

AMENDMENT NO. _____ Calendar No. _____

Purpose: In the nature of a substitute.

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

H. R. 3633

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

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

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

Viz:

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

2 lowing:

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

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

5 “Digital Asset Market Clarity Act”.

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

7 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Definitions.

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TITLE I—RESPONSIBLE SECURITIES INNOVATION

- Sec. 101. Short title.
- Sec. 102. Disclosure requirements for certain transactions involving ancillary assets.
- Sec. 103. Exemption and rulemaking for certain transactions involving ancillary assets.
- Sec. 104. Special disposition restrictions by related persons.
- Sec. 105. Financial interests of ancillary assets.
- Sec. 106. Exemptive authority.
- Sec. 107. Modernization of recordkeeping requirements.
- Sec. 108. Modernization of securities regulations for digital asset activities.
- Sec. 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 Act.
- Sec. 204. Financial Technology Protection Act.
- Sec. 205. Digital asset kiosks.
- Sec. 206. Study on illicit use of digital assets.

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.
- 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 V—RESPONSIBLE REGULATORY INNOVATION

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

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- Sec. 505. Tokenization of securities and other real-world assets.
- Sec. 506. Voluntary adoption of National Institute of Standards and Technology 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 VI—PROTECTING SOFTWARE DEVELOPERS AND
SOFTWARE INNOVATION

- 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 commodities in bankruptcy.

TITLE 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 disclosures to investors concerning the status of payment stablecoins and digital commodities.

TITLE IX—OTHER MATTERS

- Sec. 901. Joint Advisory Committee on Digital Assets.
- Sec. 902. Memorandum of understanding.
- Sec. 903. FinCEN appropriations.
- Sec. 904. Rulemakings.
- Sec. 905. Effective date.

1 **SEC. 2. DEFINITIONS.**

2 In this Act:

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

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

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

5 (B) chapter 2 of title I of Public Law 91–
6 508 (12 U.S.C. 1951 et seq.); and

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

9 (3) COMMISSION.—Except where otherwise ex-
10 pressly provided, the term “Commission” means the
11 Securities and Exchange Commission.

12 (4) COMMON CONTROL.—With respect to any
13 distributed ledger system and a related ancillary
14 asset, the term “common control” has the meaning
15 given the term by the Commission pursuant to rules
16 promulgated under section 104(b).

17 (5) DECENTRALIZED GOVERNANCE SYSTEM.—

18 (A) IN GENERAL.—The term “decentral-
19 ized governance system” means, with respect to
20 a distributed ledger system, any transparent,
21 rules-based system permitting persons to form
22 consensus or reach agreement in the develop-
23 ment, provision, publication, maintenance, or
24 administration of such distributed ledger sys-
25 tem, in which participation is not limited to, or

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

3 (B) RELATIONSHIP OF PERSONS TO DE-
4 CENTRALIZED GOVERNANCE SYSTEMS.—With
5 respect to a decentralized governance system,
6 the decentralized governance system and any
7 persons participating in the decentralized gov-
8 ernance system shall be treated as separate per-
9 sons unless such persons are under common
10 control or acting pursuant to an agreement to
11 act in concert.

12 (C) LEGAL ENTITIES FOR DECENTRALIZED
13 GOVERNANCE SYSTEMS.—The term “decentral-
14 ized governance system” shall include a legal
15 entity, including a decentralized unincorporated
16 nonprofit association or other entity created
17 pursuant to State law, used to implement the
18 rules-based system described in subparagraph
19 (A), provided that the legal entity does not op-
20 erate pursuant to centralized management. For
21 the purposes of this subparagraph, the delega-
22 tion of ministerial or administrative authority
23 at the direction of the participants in a decen-
24 tralized governance system shall not be con-
25 strued to be centralized management.

1 (6) DIGITAL ASSET; DIGITAL ASSET SERVICE
2 PROVIDER.—The terms “digital asset” and “digital
3 asset service provider” have the meanings given
4 those terms in section 2 of the GENIUS Act (12
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 (8) DIGITAL COMMODITY.—The term “digital
13 commodity” has the meaning given the term in sec-
14 tion 1a of the Commodity Exchange Act (7 U.S.C.
15 1a).

16 (9) DISTRIBUTED LEDGER.—The term “distrib-
17 uted ledger” means technology—

18 (A) through which data is shared across a
19 network that creates a public digital ledger of
20 verified transactions or information among net-
21 work participants; and

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

- 1 (i) maintain the integrity of the dig-
2 ital ledger described in that subparagraph;
3 and
4 (ii) execute other functions.

5 (10) DISTRIBUTED LEDGER APPLICATION.—
6 The term “distributed ledger application” means
7 any executable software that is deployed to and
8 maintained on a distributed ledger and composed of
9 a distributed ledger protocol, including a smart con-
10 tract or any network of smart contracts, or other
11 similar technology.

12 (11) DISTRIBUTED LEDGER PROTOCOL.—The
13 term “distributed ledger protocol” means publicly
14 available source code of a distributed ledger or dis-
15 tributed ledger application that is executed by the
16 network participants of a distributed ledger to facili-
17 tate its functioning, or other similar technology.

18 (12) DISTRIBUTED LEDGER SYSTEM.—The
19 term “distributed ledger system” means any distrib-
20 uted ledger, distributed ledger application, or net-
21 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—

1 (A) means—

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

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

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

12 (ii) any person that is, or in preceding
13 12-month period was, an executive officer,
14 director, trustee, general partner, owner of
15 more than 10 percent of any class of eq-
16 uity shares of the ancillary asset origi-
17 nator, or person serving in a similar capac-
18 ity with respect to an ancillary asset origi-
19 nator;

20 (iii) any person, or group of persons
21 under common control, that beneficially
22 owns, or in the preceding 6-month period
23 owned, 10 percent or more of the total
24 amount of outstanding units of an ancil-
25 lary asset; and

1 (iv) any person, or group of persons
2 under common control, that beneficially
3 owns, or in the preceding 6-month period
4 owned, covered tokens (as that term is de-
5 fined in section 104(a)) that equal not less
6 than 2 percent of the total amount of out-
7 standing units of an ancillary asset; and
8 (B) does not include a decentralized gov-
9 ernance system.

10 (14) SECURITIES LAWS.—The term “securities
11 laws” has the meaning given the term in section
12 3(a) of the Securities Exchange Act of 1934 (15
13 U.S.C. 78c(a)).

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

17 (A) is stored on a distributed ledger sys-
18 tem; and

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

TITLE I—RESPONSIBLE SECURITIES INNOVATION

SEC. 101. SHORT TITLE.

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

SEC. 102. DISCLOSURE REQUIREMENTS FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY AS- SETS.

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

“SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN TRANSACTIONS INVOLVING ANCILLARY AS- SETS.

“(a) DEFINITIONS.—In this section:

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

“(2) ANCILLARY ASSET ORIGINATOR.—

“(A) IN GENERAL.—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-
2 trolled entities)—

3 “(i) initially offers, sells, or distributes
4 the ancillary asset; or

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

10 “(B) JOINT AND SEVERAL CONSIDER-
11 ATION.—For the purposes of this paragraph, if
12 the person that initially offered, sold, or distrib-
13 uted an ancillary asset (or otherwise sold, dis-
14 tributed, controlled, or caused the initial offer,
15 sale, or distribution of the ancillary asset) did
16 not receive the largest amount of those ancillary
17 assets distributed in the 12-month period fol-
18 lowing the commencement of that offer, sale, or
19 distribution, then either of the following per-
20 sons, solely for purposes of subsection (c), shall
21 be jointly and severally considered to be an an-
22 cillary asset originator with respect to that an-
23 cillary asset (with the person that controlled
24 such offer, sale, or distribution):

1 “(i) A person that is a related person
2 or under common control with the person
3 that initially offered, sold, or distributed
4 such ancillary asset (or otherwise sold, dis-
5 tributed, controlled, or caused the initial
6 offer, sale, or distribution of the ancillary
7 asset); and

8 “(ii) The person that received the
9 largest amount of those ancillary assets in
10 that period, other than in an intermediary
11 capacity, solely through a gratuitous dis-
12 tribution, through an offer or sale of an in-
13 vestment contract to the public registered
14 under section 5, or otherwise in a broad
15 and public manner that the Commission
16 determines, pursuant to regulation, should
17 not subject the person to disclosure re-
18 quirements under subsection (c).

19 “(C) RULEMAKING.—Not later than 360
20 days after the date of enactment of this section,
21 the Commission shall, after providing notice
22 and the opportunity for comment, issue rules
23 regarding the circumstances under which per-
24 sons that are jointly and severally considered an
25 ancillary asset originator pursuant to subpara-

1 graph (B) are responsible for furnishing the
2 disclosures required under subsection (d) on be-
3 half of the ancillary asset originator.

4 “(3) FOREIGN ORIGINATOR.—

5 “(A) IN GENERAL.—The term ‘foreign
6 originator’ means an ancillary asset originator
7 incorporated or organized outside of the United
8 States that has, as of the last business day of
9 the most recently completed fiscal quarter of
10 the ancillary asset originator, only offered, sold,
11 or distributed ancillary assets outside of the
12 United States or, to the knowledge of the ancil-
13 lary asset originator, only to persons other than
14 United States persons.

15 “(B) EXCLUSIONS.—Notwithstanding
16 paragraph (A), the term ‘foreign originator’
17 shall not include—

18 “(i) a foreign government;

19 “(ii) an ancillary asset originator that
20 does not have shareholders, members, or
21 other equity owners; or

22 “(iii) an ancillary asset originator for
23 which—

24 “(I) more than 50 percent of the
25 ownership interests of the ancillary

1 asset originator are directly or indi-
2 rectly owned by residents of the
3 United States; and

4 “(II)(aa) the majority of the ex-
5 ecutive officers or directors of the an-
6 cillary asset originator are citizens or
7 residents of the United States;

8 “(bb) more than 50 percent
9 of the business assets of which
10 are located in the United States
11 or owned by persons located in
12 the United States; or

13 “(cc) the business of the an-
14 cillary asset originator is prin-
15 cipally administered in the
16 United States.

