq.), as in effect on the day before the date of enactment of this Act, including with respect to subsection (i) or (j) of section 1027 of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5517).

SEC. 803. STUDY ON EXPANDING FINANCIAL LITERACY.

(a) STUDY.—The Commission and the Commodity Futures Trading Commission shall jointly conduct a study to identify—

(1) the existing level of financial literacy among retail digital asset customers;

(2) methods to improve the timing, content, and format of financial literacy materials regarding digital assets provided by the respective commissions;

(3) methods to improve coordination between the Securities and Exchange Commission and the Commodity Futures Trading Commission with other agencies, including the Financial Literacy and Education Commission, nonprofit organizations, and State and local jurisdictions, to better disseminate financial literacy materials;

(4) the efficacy of current financial literacy efforts with a focus on rural communities and communities with majority-minority populations;

(5) the most useful and understandable relevant information, including clear disclosures, that retail digital asset customers need to make informed financial decisions before engaging with or purchasing a digital asset;

(6) the most effective public-private partnerships in providing financial literacy regarding digital asset;

(7) the most relevant metrics to measure successful improvement of the financial literacy of an individual after engaging with financial literacy efforts; and

(8) in consultation with the Financial Literacy and Education Commission, a strategy (including to the extent practicable, measurable goals and objectives) to increase financial literacy of investors regarding digital assets.

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Commission and the Commodity Futures Trading Commission shall jointly submit to the Committee on Banking, Housing, and Urban Affairs and the Committee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Financial Services and the Committee on Agriculture of the House of Representatives a written report on the study required under subsection (a).

SEC. 804. CONSULTATION WITH SIPC REGARDING MANDATORY BROKER-DEALER DISCLOSURES TO INVESTORS CONCERNING THE STATUS OF PAYMENT STABLECOINS AND DIGITAL COMMODITIES.

(a) DEFINITION.—In this section, the term "payment stablecoin" has the meaning given the term in section 2 of the GENIUS Act (12 U.S.C. 5901).

(b) RULES.—Not later than 270 days after the date of enactment of this Act, the Commission, after consultation with the Commodity Futures Trading Commission

and the Securities Investor Protection Corporation, shall issue rules requiring written disclosures regarding the treatment of customer assets in the event of an insolvency, resolution, or liquidation proceeding to be provided by a registered broker or dealer to an investor—

(1) before a digital commodity, a payment stablecoin, or an investment contract involving a unit of a digital commodity is received, acquired, or held by the broker or dealer for the account of the investor; and

(2) after the provision of the disclosures under paragraph (1), at such frequency as the Commission may prescribe.

(c) CONTENTS.—The rules issued under subsection (b) shall include, as necessary or appropriate for the protection of investors—

(1) a description of the manner in which any digital commodity, payment stablecoin, or investment contract involving a unit of a digital com-

~~AND RULEMAKING~~modity received, acquired, or held by a broker or dealer for the account of an investor would be treated in an insolvency, resolution, or liquidation proceeding with respect to the broker or dealer under—

(A) title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 et seq.);

(B) the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.); or

(C) as applicable, chapter 7 or 11 of title 11, United States Code; and

(2) how the treatment described in paragraph (1) differs from the treatment of securities and cash received, acquired, or held by the broker or dealer for the account of the applicable investor in the event of an insolvency, resolution, or liquidation proceeding with respect to the broker or dealer under each provision of law described in subparagraph (A), (B), and (C) of paragraph (1).

TITLE IX—OTHER MATTERS

SEC. ~~701~~901. JOINT ADVISORY COMMITTEE ON DIGITAL ASSETS.