17 “(4) GRATUITOUS DISTRIBUTION.—

18 “(A) IN GENERAL.—The term ‘gratuitous
19 distribution’—

20 “(i) means a distribution of a network
21 token, including a distribution effected by
22 an agent or other service provider engaged
23 solely in an administrative or ministerial
24 capacity, in exchange for not more than a
25 nominal value of cash, property, services,

1 or other assets in a broad, equitable, and
2 non-discretionary manner; and

3 “(ii) includes the mechanisms and
4 methods of distribution described in sub-
5 paragraph (B).

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

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

22 “(ii) SELF-CUSTODIAL STAKING WITH
23 A THIRD PARTY.—The distribution of a
24 unit of a network token, as a pro-
25 grammatic result of validating or staking

1 activity for a distributed ledger system's
2 consensus mechanism, including the stak-
3 ing of a network token, and the operation
4 of a node, validator, or substantially simi-
5 lar software for such activity in which—

6 “(I) the owner of the staked net-
7 work token, and operator of the node,
8 validator, or substantially similar soft-
9 ware for such activity are different
10 persons or entities; and

11 “(II) the operator of the node,
12 validator, or substantially similar soft-
13 ware does not maintain custody or
14 control of the staked network token.

15 “(iii) LIQUID STAKING.—The distribu-
16 tion of network tokens, as the issuance,
17 transfer, or redemption of liquid staking
18 tokens representing a pro rata interest in
19 staked network tokens, and their associ-
20 ated rewards, provided that such tokens
21 are issued as administrative or ministerial
22 receipts and not pursuant to investment
23 contracts or discretionary management.

24 “(iv) CUSTODIAL AND ANCILLARY
25 STAKING SERVICES.—

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

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

1 “(v) PROGRAMMATIC AND AUTO-
2 MATED DISTRIBUTIONS.—The automated,
3 programmatic, protocol-defined, or rules-
4 based distribution of network tokens
5 achieved through the transparent func-
6 tioning of a distributed ledger system, a
7 distributed ledger, or distributed ledger ap-
8 plications, in which—

9 “(I) distributions occur pursuant
10 to public, transparent, rules-based pa-
11 rameters set forth in publicly avail-
12 able, open-source code and accessible
13 on a permissionless basis, without in-
14 dividualized or real-time negotiation
15 with recipients;

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

24 “(III) the number of network to-
25 kens received is proportionate to the

1 verifiable service, usage, or contribu-
2 tion;

3 “(IV) any expected utility or
4 value of the network tokens arises pri-
5 marily from decentralized network
6 participation and market forces, rath-
7 er than the discretionary actions of
8 any single person or affiliated group;
9 and

10 “(V) no person or group has uni-
11 lateral authority to alter, restrict, or
12 direct the issuance parameters or dis-
13 tribution mechanisms of the distrib-
14 uted ledger system, and any modifica-
15 tion occurs only through rules-based,
16 transparent, 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 “(vii) TECHNOLOGY-NEUTRAL
25 CLAUSE.—The distribution employing a

1 mechanism, protocol, or technology not
2 specifically described in clauses (i) through
3 (v), without regard to whether such mecha-
4 nism, protocol, or technology is in exist-
5 ence at the time of enactment of this sec-
6 tion, and without regard to terminology or
7 underlying technical framework, provided
8 such distribution meets the 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 ket Clarity Act and the amendments made by
22 the Digital Asset Market Clarity Act, is treated
23 as a non-security solely for purposes of the
24 Federal securities laws.

1 “(B) DISQUALIFYING FINANCIAL
2 RIGHTS.—The term ‘network token’ does not
3 include any of the following:

4 “(i) Any security, other than an in-
5 vestment contract or a certificate of inter-
6 est or participation in any profit-sharing
7 agreement.

8 “(ii) An investment contract or a cer-
9 tificate of interest or participation in any
10 profit-sharing agreement that represents,
11 gives the holder, or is substantially eco-
12 nomically or functionally equivalent to, any
13 of the following, as the Commission shall
14 establish by rule:

15 “(I) A debt or equity interest, or
16 an option on a debt or equity interest,
17 in a person.

18 “(II) Liquidation rights with re-
19 spect to a person.

20 “(III) An entitlement to, or a
21 reasonable expectation of, an interest,
22 dividend, or other payment, or direct
23 or indirect transfer of value, from a
24 person (other than a decentralized
25 governance system).

1 “(IV) An express or implied fi-
2 nancial interest in (including a limited
3 partnership interest or interest in in-
4 tellectual property of), or provided by,
5 a person (other than a decentralized
6 governance system).

7 “(iii) Any interest that is, represents,
8 or is functionally equivalent to an interest
9 in an investment company or a company
10 (as defined in section 2 of that Act (15
11 U.S.C. 80a–2)) that would be an invest-
12 ment company under section 3(a) of that
13 Act (15 U.S.C. 80a–3(a)) but for the ex-
14 clusions provided from that definition by
15 section 3(c) of that Act (15 U.S.C. 80a–
16 3(c)).

17 “(iv) Any interest that is, represents,
18 or is functionally equivalent to an interest
19 in any entity or person that is not an in-
20 vestment company but holds or will hold
21 assets other than securities.

22 “(C) RULE OF CONSTRUCTION.—A digital
23 commodity—

24 “(i) shall be deemed to be intrinsically
25 linked to a distributed ledger system if the

1 digital commodity is directly related to the
2 functionality or operation of the distrib-
3 uted ledger system or to the activities or
4 services for which the distributed ledger
5 system is created or utilized; and

6 “(ii) shall not be disqualified from
7 being deemed a network token due to the
8 granting of economic interests or voting
9 capabilities with respect to a distributed
10 ledger system or its decentralized govern-
11 ance system, as further clarified by the
12 Commission through the final rule adopted
13 under section 105 of the Lummis-Gilli-
14 brand Responsible Financial Innovation
15 Act of 2026.

16 “(7) RELATED PERSON.—The term ‘related
17 person’ has the meaning given the term in section 2
18 of the Digital Asset Market Clarity Act.

19 “(b) TREATMENT OF NETWORK TOKENS AND
20 TRANSACTIONS.—

21 “(1) IN GENERAL.—Except as provided in this
22 section, and subject to paragraph (2), a network
23 token shall be treated as a non-security, to the ex-
24 tent materially consistent with the requirements and
25 conditions of this section, for purposes of —

1 “(A) section 2(a)(1);

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

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

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

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

10 “(F) any applicable requirement of State
11 law or any functionally equivalent provisions of
12 State law to the provisions described in sub-
13 paragraphs (A) through (E), including any pro-
14 vision of State law that directly or indirectly
15 prohibits, limits, or imposes any conditions on
16 the use, offer, sale, transfer, or disposition of a
17 network token in a manner that is—

18 “(i) not substantially similar to prohi-
19 bitions, limitations, or conditions imposed
20 by that State relating to assets that are
21 commodities under the laws of that State;
22 and

23 “(ii) inconsistent with this section.

24 “(2) SECONDARY MARKET TREATMENT.—Ex-
25 cept as provided in this section, and to the extent

1 materially consistent with the requirements and con-
2 ditions of this section, the offer or sale of a network
3 token by a person (other 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 underwriter, with respect to an in-
7 vestment contract pursuant to which such ancillary
8 asset was originally sold) shall be treated as not in-
9 volving the offer or sale of a security under—

10 “(A) section 2(a)(1);

11 “(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
16 (15 U.S.C. 80b–1 et seq.);

17 “(E) the Securities Investor Protection Act
18 of 1970 (15 U.S.C. 78aaa et seq.); and

19 “(F) any applicable requirement of State
20 law or any functionally equivalent provisions of
21 State law to the provisions described in sub-
22 paragraphs (A) through (E), including any pro-
23 vision of State law that directly or indirectly
24 prohibits, limits, or imposes any conditions on

1 the use, offer, sale, transfer, or disposition of a
2 network token in a manner that is—

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

8 “(ii) inconsistent with this section.

9 “(3) GRATUITOUS DISTRIBUTION NOT AN
10 OFFER OR SALE OF A SECURITY.—

11 “(A) IN GENERAL.—A gratuitous distribu-
12 tion, by itself, shall be presumed to not con-
13 stitute an offer or sale of a security.

14 “(B) SAVINGS CLAUSE.—Nothing in this
15 paragraph may be construed to limit, impair, or
16 otherwise affect the anti-fraud or anti-manipu-
17 lation authorities of the Commission, the Com-
18 modity Futures Trading Commission, or a
19 State regulator.

20 “(4) PRIOR CERTIFICATION.—

21 “(A) SUBMISSION AND DEFAULT TREAT-
22 MENT.—

23 “(i) IN GENERAL.—

24 “(I) PRESUMPTION.—For pur-
25 poses of this section, there shall be a

1 rebuttable presumption that a net-
2 work token, including a network token
3 distributed in the manner described in
4 paragraph (3), is an ancillary asset
5 unless the originator of that network
6 token submits to the Commission a
7 completed written certification, sup-
8 ported by reasonable evidence, as de-
9 fined by the Commission, sufficient to
10 demonstrate that the network token is
11 not an ancillary asset.

12 “(II) CONTENTS.—A certification
13 submitted under subclause (I) shall
14 include a statements in accordance
15 with subsection (d)(3)(C)(i).

16 “(ii) NOTIFICATION.—The Commis-
17 sion shall notify the Commodity Futures
18 Trading Commission of each certification
19 made pursuant to clause (i) and of any
20 final agency action with regards to such
21 certification.

22 “(B) AUTOMATIC EFFECTIVENESS.—A cer-
23 tification submitted under subparagraph (A) by
24 an originator shall become effective upon the
25 earlier of—

1 “(i) the date on which the Commis-
2 sion notifies the originator in writing that
3 the Commission does not object to the cer-
4 tification; or

5 “(ii) if the Commission has not issued
6 a rebuttal to the originator in accordance
7 with subparagraph (C), 60 days after the
8 date on which the originator submits the
9 certification.

10 “(C) SEC DENIAL.—

11 “(i) IN GENERAL.—The Commission
12 may deny a certification submitted under
13 subparagraph (A) by an originator—

14 “(I) only during the 60-day pe-
15 riod 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 “(II) by providing to the origi-
23 nator 10 days notice of the intent of
24 the Commission to deny that certifi-
25 cation, during which period interested

1 persons shall have an opportunity to
2 submit written data, views, and argu-
3 ments relating to that certification;

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

8 “(I) upon request of the origi-
9 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 certification after a
14 finding that the related asset provides
15 the owner of the asset with a right de-
16 scribed in subsection (a)(6)(B).

17 “(iii) INTERESTED PERSON.—For
18 purposes of this subparagraph, the term
19 ‘interested person’ means, with respect to
20 a network token—

21 “(I) the originator of the network
22 token (referred to in this clause as
23 ‘the originator’);

24 “(II) a subsidiary of the origi-
25 nator;

1 “(III) a related person of the
2 originator;

3 “(IV) any entity that directly or
4 indirectly controls or is controlled by
5 a common entity with the originator;

6 “(V) any broker or dealer (as
7 those terms are defined in section
8 3(a) of the Securities Exchange Act of
9 1934 (15 U.S.C. 78c(a))), or an ex-
10 change registered pursuant to section
11 6 of that Act (15 U.S.C. 78f), that
12 operates in connection with digital as-
13 sets; or

14 “(VI) any person registered with
15 the Commodity Futures Trading
16 Commission that operates or proposes
17 to operate in connection with digital
18 assets.

19 “(D) FINAL AGENCY ACTION.—Denial
20 under this paragraph constitutes final agency
21 action reviewable under applicable law.

22 “(E) TOLLING.—Any applicable period
23 specified in this paragraph may be tolled, for
24 periods of not longer than 60 days, during the
25 3-year period following the date of enactment of

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

5 “(F) WITHDRAWAL.—An originator may
6 withdraw a certification submitted under sub-
7 paragraph (A) at any time before approval.

8 “(G) DESIGNATED COMMISSION OFFICE.—
9 The Commission shall designate an office that
10 shall—

11 “(i) acknowledge receipt of certifi-
12 cations submitted under subparagraph (A);

13 “(ii) support those seeking certifi-
14 cation under subparagraph (A) by pro-
15 viding guidance regarding the mechanics of
16 preparing and submitting those certifi-
17 cations; and

18 “(iii) route certifications submitted
19 under subparagraph (A), together with any
20 associated comments or recommendations,
21 to the appropriate division or office of the
22 Commission for review.

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

1 tinuing compliance, in a certification that has
2 become effective under this paragraph shall
3 constitute grounds for the Commission, con-
4 sistent with the securities laws, as defined in
5 section 3(a) of the Securities Exchange Act of
6 1934 (15 U.S.C. 78c(a)), to issue an order de-
7 nying, suspending, or revoking the effectiveness
8 of the certification and to pursue any appro-
9 priate enforcement action.

10 “(c) DISCLOSURE REQUIREMENTS FOR CERTAIN
11 TRANSACTIONS INVOLVING ANCILLARY ASSETS.—

12 “(1) SPECIFIED INITIAL AND PERIODIC DISCLO-
13 SURE REQUIREMENTS.—

14 “(A) IN GENERAL.—Any offer, sale, or dis-
15 tribution of an ancillary asset by, or caused by,
16 an ancillary asset originator pursuant to Regu-
17 lation Crypto (as adopted pursuant to section
18 103 of the Lummis-Gillibrand Responsible Fi-
19 nancial Innovation Act of 2026) or an effective
20 registration statement, and any resale of any
21 ancillary asset offered, sold, or distributed pur-
22 suant to any other exemption from registration
23 provided under this title, shall be subject to the
24 initial and periodic disclosure requirements
25 under subsection (d).

1 “(B) EXCLUSION.—Subparagraph (A)
2 shall not apply if—

3 “(i) the aggregate gross proceeds
4 from the offer, sale, or distribution of the
5 ancillary asset were \$5,000,000 or less
6 (adjusted for inflation) during the 12-
7 month period immediately following the
8 date of the first such offer, sale, or dis-
9 tribution; or

10 “(ii) the average daily aggregate value
11 of trading in the ancillary asset in all spot
12 markets open to the public in the United
13 States for which trading volume is gen-
14 erally available is \$5,000,000 or less (ad-
15 justed for inflation) during the 12-month
16 period (or such shorter period as the Com-
17 mission may determine) immediately pre-
18 ceding the reporting date specified by
19 paragraph (2), based on the knowledge of
20 the ancillary asset originator after due in-
21 quiry.

22 “(C) CALCULATION.—For the purposes of
23 this paragraph, the calculation of daily aggre-
24 gate value shall be based on a reasonable cal-
25 culation of public data.

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

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

8 “(i) either—

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

15 “(II) prior to eligibility for resale
16 of any ancillary asset offered, sold, or
17 distributed pursuant to an effective
18 registration statement or an exemp-
19 tion from registration under this Act;
20 and

21 “(ii) semiannually thereafter.

22 “(B) EXCLUSION.—The requirements of
23 this paragraph shall not apply to an offer, sale,
24 or distribution of an ancillary asset that occurs
25 after the date of enactment of this section if an

1 ancillary asset originator has submitted a cer-
2 tification under subsection (d)(3)(B) and the
3 Commission has not denied that certification
4 within a 60-day period following the process
5 under that subsection.

6 “(3) TRANSITION RULE.—

7 “(A) IN GENERAL.—An ancillary asset
8 originator that initially offered, sold, or distrib-
9 uted (or otherwise controlled or caused the
10 offer, sale, or distribution of) an investment
11 contract involving an ancillary asset before the
12 date of enactment of this section shall comply
13 with the periodic disclosure requirements under
14 subsection (d), if applicable, beginning on the
15 effective date of section 103 of the Lummis-
16 Gillibrand Responsible Financial Innovation Act
17 of 2026.

18 “(B) EFFECT ON CERTIFICATION.—An an-
19 cillary asset originator, or any other certifi-
20 cation covered party, subject to this paragraph
21 that meets the requirements of subsection
22 (d)(3) may furnish a certification as provided in
23 that subsection without complying with the
24 periodic disclosure requirements under sub-
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 “(4) APPLICATION TO OTHER TRANSACTIONS.—

7 “(A) IN GENERAL.—For resales of ancil-
8 lary assets to the public by any person, after
9 any initial offer, sale, or distribution of the an-
10 cillary assets occurring after the date of enact-
11 ment of this section that is conducted pursuant
12 to sections 230.500 through 230.508 of title
13 17, Code of Federal Regulations (commonly
14 known as ‘Regulation D’) (or any successor reg-
15 ulations), or another private placement exemp-
16 tion under this Act (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 otherwise involving a public securities offering
21 occurring within the United States, there shall
22 be current public information as if that resale
23 was made in reliance on section 230.144 of title
24 17 (referred to in this paragraph as ‘Rule
25 144’), and on a semiannual basis thereafter

1 until terminated under subsection (d)(3), re-
2 gardless of whether any such resale would be
3 considered a transaction in a security.

4 “(B) CURRENT PUBLIC INFORMATION.—
5 For purposes of subparagraph (A), the disclo-
6 sures required under subsection (d) shall be
7 deemed to constitute current public information
8 for purposes of Rule 144.

9 “(5) FAILURE TO COMPLY.—Subject to the re-
10 quirements of this section, an ancillary asset shall
11 not be listed for trading on a digital asset inter-
12 mediary if the Commission notifies the Commodity
13 Futures Trading Commission that the ancillary
14 asset originator that initially offered, sold, or distrib-
15 uted the ancillary asset after the date of enactment
16 of this section has materially failed to furnish the re-
17 quired disclosures under this subsection after a rea-
18 sonable opportunity to cure, as provided by the
19 Commission by rule, in consultation with the Com-
20 modity Futures Trading Commission.

21 “(d) SPECIFIED INITIAL AND PERIODIC DISCLOSURE
22 REQUIREMENTS.—

23 “(1) IN GENERAL.—

24 “(A) FURNISHING OF INFORMATION.—An
25 ancillary asset originator that is subject to the

1 requirements of paragraph (1) or (3) of sub-
2 section (c) shall furnish the Commission with,
3 in such form as the Commission may prescribe
4 by rule after providing notice and the oppor-
5 tunity for comment, and until the requirement
6 terminates under paragraph (3) of this sub-
7 section, the information described in paragraph
8 (2) of this subsection, to the extent that the in-
9 formation is material and known, or reasonably
10 knowable, to the ancillary asset originator.

11 “(B) REQUIREMENTS FOR RULES.—A rule
12 prescribed under subparagraph (A) shall be rea-
13 sonably tailored based on the size of the appli-
14 cable ancillary asset originator in accordance
15 with section 108(a) of the Lummis-Gillibrand
16 Responsible Financial Innovation Act of 2026.

17 “(2) CATEGORIES OF INFORMATION.—The in-
18 formation required under paragraph (1) shall in-
19 clude the following with respect to the applicable an-
20 cillary asset originator and the related ancillary
21 asset:

22 “(A) Basic corporate information regard-
23 ing the ancillary asset originator and the ancil-
24 lary asset activities of the ancillary asset origi-

1 nator, which may include the following items, as
2 the Commission shall determine by rule:

3 “(i) The experience of the ancillary
4 asset originator (or persons controlling the
5 ancillary asset originator) in developing an-
6 cillary assets.