(a) ESTABLISHMENT.—The Commodity Futures Trading Commission and the Securities and Exchange Commission (referred to collectively in this section as the

1 "Commissions") shall jointly establish the Joint Advisory
2 Committee on Digital Assets (referred to in this section
3 as the "Committee").
4 (b) PURPOSE.—

5

(1) IN GENERAL.—The Committee shall—

6 (A) provide the Commissions with official
7 findings and nonbinding recommendations on—

8 (i) the rules, regulations, oversight,
9 and other matters of the Commissions re-
10 lating to digital assets, including with re-
11 spect to regulatory harmonization between
12 the Commissions;

13 (ii) how to further the regulatory har-
14 monization of digital asset policy between
15 the Commissions or areas in which that
16 harmonization should occur; and

17 (iii) the implementation by the Com-
18 missions of this Act, and the amendments
19 made by this Act, including with respect to
20 regulatory harmonization between the
21 Commissions, memoranda of under-
18 standing, and the Joint Micro-Innova-tion
19 22 tion Sandbox established pursuant to sec-section
23 tion 401;
20 501;

21 24 (B) develop and share objective methods
22 25 and best practices for evaluating digital asset

1 networks and activities, including, as appro-
2 priate, technical features, economic design, and

implications for market integrity, investor protection, and operational resilience; and

(C) issue nonbinding recommendations to assist in resolving disputes between the Commissions~~, as provided in section 702(b)~~.

(c) REVIEW BY THE COMMISSIONS.—Each of the Commissions shall—

(1) review the findings and nonbinding recommendations provided under subsection (b)(1)(A);

(2) promptly publish a public statement each time the Committee submits a finding or nonbinding recommendation to the applicable Commission under subsection (b)(1)(A) that—

(A) assesses the finding or recommendation; and

(B) if applicable, discloses the action or decision not to take action; and

~~(C) if applicable, explains the rationale for the action or decision not to take action; and~~

(3) provide the Committee with a formal written response not later than 90 days after the date of submission of the finding or nonbinding recommendation under subsection (b)(1)(A).

1 (d) MEMBERSHIP AND LEADERSHIP.—

2 (1) NON-FEDERAL MEMBERS; SIZE AND COM-

3 POSITION.—

24 4

1 (A) IN GENERAL.—The Commissions shall
2 5 appoint to the Committee not more than 14
3 6 nongovernmental voting members who—
4 (i) represent7 a broad spectrum of in-
5 terests, equally divided8 between the Com-
6 missions; and
7 (ii) serve at the pleasure of the ap-
8 pointing Commission.
9 (B) SPECIFIC MEMBERS.—For each of the
10 Commissions, the appointees under subpara-
11 graph (A) of this paragraph shall include—
12 (i) 2 individuals described in para-
13 graph (2)(A);
14 (ii) 2 individuals described in para-
15 graph (2)(B);
16 (iii) 1 individual described in para-
17 graph (2)(C); and
18 (iv) 2 individuals described in para-
19 graph (2)(D); and
20 (v) 1 individual described in para-
21 graph (2)(E).
22 20 (2) MEMBERS DESCRIBED.—A member de-
23 21 scribed in this paragraph is—

24 ~~22~~

1 (A) an individual who is employed by, or is

2 ~~23~~ a related person ~~(as defined in section 103(a))24~~ with respect to, a digital asset

3 market partici~~-25~~pant;

(B) a person registered with either of the Commissions and that is engaged in activities relating to digital assets;

(C) an individual engaged in academic research relating to digital assets; and

(D) a retail user of digital assets; and

(E) a State securities regulator.

(3) NIST.—The Director of the National Institute of Standards and Technology, or the designee of the Director, shall serve in an advisory capacity as a nonvoting, ex officio member of the Committee, and shall not be excluded from any proceedings, meetings, discussions, or deliberations of the Committee, except that the chair of the Committee, upon an affirmative vote of the Committee, may exclude the Director or the designee from any proceedings, meetings, discussions, or deliberations of the Committee when necessary to safeguard and promote the free exchange of confidential information.

(4) CO-DESIGNATED FEDERAL OFFICERS; COMMISSIONER SUPPORT.—

24 ~~21~~

1 (A) CO-DESIGNATED FEDERAL OFFI-

2 ~~22~~ CERS.—

3 ~~23~~ (i) IN GENERAL.—Each Commission

4 ~~24~~ shall designate 1 Federal officer to serve

as co-designated Federal officers of the Committee.

(ii) SHARED DUTIES.—The duties required by section 1009(e) of title 5, United States Code, to be carried out by a designated Federal officer with respect to the Committee shall be shared by the Federal officers of the Committee who are co-designated under clause (i).