7 “(ii) If the ancillary asset originator
8 (or persons controlling the ancillary asset
9 originator) has previously distributed ancil-
10 lary assets, information on the subsequent
11 distribution history of those ancillary as-
12 sets, including price history, if the infor-
13 mation is publicly available.

14 “(iii) The activities that the ancillary
15 asset originator has taken in the relevant
16 disclosure period, and is projecting to take
17 in the 1-year period following the submis-
18 sion of the disclosure, with respect to pro-
19 moting the use, value, or resale of the an-
20 cillary asset (including any activity to fa-
21 cilitate the creation or maintenance of a
22 trading market for the ancillary asset and
23 any distributed ledger system, application,
24 or system that uses the ancillary asset).

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

12 “(v) The experience of the ancillary
13 asset originator with the use of a distrib-
14 uted ledger system or technology.

15 “(vi) The identities and expertise of
16 the board of directors (or equivalent body)
17 and senior management of the ancillary
18 asset originator, the experience or func-
19 tions of whom are material to the develop-
20 ment or value of the ancillary asset, as well
21 as any personnel changes relating to the
22 ancillary asset originator during the period
23 covered by the disclosure.

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

1 “(I) if the aggregate amount of
2 such ancillary assets offered, sold, or
3 distributed to the public does not ex-
4 ceed \$25,000,000 in gross proceeds,
5 reviewed by a public accountant that
6 is independent of the ancillary asset
7 originator; or

8 “(II) if the aggregate amount of
9 such ancillary assets offered, sold, or
10 distributed to the public exceeds
11 \$25,000,000 in gross proceeds, au-
12 dited by a public accountant that is
13 independent of the ancillary asset
14 originator.

15 “(viii) A description of any legal pro-
16 ceedings in which the ancillary asset origi-
17 nator is engaged.

18 “(ix) Risk factors arising from the ac-
19 tivities of the ancillary asset originator
20 with respect to the ancillary asset, and not
21 generally applicable to other kinds of ancil-
22 lary assets, that may limit the utility or li-
23 quidity of the ancillary asset, investor de-
24 mand with respect to the ancillary asset, or

1 the market price or value of the ancillary
2 asset.

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

5 “(I) persons owning not less than
6 10 percent of any class of equity secu-
7 rity or other ownership interest of the
8 ancillary asset originator; and

9 “(II) the board of directors (or
10 equivalent body) and senior manage-
11 ment of 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 “(xi) For any material transactions
16 involving the ancillary asset between the
17 ancillary asset originator and any related
18 person, a description, in the aggregate, of
19 the parties, the number of ancillary assets
20 involved, and a summary of any material
21 features of the transactions, including any
22 material terms or ongoing obligations.

23 “(xii) A summary, in the aggregate by
24 year, of transactions in ancillary assets
25 during the 4-year period preceding the fur-

nishing of the disclosure, by the ancillary asset originator and persons that directly or indirectly control the ancillary asset originator.

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

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

“(xv) The current state and timeline for the development of 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 “(B) Economic and technical information
7 relating to the ancillary asset, which may in-
8 clude the following items, as the Commission
9 shall determine by rule:

10 “(i) A general description of the ancil-
11 lary asset and any distributed ledger, dis-
12 tributed ledger system, or distributed ledg-
13 er application that uses the ancillary asset,
14 including—

15 “(I) a plain-English description
16 of how the distributed ledger, distrib-
17 uted ledger system, or distributed
18 ledger application functions;

19 “(II) the intended or known
20 functionality and uses of the ancillary
21 asset and any associated fees for use
22 or disposition of the ancillary asset;

23 “(III) the market for the ancil-
24 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
6 the ongoing production or creation of
7 the ancillary asset; and

8 “(VI) the governance and con-
9 sensus mechanism for the ancillary
10 asset and any distributed ledger, dis-
11 tributed ledger system, or distributed
12 ledger application that uses the ancil-
13 lary asset, as applicable, including for
14 validating transactions and imple-
15 menting changes to the distributed
16 ledger system, method of generating
17 or mining ancillary assets, and any
18 process for burning or destroying
19 units of the ancillary asset on the dis-
20 tributed ledger, distributed ledger sys-
21 tem, or distributed ledger application
22 that uses the ancillary asset.

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

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

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

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

20 “(v) For the 12-month period fol-
21 lowing the furnishing of the disclosure, a
22 description of the current state and antici-
23 pated timeline for the development of any
24 distributed ledger, distributed ledger sys-

tem, or distributed ledger application that
uses the ancillary asset, including—

“(I) plans of the ancillary asset
originator to support (or to cease sup-
porting) the use or development of the
ancillary asset, including markets for
the ancillary asset and each distrib-
uted ledger, distributed ledger system,
or distributed ledger application that
uses the ancillary asset;

“(II) the various roles that exist
or are intended to exist in connection
with the distributed ledger, distributed
ledger system, or distributed ledger
application, such as users, service pro-
viders, developers, transaction
validators, and governance partici-
pants;

“(III) a discussion of any mecha-
nisms by which control or authority
are exerted with respect to the distrib-
uted ledger, distributed ledger system,
or distributed ledger application, or a
related ancillary asset; and

1 “(IV) any critical operational de-
2 pendencies of the distributed ledger
3 system or a related ancillary asset.

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

9 “(vii) To the extent available to the
10 ancillary asset originator, the average daily
11 price for a constant unit of value of the
12 ancillary asset during the relevant report-
13 ing period, as well as the 12-month high
14 and low prices for the ancillary asset, as
15 calculated based on the 3 largest ex-
16 changes on which the ancillary asset
17 trades.

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

1 “(ix) Information relating to custodial
2 services available for the ancillary asset.

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

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

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

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

25 “(3) TERMINATION OF REQUIREMENTS.—

1 “(A) DEFINITION.—In this paragraph, the
2 term ‘certification covered party’ means—

3 “(i) an ancillary asset originator;

4 “(ii) a subsidiary of the ancillary asset
5 originator;

6 “(iii) a related person of the ancillary
7 asset originator; or

8 “(iv) any entity that directly or indi-
9 rectly controls or is controlled by a com-
10 mon entity with the ancillary asset origi-
11 nator.

12 “(B) TERMINATION.—The obligation of an
13 ancillary asset originator to provide disclosures
14 under paragraph (1) shall terminate on the
15 date that a certification becomes effective under
16 subparagraph (C), including through an ap-
17 proval or deemed approval.

18 “(C) CERTIFICATION.—

19 “(i) IN GENERAL.—A certification
20 covered party may submit to the Commis-
21 sion a certification, based on the knowl-
22 edge of the certification covered party after
23 due inquiry and supported by reasonable
24 evidence, that states—

1 “(I) that during the 1-year pe-
2 riod preceding the date on which the
3 certification covered party submits the
4 certification, and as of the date of
5 submission, the certification covered
6 party engaged in not more than a
7 nominal level of entrepreneurial or
8 managerial efforts, as determined by
9 the Commission by rule, and any such
10 efforts were not a primary factor in
11 determining the value of the related
12 ancillary asset (which may include
13 that any essential promises made by
14 the certification covered party have
15 been fulfilled), except that providing
16 administrative services shall not alone
17 be considered entrepreneurial or man-
18 agerial efforts for the purposes of this
19 clause;

20 “(II) in good faith that the cer-
21 tification covered party does not rea-
22 sonably expect there to be any efforts
23 that would render the certification
24 covered party unable to provide a new

1 certification following the date of the
2 certification; and

3 “(III) that substantially all mate-
4 rial information that is reasonably ex-
5 pected to contribute to the value of
6 the ancillary assets offered, sold, or
7 distributed to the public by the ancil-
8 lary asset originator is reasonably ex-
9 pected to be available to the public.

10 “(ii) CHANGE IN CIRCUMSTANCES.—

11 “(I) EFFECTIVENESS OF THE
12 CERTIFICATION.—A certification
13 under clause (i) shall remain effective
14 until the date on which any certifi-
15 cation covered parties engaged in ef-
16 forts that would render the certifi-
17 cation covered party unable to meet
18 the standards of the certification.

19 “(II) NEW DISCLOSURES RE-
20 QUIRED.—On and after the date de-
21 scribed in subclause (I), the certifi-
22 cation covered party undertaking ef-
23 forts described in that subclause shall
24 be responsible for furnishing to the
25 Commission the disclosures required

1 under paragraph (1), including a de-
2 scription of the change in cir-
3 cumstances.

4 “(III) PERIODIC DISCLOSURES.—
5 The furnishing of disclosures pursu-
6 ant to subclause (II) shall restart the
7 schedule for periodic disclosures under
8 paragraph (1).

9 “(IV) PRIOR CERTIFICATIONS.—
10 A certification submitted under clause
11 (i) prior to a change in circumstances
12 shall not be deemed false or mis-
13 leading solely by reason of subsequent
14 reengagement under this clause.

15 “(iii) SEC DENIAL.—

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

20 “(aa) by issuing a written
21 notice of objection to the certifi-
22 cation submitted under clause (i)
23 or upon determining that more
24 than a nominal level of entrepre-
25 neurial or managerial efforts has

1 been undertaken by any certifi-
2 cation covered party after the
3 submission of the certification;
4 and

5 “(bb) by providing to the
6 certification covered party 10
7 days notice of the intent of the
8 Commission to deny that certifi-
9 cation, during which period inter-
10 ested persons shall have an op-
11 portunity to submit written data,
12 views, and arguments relating to
13 that certification.

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

18 “(aa) upon request of the
19 certification covered party, pro-
20 vide an opportunity for the oral
21 presentation of data, views, and
22 arguments by interested persons;
23 and

24 “(bb) have a vote of the
25 Commission on whether to grant

1 or deny the certification, based
2 on a finding as to whether the
3 applicable ancillary asset meets
4 the standard for certification
5 under clause (i).