(B) COMMISSIONER SUPPORT.—

(i) IN GENERAL.—Commissioners of the Commissions may be supported by officers or employees of the respective Commission who may prepare or transmit materials, coordinate with agency staff, liaise with Committee leadership, propose agenda items, gather information, and otherwise support the participation of that commissioner in Committee business, in an ex officio, nonvoting capacity.

(ii) RULE OF CONSTRUCTION.—An officer or employee described in clause (i) shall not be considered to be a member of the Committee for purposes of chapter 10 of title 5, United States Code.

(C) INFORMATION SHARING.—The co-designated Federal officers and their Commissioner support shall share information about digital asset activities under this Act, in accordance with section 902, including with regard to preventing insider trading.

(5) COMMITTEE LEADERSHIP.—The members of the Committee shall elect, from among the membership of the Committee—

~~(A) a chair;~~

~~(B) a vice chair;~~

~~(C)~~, a secretary~~;~~ and

~~(D)~~ an assistant secretary.

(6) ROTATING CHAIR.—The chair and vice chair of the Committee shall rotate annually between the Commissions, with the Commission designating the chair in even-numbered calendar years, the Commodity Futures Trading Commission designating the chair in odd-numbered calendar years, the Commission designating the vice chair in odd-numbered calendar years, and the Commodity Futures Trading Commission designating the vice chair in even-numbered calendar years.

1 (7) TERMS; VACANCIES; HOLDOVER.—

2 (A) IN GENERAL.—Each non-Federal

3 member of the Committee shall be appointed

4 for a term of 4 years.

5 (B) SERVICE UNTIL NEW APPOINTMENT.—

6 A member of the Committee may continue to

7 serve after the expiration of the term of the

8 member until a successor is appointed.

(C) VACANCIES.—A vacancy with respect to membership in the Committee shall be filled only for the remainder of the applicable term.

(D) REAPPOINTMENT.—A member of the Committee may be reappointed.

(8) STATUS OF MEMBERS.—A member of the Committee appointed under paragraph (1) shall not be deemed to be an employee or agent of either of the Commissions solely by reason of membership on the Committee.

(e) NO COMPENSATION FOR COMMITTEE MEMBERS.—

(1) NON-FEDERAL MEMBERS.—All Committee members appointed under subsection (d)(1) shall—

(A) serve without compensation; and

(B) while away from the home or regular place of business of the member in the perform-

25 18

1 ance of services for the Committee, be allowed

2 19 travel expenses, including per diem in lieu of

3 20 subsistence, in the same manner as persons em-

4 21 ployed intermittently in Government service are

5 22 allowed expenses under section 5703 of title 5,

6 23 United States Code.

7 24 (2) NO COMPENSATION FOR CO-DESIGNATED

8 25 FEDERAL OFFICERS.—The Federal officers co-des-

ignated under subsection (d)(4)(A) shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(f) FREQUENCY OF MEETINGS.—The Committee shall meet—

(1) not less frequently than twice annually; and

(2) at such other times as either of the Commissions may request.

(g) PROCEDURES; ADVISORY NATURE.—

(1) IN GENERAL.—The Committee shall operate pursuant to chapter 10 of title 5, United States Code, except as otherwise expressly provided by this section.

(2) ADVISORY NATURE OF RECOMMENDATIONS.—The recommendations of the Committee are advisory in nature, shall not create any legal rights or obligations, and shall not limit or delay the independent authority of either of the Commissions.

(h) TIME LIMITS.—The Commissions shall—

(1) not later than 90 days after the date of enactment of this Act, adopt a joint charter for the Committee;

~~(2) not later than 120 days after the date of enactment of this Act, make the appointments required under subsection (d)(1); and~~

~~(3) not later than 180 days after the date of enactment of this Act, hold the initial meeting of the Committee.~~

~~(i) FUNDING.—Subject to the availability of funds, the Commissions shall jointly fund the Committee.~~

~~(j) DURATION AND RENEWAL.—~~

~~(1) INITIAL PERIOD.—The Committee shall remain in effect for 10 years beginning on the date of enactment of this section.~~

~~(2) RENEWAL THEREAFTER.—At the conclusion of the 10-year period described in paragraph (1)—~~

~~(A) the Committee shall be subject to subsections (a) and (b) of section 1013 of title 5, United States Code; and~~

or obligations, and shall not limit or delay the independent authority of either of the Commissions.