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

12 “(4) VOLUNTARY DISCLOSURE.—An ancillary
13 asset originator may voluntarily furnish with the
14 Commission the information required under this
15 subsection if the ancillary asset originator deter-
16 mines that it is reasonably likely that the ancillary
17 asset originator will become subject to the require-
18 ments of paragraph (1) or (3) of subsection (c) in
19 the future.

20 “(5) RULEMAKING CONSIDERATIONS.—In pro-
21 mulgating rules under this subsection, the Commis-
22 sion shall—

23 “(A) require only such information as the
24 Commission finds to be necessary and appro-
25 priate to protect investors, maintain fair, or-

1 derly, and efficient markets, and facilitate cap-
2 ital formation, innovation, and efficiency; and

3 “(B) include in any final versions of those
4 rules a cost–benefit analysis evaluating the ef-
5 fects of any such rule on innovation, efficiency,
6 competition, maintaining fair and orderly mar-
7 kets, and capital formation.

8 “(6) LIMITATIONS.—Rules promulgated under
9 this subsection shall not require the inclusion of fi-
10 nancial statements of an ancillary asset originator,
11 except with respect to the disclosure of financial in-
12 formation under paragraph (2).

13 “(e) EXEMPTIONS.—The Commission may, by order,
14 exempt an ancillary asset originator, or any class of ancil-
15 lary asset originators, from specified requirements under
16 subsection (c) if it is in the public interest or for the pro-
17 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 “(f) CONFIDENTIAL TREATMENT OF CERTAIN IN-
22 FORMATION.—Subject to Commission rules and proce-
23 dures, an ancillary asset originator required to furnish the
24 Commission with disclosures under subsection (d) may
25 submit a request for confidential treatment of information

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

5 “(g) EFFECT OF FAILURE TO COMPLY.—The failure
6 of an ancillary asset originator to comply with a provision
7 of this section shall not, by itself, cause an ancillary asset
8 offered, sold, or distributed by that ancillary asset origi-
9 nator to be a security under any applicable law.

10 “(h) LIABILITY FOR FALSE OR MISLEADING STATE-
11 MENTS.—

12 “(1) IN GENERAL.—It shall be unlawful for an
13 ancillary asset originator, in any disclosure, certifi-
14 cation, or other document furnished under this sec-
15 tion, to make an untrue statement of a material fact
16 or omit to state a material fact required to be stated
17 therein or necessary to make the statements therein
18 not misleading.

19 “(2) RULE OF CONSTRUCTION.—Nothing in
20 this subsection may be construed as 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 venting any private right of action otherwise avail-
25 able under the Federal securities laws.

1 “(i) SPECIAL DISPOSITION RESTRICTIONS BY RE-
2 LATED PERSONS.—

3 “(1) IN GENERAL.—The Commission shall
4 adopt rules, consistent with the purposes of section
5 104 of the Lummis-Gillibrand Responsible Financial
6 Innovation Act of 2026, establishing limitations on
7 the disposition of certain ancillary assets with speci-
8 fied characteristics by related persons.

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 “(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 ity shall arise with respect to any forward-looking state-
22 ment (including any statement of plans, objectives, projec-
23 tions, expectations, or assumptions concerning future per-
24 formance, financial position, development milestones, asset
25 utility, system adoption, or market conditions) made in an

1 ancillary asset disclosure, statement, or other document
2 furnished pursuant to this section, if the statement is—

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

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

7 “(k) TRANSACTIONS PRIOR TO EFFECTIVE DATE.—

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

1 of a network token by a person (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, or an underwriter, with respect to
5 an investment contract pursuant to which the ancil-
6 lary asset was originally sold) shall be treated as not
7 involving the offer or sale of a security under—

8 “(A) section 2(a)(1);

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

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

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

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

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

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

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

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

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

3 “(6) RULE OF CONSTRUCTION.—

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

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

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

13 “(3) prohibit the offer, sale, or distribution of
14 a digital asset in reliance on an exemption from reg-
15 istration under this Act, other than Regulation
16 Crypto (as adopted pursuant to section 103 of the
17 Lummis-Gillibrand Responsible Financial Innovation
18 Act of 2026); or

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

22 “(m) ANTI-EVASION.—

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

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

3 “(A) this section;

4 “(B) sections 103 and 104 of the Lummis-
5 Gillibrand Responsible Financial Innovation Act
6 of 2026; and

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

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

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

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

1 the restrictions set forth in section 104 of the
2 Lummis-Gillibrand Responsible Financial Inno-
3 vation Act of 2026, by satisfying the literal
4 terms while defeating the purpose and policy of
5 this section;

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

11 “(i) removal of a disqualifying finan-
12 cial right from the instrument coupled with
13 its re-introduction through a substantially
14 equivalent right held by a related person or
15 controlled vehicle, including, by way of ex-
16 ample, any nominally independent founda-
17 tion, decentralized autonomous organiza-
18 tion, laboratory, or similar arrangement;

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

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

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

3 “(D) the Commission shall provide that
4 evasion shall not 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

1 any director, officer, or controlling person of an an-
2 cillary asset originator, arising under the laws of any
3 State.

4 “(2) PRESERVATION OF FIDUCIARY AND OTHER
5 DUTIES TO CUSTOMERS, CLIENTS, AND SHARE-
6 HOLDERS.—Nothing in this section, or in any rules
7 issued under this section, may be construed to limit,
8 preempt, or otherwise affect any fiduciary duty that
9 any person owes to a customer, client, or share-
10 holder under any other provision of Federal or State
11 law, including in connection with the offer, sale,
12 transfer, or custody of an ancillary asset.

13 “(q) APPLICATION OF REGULATION BEST INTEREST
14 TO A BROKER OR DEALER.—Section 240.15l–1 of title 17,
15 Code of Federal Regulations (commonly known as ‘Regu-
16 lation Best Interest’), or any successor regulation, shall
17 apply to any recommendation to a retail customer by a
18 broker or dealer registered with the Commission under
19 section 15 of the Securities Exchange Act of 1934 (15
20 U.S.C. 78o), to the same extent that such section 240.15l–
21 1 applied before the date of enactment of this section, re-
22 garding a digital commodity or a strategy to engage in
23 transactions involving a digital commodity.

24 “(r) APPLICATION OF INVESTMENT ADVISERS FIDU-
25 CIARY DUTY TO DIGITAL COMMODITIES.—Any investment

1 adviser registered under the Investment Advisers Act of
2 1940 (15 U.S.C. 80b–1 et seq.) that provides investment
3 advice regarding a digital commodity shall, with respect
4 to that advice, be subject to the fiduciary duty under sec-
5 tion 206 of that Act (15 U.S.C. 80b–6).”.

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

11 **SEC. 103. EXEMPTION AND RULEMAKING FOR CERTAIN**
12 **TRANSACTIONS INVOLVING ANCILLARY AS-**
13 **SETS.**

14 (a) PROMULGATION OF REGULATION CRYPTO.—The
15 Commission shall adopt rules under the Securities Act of
16 1933 (15 U.S.C. 77a et seq.) and the Securities Exchange
17 Act of 1934 (15 U.S.C. 78a et seq.), which shall be re-
18 ferred to collectively as “Regulation Crypto”, to imple-
19 ment subsections (b), (c), and (d) of this section.

20 (b) EXEMPTION FOR CERTAIN TRANSACTIONS IN-
21 VOLVING ANCILLARY ASSETS.—

22 (1) EXEMPTION.—

23 (A) IN GENERAL.—Rules adopted by the
24 Commission under this section shall provide
25 that the registration requirements of the Secu-

1 rities Act of 1933 (15 U.S.C. 77a et seq.) shall
2 not apply to an offer or sale of an investment
3 contract involving an ancillary asset, if the offer
4 or sale does not exceed the greater of—

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

8 (ii) 10 percent of the total dollar value
9 of those ancillary assets that are out-
10 standing, as 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.

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

23 (A) IN GENERAL.—Not later than 2 years
24 after the date of enactment of this Act, and

1 every 2 years thereafter, the Commission
2 shall—

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

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

8 (iii) increase the amounts described in
9 paragraphs (1)(A)(i) and (2) as the Com-
10 mission determines appropriate, if that ac-
11 tion would be in the public interest and
12 consistent with the protection of investors.

13 (B) REPORT.—If the Commission, after
14 conducting a review under subparagraph (A),
15 determines not to increase the amount de-
16 scribed in paragraph (1)(A)(i) or (2) (other
17 than to adjust that amount for inflation, as re-
18 quired under subparagraph (A)(ii) of this para-
19 graph), the Commission shall submit to the
20 Committee on Banking, Housing, and Urban
21 Affairs of the Senate and the Committee on Fi-
22 nancial Services of the House of Representa-
23 tives a report detailing the reasons that the
24 Commission did not increase that amount.

1 (4) NO PRESUMPTION CREATED.—The failure
2 to use or satisfy the exemption under this subsection
3 may not be construed or deemed to create a pre-
4 sumption that an offer, sale, or distribution of an
5 ancillary asset by any party is an offer or sale of a
6 security.

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

10 (1) INITIAL DISCLOSURES.—Not later than 30
11 days before the date on which the applicable ancil-
12 lary asset originator, any affiliate of the ancillary
13 asset originator, or any underwriter of the invest-
14 ment contract, offers or sells an ancillary asset in re-
15 liance on Regulation Crypto, the ancillary asset
16 originator shall furnish with the Commission the dis-
17 closures required under section 4B(d) of the Securi-
18 ties Act of 1933, as added by this Act, subject to
19 the ongoing semiannual disclosure requirements of
20 that section.

21 (2) COMMON CONTROL.—If the applicable ancil-
22 lary asset is reliant on a distributed ledger system
23 that is subject to common control, including by re-
24 lated persons, the restrictions on disposition under
25 section 104 shall apply.

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

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

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

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

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

14 (C) an investment company (as defined in
15 section 3(a) of the Investment Company Act of
16 1940 (15 U.S.C. 80a–3(a)) or a company (as
17 defined in section 2 of that Act (15 U.S.C.
18 80a–2)) that would be an investment company
19 under section 3(a) of that Act (15 U.S.C. 80a–
20 3(a)) but for the exclusions provided from that
21 definition by section 3(c) of that Act (15 U.S.C.
22 80a–3(c)), provided that an ancillary asset
23 originator shall not be deemed to be an invest-
24 ment company solely by virtue of investing, re-
25 investing, owning, holding, or trading ancillary

1 assets, including ancillary assets offered for sale
2 by the ancillary asset originator;

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

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

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

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

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

1 rorism, or financial fraud, within the last 10
2 years.

3 (4) FURNISHING NOTICE OF RELIANCE.—The
4 applicable ancillary asset originator shall electroni-
5 cally furnish with the Commission a notice of reli-
6 ance on Regulation Crypto not fewer than 30 days
7 before the date on which the ancillary asset origi-
8 nator first offers, sells, or distributes an ancillary
9 asset in reliance on Regulation Crypto, which shall
10 contain the following information:

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

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

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

20 (D) An email address at which the ancil-
21 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

1 available in a manner that provides timely and con-
2 tinuing access.

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

13 (d) STATUS UNDER SECURITIES LAWS.—

14 (1) IN GENERAL.—An ancillary asset disclosure
15 under section 4B of the Securities Act of 1933, as
16 added by this Act, and any other document fur-
17 nished under Regulation Crypto, shall be deemed to
18 be—

19 (A) a “prospectus” solely—

20 (i) for purposes of section 12(a)(2) of
21 the Securities Act of 1933 (15 U.S.C.
22 77l(a)(2)); and

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

1 (B) a “statement” solely for purposes of
2 section 10(b) of the Securities Exchange Act of
3 1934 (15 U.S.C. 78j(b)) and section 240.10b5–
4 1 of title 17, Code of Federal Regulations, or
5 any successor regulation.

6 (2) REGISTRATION STATEMENT.—

7 (A) IN GENERAL.—An ancillary asset dis-
8 closure under section 4B of the Securities Act
9 of 1933, as added by this Act, or any other doc-
10 ument furnished under Regulation Crypto, shall
11 not be deemed to be a “registration statement”
12 for purposes of section 11 of the Securities Act
13 of 1933 (15 U.S.C. 77k) or to have been filed
14 under the Securities Exchange Act of 1934 (15
15 U.S.C. 78a et seq.).

16 (B) CIVIL LIABILITY.—Liability under sec-
17 tion 12(a)(2) of the Securities Act of 1933 (15
18 U.S.C. 77l(a)(2)) relating to an ancillary asset
19 disclosure or any other document furnished
20 under Regulation Crypto shall only apply to the
21 person making statements in that disclosure or
22 other document and only a person that pur-
23 chased an ancillary asset in a transaction made
24 in reliance on Regulation Crypto shall have a
25 claim under such section 12(a)(2).

1 (3) FORWARD-LOOKING STATEMENTS.—In any
2 action against an ancillary asset originator under
3 this title or the amendments made by this title that
4 is based on an untrue statement of a material fact
5 or omission of a material fact necessary to make the
6 statement not misleading, no liability shall arise with
7 respect to any forward-looking statement (including
8 a statement of plans, objectives, projections, expecta-
9 tions, or assumptions concerning future perform-
10 ance, financial position, development milestones, dig-
11 ital asset utility, system adoption, or market condi-
12 tions) made in an ancillary asset disclosure, state-
13 ment, or other document furnished pursuant to sec-
14 tion 4B of the Securities Act of 1933, as added by
15 this Act, or this section, if the statement is—

16 (A) identified as forward-looking; and

17 (B) accompanied by meaningful cautionary
18 language that identifies important factors that
19 could cause actual results to differ materially.

20 **SEC. 104. SPECIAL DISPOSITION RESTRICTIONS BY RE-**
21 **LATED PERSONS.**

22 (a) DEFINITIONS.—In this section:

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

- 1 (A) the ancillary asset originator;
- 2 (B) a subsidiary of the ancillary asset
- 3 originator;
- 4 (C) a related person of the ancillary asset
- 5 originator; or
- 6 (D) any entity that directly or indirectly
- 7 controls or is controlled by a common entity
- 8 with an ancillary asset originator.

9 (2) COVERED TOKEN.—The term “covered

10 token” means any unit of an ancillary asset that was

11 acquired from the ancillary asset originator with re-

12 spect to that ancillary asset or an agent or under-

13 writer thereof.

14 (3) DISTRIBUTED LEDGER CONTROL PERSON.—

15 The term “distributed ledger control person” means,

16 with respect to a distributed ledger system, any per-

17 son or group of persons under common control,

18 other than a decentralized governance 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 (b) COMMON CONTROL.—

1 (1) IN GENERAL.—The Commission shall pro-
2 mulgate rules, based on the criteria described in
3 paragraph (2), to define the circumstances under
4 which a distributed ledger system, together with a
5 related ancillary asset, is considered to be under
6 common control by related persons.

7 (2) CONSIDERATIONS.—In promulgating rules
8 under paragraph (1), the Commission shall consider
9 criteria with respect to a distributed ledger system
10 described in that paragraph, which shall include the
11 following criteria:

12 (A) OPEN DIGITAL SYSTEM.—Whether the
13 distributed ledger system is—

14 (i) a distributed ledger, the protocol of
15 which is freely and publicly available via
16 open-source code;

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

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

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

23 (iii) an analogue to a distributed ledg-
24 er or distributed ledger application de-

1 scribed in clause (i) or (ii), as determined
2 by the Commission by rule or order.

3 (B) PERMISSIONLESS AND CREDIBLY NEU-
4 TRAL DIGITAL SYSTEM.—Whether person or
5 group of persons under common control has—

6 (i) the unilateral authority, via oper-
7 ation of the distributed ledger system, to
8 restrict, censor, or prohibit use of the dis-
9 tributed ledger system, including any appli-
10 cable system-based user activity; or

11 (ii) private permissions, hard-coded
12 privileges, or similar capabilities granted
13 by the source code of the distributed ledger
14 system that provides preferential treatment
15 compared to other similarly situated per-
16 sons.

17 (C) DISTRIBUTED DIGITAL NETWORK.—
18 The extent to which a person or group of per-
19 sons under common control has beneficial own-
20 ership of, in the aggregate, not less than 49
21 percent of the total amount of outstanding
22 units of the ancillary asset.

23 (D) AUTONOMOUS DISTRIBUTED LEDGER
24 SYSTEM.—Whether—

1 (i) the distributed 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 dis-
8 tributed ledger system.

9 (E) ECONOMIC INDEPENDENCE.—Whether
10 the primary programmatic mechanisms of the
11 distributed ledger system that are intended to
12 facilitate substantial value accrual to the ancil-
13 lary asset through the functioning of the dis-
14 tributed ledger system are functional.

15 (3) SAFE HARBORS.—

16 (A) IN GENERAL.—The Commission shall
17 establish safe harbors under which a distributed
18 ledger system will not be considered to be under
19 common control by related persons for the pur-
20 poses of section 103(c)(2).

21 (B) NONEXCLUSIVE.—The safe harbors es-
22 tablished under subparagraph (A) shall not be
23 exclusive and the Commission shall consider
24 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 distributed ledg-
8 er system is under common control by related per-
9 sons for the purposes of section 103(c)(2).

10 (c) SPECIAL RESTRICTIONS ON DISPOSITION.—The
11 Commission shall adopt rules that provide that, with re-
12 spect to transactions involving an ancillary asset for which
13 disclosures are required pursuant to section 4B(d) 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 of this Act and principally relies on a distributed
20 ledger system, the covered token may be sold by a
21 related person before that distributed ledger system
22 is certified as not subject to common control by re-
23 lated persons, pursuant to subsection (d), if—

24 (A) with respect to that distributed ledger
25 system, the disclosures required pursuant to

1 section 4B(d) of the Securities Act of 1933, as
2 added by this Act, have been furnished;

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

5 (C) the net amount of covered tokens sold
6 in any 12-month period by the related person is
7 not greater than an amount to be determined
8 by the Commission pursuant to notice and com-
9 ment rulemaking not later than 360 days after
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 tems that are not subject to common control.

18 (2) SALES AFTER CERTIFICATION.—If the an-
19 cillary asset was acquired after the effective date of
20 this Act and principally relies on a distributed ledger
21 system that is certified as not subject to common
22 control by related persons pursuant to subsection
23 (d), the ancillary asset may be sold by a related per-
24 son, if—

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

5 (B) the holder of the ancillary asset that is
6 a covered token has held the units for not less
7 than 6 months; and

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

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 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

1 1933, as added by this Act, have been fur-
2 nished; and

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

6 (B) in the case that the distributed ledger
7 system has been certified as not subject to com-
8 mon control by related persons pursuant to sub-
9 section (d), the holder of the covered token has
10 held the units for not less than 6 months.

11 (4) LIMITATIONS ON TRANSACTIONS BY DIS-
12 TRIBUTED LEDGER CONTROL PERSONS.—If the
13 holder of an ancillary asset that principally relies on
14 a distributed ledger system that has been certified as
15 not subject to common control by related persons is
16 a distributed ledger control person with respect to
17 that distributed ledger system, that control person
18 may resell that ancillary asset if—

19 (A) that control person furnishes notice
20 with the Commission, in a form and manner de-
21 termined by the Commission, that the person
22 has or intends to obtain an authority described
23 in subparagraph (B) with respect to the distrib-
24 uted ledger system;

1 (B) that distributed ledger control person
2 furnishes disclosures with the Commission, in a
3 form and manner determined by the Commis-
4 sion, describing the material activities, as deter-
5 mined by the Commission, of the control per-
6 son;

7 (C) with respect to that distributed ledger
8 system, disclosures have been furnished pursu-
9 ant to section 4B(d) of the Securities Act of
10 1933, as added by this Act; and

11 (D) that control person has satisfied such
12 other requirements applicable to that control
13 person that may be established by the Commis-
14 sion to prevent manipulation or distortion of
15 the value of the ancillary asset, including resale
16 restrictions consistent with those applied to re-
17 lated persons that are not control persons.