(h) TIME LIMITS.—The Commissions shall—

(1) not later than 90 days after the date of enactment of this Act, adopt a joint charter for the Committee;

(2) not later than 120 days after the date of enactment of this Act, make the appointments required under subsection (d)(1); and

10 (3) not later than 180 days after the date of
11 enactment of this Act, hold the initial meeting of the
12 Committee.
13 (i) FUNDING.—Subject to the availability of funds,
14 the Commissions shall jointly fund the Committee.
15 (j) DURATION AND RENEWAL.—
16 (1) INITIAL PERIOD.—The Committee shall re-
17 main in effect for 10 years beginning on the date of
18 enactment of this section.
19 (2) RENEWAL THEREAFTER.—At the conclu-
20 sion of the 10-year period described in paragraph
21 (1)—
22 (A) the Committee shall be subject to sub-
23 sections (a) and (b) of section 1013 of title 5,
24 United States Code; and

1 (B) the Commissions may renew the Com-
2 mittee for successive 2-year periods by pub-
3 lishing a notice in the Federal Register, con-
4 sistent with chapter 10 of title 5, United States
5 Code.

~~**SEC. 702. RESOLUTION OF DISAGREEMENTS.**~~

~~(a) FORMAL NOTICE OF DISAGREEMENT.~~

26 1 (1) IN GENERAL.—If

6 **SEC. 902. MEMORANDUM OF UNDERSTANDING.**

7 (a) MEMORANDUM OF UNDERSTANDING.—The Com-
8 mission shall enter into a memorandum of understanding
9 with the Commodity Futures Trading Commission to en-
10 sure—

11 (1) coordinated supervision and enforcement
12 with respect to registrants of the Commission and the
13 2 the Commodity Futures Trading Commission (referred, in-
3 to collectively in this section as the "Commissions")
4 are unable to resolve a question concerning their re-
14 cluding with regard to—

15 (A) the anti-fraud and anti-manipulation
16 authorities of the Commission, such as with re-
17 gard to insider trading; and

18 5 spective (B) the market integrity authorities, responsibilities, or regulatory of the
19 Commodity Futures Trading Commission; and

20 (2) appropriate information sharing between
21 the Commission and the Commodity Futures Trad-
22 ing Commission to further the purposes of and com-
23 pliance with this Act, the Securities Act of 1933 (15
24 77a et seq.), the Securities Exchange Act of 1934

(15 U.S.C. 78a et seq.), and the Commodity Exchange Act (7 U.S.C. 1 et seq.).

(b) RULE OF CONSTRUCTION.—Nothing in this section may be construed to limit the anti-fraud, anti-manipulation, or false reporting enforcement authorities of the Commodity Futures Trading Commission with respect to a contract of sale of a commodity and persons effecting such contracts.

~~6 treatment under~~(c) RULE OF CONSTRUCTION.—Nothing in this Act~~(~~, or ~~an~~any amendment made~~7~~ by this Act~~) with respect~~, may be construed to limit or prevent the continued application of applicable law regarding the insider trading of securities, including digital asset ~~activities,~~securities, including section 21A of the Secu-

~~either of the Commissions may initiate a formal notice of disagreement.~~

~~(2) PROCEDURE.—The Commission that initiates a formal notice of disagreement under paragraph (1) shall—~~

~~(A) prepare a draft notice setting forth~~

rities Exchange Act of 1934 (15 U.S.C. 78u–1).

SEC. 903. FINCEN APPROPRIATIONS.