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

20 (1) SUBMISSION.—With respect to an ancillary
21 asset, a certification covered party may furnish to
22 the Commission a written certification, in such form
23 and manner as the Commission may specify by rule
24 consistent with subsection (b), stating that the dis-

1 tributed ledger system is not under the common con-
2 trol of related persons.

3 (2) AUTOMATIC EFFECTIVENESS.—A certifi-
4 cation furnished under paragraph (1) shall become
5 effective, and the distributed ledger system shall be
6 deemed not to be under the common control of re-
7 lated persons, on the date that is the earlier of—

8 (A) the date on which the Commission no-
9 tifies the certification covered party in writing
10 that the Commission does not object to the cer-
11 tification; or

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

17 (3) DENIAL.—

18 (A) IN GENERAL.—The Commission may
19 deny a certification furnished under paragraph
20 (1)—

21 (i) only during the 90-day period be-
22 ginning on the date on which the certifi-
23 cation is furnished, or such shorter period
24 as the Commission may determine by rule,
25 or upon determining, based on reasonable

1 evidence, that a material change in cir-
2 cumstances has occurred after the fur-
3 nishing of the certification; and

4 (ii) by providing to the certification
5 covered party 10 days notice of the intent
6 of the Commission to deny that certifi-
7 cation.

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

11 (i) conduct a hearing before the Com-
12 mission; and

13 (ii) vote to deny the certification if
14 there is a finding that the applicable ancil-
15 lary asset does not meet the standard for
16 certification that the operations of the dis-
17 tributed ledger system are not under such
18 common control.

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

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

25 (e) DISGORGEMENT.—

1 (1) IN GENERAL.—Any profit realized by a re-
2 lated person from the sale of an ancillary asset in
3 violation of the restrictions under subsection (c)
4 shall inure to, and be recoverable by, the holders of
5 the ancillary asset, irrespective of any intention of
6 holding the asset.

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

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

12 (i) the applicable ancillary asset origi-
13 nator;

14 (ii) the owner of any units of the ap-
15 plicable ancillary asset; or

16 (iii) the owner of any units of the ap-
17 plicable ancillary asset, in the name and on
18 behalf of the ancillary asset originator, if
19 the ancillary asset originator—

20 (I) fails or refuses to bring the
21 action within 60 days after a written
22 request by any owner of not less than
23 5 percent of the total amount of out-
24 standing units of that ancillary asset;
25 or

1 (II) fails to diligently prosecute
2 the action; and

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

5 (3) EXPENSES.—If an action under this sub-
6 section is brought by a person described in para-
7 graph (2)(A)(ii) and that action is unsuccessful, the
8 person that brought the action shall be responsible
9 for the fees and expenses incurred by the person
10 against which the action is brought.

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

15 (1) MATERIAL HARDSHIP EXEMPTION.—

16 (A) IN GENERAL.—Subject to subpara-
17 graph (B), the Commission shall adopt rules
18 and procedures to exempt parties from resale
19 restrictions with respect to an ancillary asset
20 where those restrictions conflict with an obliga-
21 tion or requirement arising from one of the fol-
22 lowing material hardships on a related person
23 with respect to the ancillary asset or the ancil-
24 lary asset originator:

25 (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.

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

8 (4) EXCHANGE-TRADED PRODUCT AND PASSIVE
9 FUND EXEMPTION.—The Commission shall adopt
10 rules to exempt from disposition restrictions, as ap-
11 propriate, exchange-traded products, the shares of
12 which are created and redeemed by authorized par-
13 ticipants and registered with the Commission or
14 other passive pooled investment vehicles, whether or
15 not the shares of which are registered with the Com-
16 mission.

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

23 (1) DISCLOSURE REPORTS.—

24 (A) DISCLOSURE OF RELATED PERSON
25 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 **SEC. 105. FINANCIAL INTERESTS OF ANCILLARY ASSETS.**

22 (a) IN GENERAL.—Not later than 1 year after the
23 date of enactment of this Act, the Commission shall pro-
24 mulgate regulations that provide that—

1 (1) a network token shall not be considered as
2 providing a disqualifying financial interest under
3 section 4B(a)(6)(B) of the Securities Act of 1933,
4 as added by this Act, if the market value of the net-
5 work token is primarily derived, or is reasonably ex-
6 pected to be primarily derived, from a distributed
7 ledger system or from the broader adoption and use
8 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

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

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

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

10 (1) IN GENERAL.—If, before the date of enact-
11 ment of this Act, a court of the United States, in
12 a non-appealable final judgment, found that a digital
13 asset transaction was not an offer or sale of a secu-
14 rity, a digital asset transferred pursuant to that
15 offer or sale shall not be considered to be a security
16 under any provision of law described in subsection
17 (b)(1) of section 4B of the Securities Act of 1933,
18 as added by this Act.

19 (2) NETWORK TOKENS.—A network token shall
20 not be considered to be an ancillary asset, and, for
21 the avoidance of doubt, shall not be considered to be
22 a security under any provision of law described in
23 subsection (b)(1) of section 4B of the Securities Act
24 of 1933, as added by this Act, if, on January 1,
25 2026, any units of that network token were the prin-

1 cipal asset of an exchange-traded product, the shares
2 of which are listed and traded on a national securi-
3 ties exchange registered under section 6 of the Secu-
4 rities Exchange Act of 1934 (15 U.S.C. 78f).

5 **SEC. 106. EXEMPTIVE AUTHORITY.**

6 (a) CONTINUED APPLICABILITY.—Nothing in this
7 Act, or any amendment made by this Act, may be con-
8 strued to amend, limit, impair, or otherwise affect the au-
9 thority of the Commission to grant an exemption pursuant
10 to any provision of law that is in effect on the day before
11 the date of enactment of this Act, including pursuant to
12 any of the following:

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

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

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

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

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

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

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

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

7 (2) by adding at the end the following: “The
8 Commission shall, by rule or regulation, determine
9 the procedures under which an exemptive order
10 under this section shall be granted and may, in the
11 sole discretion of the Commission, decline to enter-
12 tain any application for an order of exemption under
13 this section.”.

14 **SEC. 107. MODERNIZATION OF RECORDKEEPING REQUIRE-**
15 **MENTS.**

16 (a) IN GENERAL.—The Commission shall promulgate
17 rules to modernize the recordkeeping requirements under
18 the Securities Exchange Act of 1934 (15 U.S.C. 78a et
19 seq.), the Investment Advisers Act of 1940 (15 U.S.C.
20 80b–1 et seq.), and the Investment Company Act of 1940
21 (15 U.S.C. 80a–1 et seq.), including to facilitate utiliza-
22 tion of distributed ledger records.

23 **SEC. 108. MODERNIZATION OF SECURITIES REGULATIONS**
24 **FOR DIGITAL ASSET ACTIVITIES.**

25 (a) TAILORING OF EXISTING REQUIREMENTS.—

1 (1) DEFINITION.—In this subsection:

2 (A) DIGITAL ASSET RECEIPT; LIQUIDITY
3 PROVIDER TOKEN; VAULT TOKEN.—The terms
4 “digital asset receipt”, “liquidity provider
5 token”, and “vault token” mean a digital token
6 or electronic receipt that—

7 (i) is issued by a vault or a smart con-
8 tract to a user depositing digital assets;
9 and

10 (ii) evidences the proportionate inter-
11 est of the user in, or the ability of the user
12 to redeem, the underlying digital assets
13 and any accrued yield or profits.

14 (B) VAULT.—The term “vault” means a
15 programmable, self-custodial smart contract on
16 a distributed ledger system—

17 (i) that deploys digital assets accord-
18 ing to pre-defined code;

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

22 (iii) under which the user retains own-
23 ership of the digital assets described in
24 clause (i), as evidenced by digital asset re-

1 ceipts, liquidity provider tokens, or vault
2 tokens.

3 (2) REQUIREMENT.—The Commission shall—

4 (A) amend, rescind, replace, or supplement
5 by rule, order, guidance, exemptive relief, or
6 any other appropriate action (provided such ac-
7 tion is consistent with chapter 5 of title 5,
8 United States Code, and other applicable law)
9 each regulation, form, interpretive statement, or
10 other requirement within the jurisdiction of the
11 Commission that is not otherwise amended by
12 this Act (or required to be amended because of
13 a provision of this Act or an amendment made
14 by this Act), to the extent that such provision
15 applies to any digital asset activity, including
16 any activity involving a security that is issued,
17 recorded, or transferred using distributed ledger
18 technology, to the extent that the provision is
19 outdated, unnecessary, or unduly burdensome
20 in light of the unique technological characteris-
21 tics of digital assets or substantially similar
22 technology, which may include regulatory provi-
23 sions governing—

1 (i) customer protection, including cus-
2 tody of digital assets or substantially simi-
3 lar technology;

4 (ii) transfer agent rules;

5 (iii) books and records, or record-
6 keeping requirements;

7 (iv) clearance and settlement rules;

8 (v) broker-dealer, alternative trading
9 system, and exchange rules;

10 (vi) issuer disclosure and ongoing re-
11 porting requirements tailored to digital
12 asset securities or substantially similar
13 technology involving securities; and

14 (vii) the use of vaults, digital asset re-
15 cepts, or receipts involving substantially
16 similar technology, vault tokens, or liquid-
17 ity provider tokens; and

18 (B) shall, in imposing future obligations as
19 those obligations relate to digital assets or sub-
20 stantially similar technology do so in a manner
21 consistent with the requirements described in
22 subparagraph (A).

23 (b) RULE OF CONSTRUCTION.—Nothing in this sec-
24 tion may be construed to limit the authority of the Com-
25 mission to pursue fraud, manipulation, or deceptive prac-

1 tices involving digital assets or substantially similar tech-
2 nology.