(a) AUTHORIZATION OF APPROPRIATIONS.—For the

~~matter in dispute, the relevant facts, and the legal position of the Commission; and~~

~~(B) transmit the draft to the other Com-~~

~~mission.~~

~~(3) RESPONSE.—Not later than 30 days after a Commission receives a formal notice of disagreement under paragraph (2), that Commission shall~~

purposes of developing policy relating to digital assets, acquiring information technology resources, funding the operations described in sections 202 and 203 of this Act, and enforcement of the laws within its jurisdiction relating ~~provide a response, setting forth the legal position of~~to digital assets, there is authorized to be appropriated ~~that Commission.~~to the Financial Crimes Enforcement Network of the Department of the Treasury the following:

~~(4) FINAL NOTICE.—Upon receiving a response under paragraph (3), the Commission that initiated a formal notice of disagreement under this sub-~~(1) $30,000,000 for fiscal year 2026, to remain available until September 30, 2027.

~~section shall finalize and transmit that notice, which shall include the views of both Commissions, to the Secretary of the Treasury, the Joint Advisory Committee on Digital Assets established under section 701 (referred to in this section as the "Committee"), and the Chair of the other Commission.~~

~~(b) JOINT ADVISORY COMMITTEE RECOMMENDATION.—Not later than 30 days after the date on which the Committee receives a formal notice of disagreement under subsection (a), the Committee shall issue a non-binding recommendation to the Commissions regarding the disagreement.~~

~~(c) REFERRAL TO TREASURY; DETERMINATION.—~~

~~(1) IN GENERAL.—If, as of the date that is 30 days after the date on which one of the Commissions issues a formal notice of disagreement under subsection (a), the Commissions are unable to resolve the disagreement, either Commission may refer the matter to the Secretary~~

(2) $30,000,000 for fiscal year 2027, to remain available until September 30, 2028.

(3) $30,000,000 for fiscal year 2028, to remain available until September 30, 2029.

(4) $30,000,000 for fiscal year 2029, to remain available until September 30, 2030.

(5) $30,000,000 for fiscal year 2030, to remain available until September 30, 2031.

9 (b) INCENTIVE PREMIUM FOR HIGHLY QUALIFIED

10 INDIVIDUALS.—Notwithstanding any other provision of

11 law or regulation, the Director of the Financial Crimes

12 Enforcement Network of the Department of the Treasury for resolu-

20 tion.

21 (2) WRITTEN DETERMINATION.—Not later

13 may pay an annual incentive premium of not more than

22 30 days after the date on which the Secretary of the

23 Treasury receives a referral under paragraph (1),

24 the Secretary shall issue a written determination re-

25 garding

14 20 percent of the annual rate of basic pay for a position

15 if necessary to attract highly qualified individuals for posi-

16 tions that the matter, which—

~~(A) shall be binding on~~Director has certified to the ~~actions~~Director of the

~~Commissions unless and until superseded by a subsequent determination of the Secretary, by joint rulemaking of the Commissions, or by a duly enacted Act of Congress; and~~

~~(B) shall not otherwise have the force or effect of law.~~

~~(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to alter, displace, or preclude any procedures, requirements, or remedies applicable under chapter 5 of title 5, United States Code.~~

~~(d) PUBLICATION.—All formal notices of disagreement, recommendations, and determinations under this section shall be published in the Federal Register, except to the extent that such publication would disclose—~~

~~(1) confidential supervisory information;~~

Office of Personnel Management reflects the needs of the

~~(2) trade secrets; or~~Financial Crimes Enforcement Network.

~~(3) commercial or financial information that is obtained from a person and is privileged or confidential or could otherwise compromise market integrity.~~

SEC. ~~703~~904. RULEMAKINGS.

~~Except as otherwise provided, not later than 1 year after the date of enactment of this Act, each applicable regulator shall promulgate regulations to carry out this~~

Act, and the amendments made by this Act, through appropriate notice and comment rulemaking.

24 3

1 **SEC. 704905. EFFECTIVE DATE.**

2 4 This Act, and the amendments made by this Act,
3 5 shall take effect on the date that is 360 days after the
4 6 date of enactment of this Act, except that, if a provision
5 7 of this Act, or an amendment made by this Act, requires
6 8 a rulemaking, that provision shall take effect on the later
7 9 of—

8 10 (1) the date that is 360 days after the date of
9 11 enactment of this Act; or

10 12 (2) the date that is 60 days after the publica-
11 13 tion in the Federal Register of the final rule imple-
12 14 menting the provision.