3 (c) 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
8 (which may include the solicitation of data and other input
9 from investors, regulated entities, and market participants
10 or the representatives of any of those persons) shall be
11 considered actions taken under subsection (e) of section
12 19 of the Securities Act of 1933 (15 U.S.C. 77s) and shall
13 be subject to subsection (f) of that section.

14 (d) PREEMPTION FOR EXEMPTIONS AND DIGITAL
15 ASSET ACTIVITIES UNDER THE SECURITIES ACT.—Sec-
16 tion 18 of the Securities Act of 1933 (15 U.S.C. 77r) is
17 amended—

18 (1) in subsection (b)—

19 (A) in paragraph (3)—

20 (i) in the paragraph heading, by in-
21 serting “IN QUALIFIED TRANSACTIONS OR”
22 after “SALES”;

23 (ii) in the first sentence, by inserting
24 “in a qualified transaction or” after “the
25 security”; and

1 (iii) in the second sentence—

2 (I) by striking “term ‘qualified
3 purchaser’” and inserting “term
4 ‘qualified transaction’ and ‘qualified
5 purchaser’”;

6 (II) by inserting “and categories
7 of transactions, including secondary
8 transactions,” after “securities”; and

9 (III) by inserting “and with due
10 regard to the facilitation of capital
11 formation and the promotion of inno-
12 vation” before the period at the end;
13 and

14 (B) in paragraph (4)—

15 (i) in subparagraph (A), by inserting
16 “or, if the issuer is not required to file
17 such reports, where the Commission other-
18 wise determines, consistent with the public
19 interest and the protection of investors and
20 with due regard to the facilitation of cap-
21 ital formation and the promotion of inno-
22 vation” before the semicolon at the end;

23 (ii) in subparagraph (D)(ii) after “of-
24 fered or sold” by inserting “in a qualified
25 transaction or”;

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

3 (iv) in subparagraph (G), by striking
4 the period at the end and inserting “; or”;
5 and

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

7 “(H) Commission rules or regulations
8 issued under section 28, except that this sub-
9 paragraph does not apply to rules or regula-
10 tions adopted before the date of enactment of
11 this subparagraph.”.

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

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

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

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

1 commission (or any agency or office performing like
2 functions) of any State with respect to a covered se-
3 curity or any security.

4 (f) PREEMPTION FOR ANCILLARY ASSET ACTIVITIES
5 UNDER THE SECURITIES ACT OF 1933.—Section 18(b)
6 of the Securities Act of 1933 (15 U.S.C. 78r(b)) is amend-
7 ed by adding at the end the following:

8 “(5) LIMITATIONS ON STATE LAW REGARDING
9 ANCILLARY ASSETS.—

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

13 “(B) EXEMPTION IN CONNECTION WITH
14 ANCILLARY ASSETS.—An ancillary asset of-
15 fered, sold, or distributed in Reliance on Regu-
16 lation Crypto, as adopted under section 103 of
17 the Lummis-Gillibrand Responsible Financial
18 Innovation Act of 2026, shall be treated as a
19 covered security.”.

20 **SEC. 109. SECURITIES INVESTOR PROTECTION CORPORA-**
21 **TION APPLICABILITY.**

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

1 **TITLE II—PROTECTING AGAINST**
2 **ILLICIT FINANCE**

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

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

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

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

14 (b) BANK SECRECY ACT REQUIREMENTS.—

15 (1) REGULATIONS.—The Secretary of the
16 Treasury, acting through the Director of the Finan-
17 cial Crimes Enforcement Network, and in consulta-
18 tion with Commodity Futures Trading Commission,
19 shall issue requirements consistent with the require-
20 ments of futures commission merchants to apply the
21 Bank Secrecy Act to digital commodity brokers, dig-
22 ital commodity dealers, and digital commodity ex-
23 changes that are tailored to the size and complexity
24 of such entities, including by requiring each such en-
25 tity to—

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

4 (i) an appropriate risk assessment;

5 (ii) the development of internal poli-
6 cies, procedures, and controls;

7 (iii) the designation of a compliance
8 officer;

9 (iv) an ongoing employee training pro-
10 gram; and

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

13 (B) retain appropriate records of trans-
14 actions;

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

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

22 (2) COMPLIANCE WITH SANCTIONS.—A digital
23 commodity broker, digital commodity dealer, or dig-
24 ital commodity exchange shall comply with all laws
25 and regulations related to United States sanctions

1 administered by the Office of Foreign Assets Con-
2 trol.

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

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

8 (a) DEFINITIONS.—In this section:

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

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

17 (b) EXAMINATION AND REVIEW.—The Secretary of
18 the Treasury, in consultation with Federal functional reg-
19 ulators, shall establish, coordinated to the extent feasible,
20 risk-based examination standards to assess financial insti-
21 tutions involved in the digital asset sector for compliance
22 with anti-money laundering and countering the financing
23 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 private partnership network that meets
2 standards for security, accountability, and
3 participation that are equivalent to the
4 standards that would be required by the
5 Secretary of the Treasury for certification
6 under clause (i).

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

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

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

16 (C) the Department of Homeland Security.

17 (4) DESIGNATED PRIVATE SECTOR ENTITY.—
18 The term “designated private sector entity” means
19 a private sector entity designated under subsection
20 (d).

21 (5) DIRECTOR.—The term “Director” means
22 the Director of the Financial Crimes Enforcement
23 Network.

1 (6) **ILLICIT FINANCE VIOLATION.**—The term
2 “illicit finance violation” means the illicit use of dig-
3 ital assets.

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

14 (8) **MONEY SERVICES BUSINESS.**—The term
15 “money services business” has the meaning given
16 the term in section 1010.100 of title 31, Code of
17 Federal Regulations (or any corresponding similar
18 regulation).

19 (c) **ESTABLISHMENT OF PROGRAM.**—The Secretary
20 of the Treasury shall establish a pilot program under
21 which covered agencies and designated private sector enti-
22 ties securely share information focused on potential illicit
23 finance violations and threats and emerging risks relating
24 to illicit finance violations.

25 (d) **DESIGNATION OF PRIVATE SECTOR ENTITIES.**—

1 (1) REQUIRED ACTION.—

2 (A) INITIAL COMPANIES.—Not later than
3 90 days after the date of enactment of this Act,
4 the Director and the Secretary shall designate
5 10 private sector entities that are money serv-
6 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 that are banks to
10 participate in the pilot program established
11 under subsection (c), if such entities agree and
12 volunteer to participate in the program.

13 (B) BIENNIAL REVIEW.—Not less fre-
14 quently than once every 6 months, the Director
15 shall review and, as appropriate, replace the
16 private sector entities designated under this
17 paragraph.

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

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

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

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

4 (A) 1 or more information sharing and
5 analysis centers to participate in the pilot pro-
6 gram;

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

10 (C) 1 or more private sector entities, as
11 appropriate, relating to a particular type of il-
12 licit activity.

13 (e) INFORMATION SHARING WITH PRIVATE SECTOR
14 ENTITIES.—A covered agency that initiates an investiga-
15 tion into a potential illicit finance violation, or identifies
16 a threat or emerging risk relating to an illicit finance vio-
17 lation, may share with any designated private sector entity
18 such information about the investigation, threat, or
19 emerging risk as the covered agency determines is appro-
20 priate.

21 (f) USE OF INFORMATION BY PRIVATE SECTOR EN-
22 TITIES.—Information received by a designated private sec-
23 tor entity under this section may not be used for any pur-
24 pose other than identifying and reporting on activities that
25 may involve illicit finance violations or threats and emerg-

1 ing risks relating to illicit finance violations, unless other-
2 wise prescribed by regulation or permitted by the covered
3 agency sharing the information.

4 (g) MEANS OF SHARING INFORMATION.—The cov-
5 ered agencies and designated private sector entities may
6 share information about potential illicit finance violations,
7 or threats and emerging risks relating to illicit finance vio-
8 lations, with each other—

9 (1) through a portal established by the Sec-
10 retary of the Treasury or a similar mechanism deter-
11 mined appropriate by the Secretary of the Treasury;

12 (2) through secure email;

13 (3) at monthly meetings, which shall be facili-
14 tated by the Secretary of the Treasury; or

15 (4) through a certified or recognized informa-
16 tion-sharing or interdiction network.

17 (h) LIMITATION ON LIABILITY.—A designated pri-
18 vate sector entity that transmits, receives, or shares infor-
19 mation for the purposes of identifying and reporting ac-
20 tivities that may constitute illicit finance violations, or
21 threats and emerging risks relating to illicit finance viola-
22 tions, shall not be liable to any person for such disclosure
23 or for any failure to provide notice of such disclosure to
24 the person who is the subject of such disclosure or any
25 other person identified in such disclosure.

1 (i) SUNSET.—The pilot program established under
2 subsection (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.

6 **SEC. 204. FINANCIAL TECHNOLOGY PROTECTION ACT.**

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

9 (b) DEFINITIONS.—In this section:

10 (1) APPROPRIATE CONGRESSIONAL COMMIT-
11 TEES.—The term “appropriate congressional com-
12 mittees” means—

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

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

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

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

21 (2) DISTRIBUTED LEDGER ANALYTICS COM-
22 PANY.—The term “distributed ledger analytics com-
23 pany” means any business providing software, re-
24 search, or other services (such as tracing tools,

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 (3) 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 (4) 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 (5) ILLICIT USE.—The term “illicit use” in-
22 cludes fraud, money laundering, terrorist financing,
23 the purchase and sale of illicit goods, trafficking of
24 fentanyl (including fentanyl precursors and trade in
25 other illicit drugs), sanctions evasion, theft of funds,

1 funding of illegal activities, transactions related to
2 child sexual abuse material or elder fraud abuse, and
3 any other financial transaction involving the pro-
4 ceeds of specified unlawful activity (as defined in
5 section 1956(c) of title 18, United States Code).

6 (6) STATE SPONSOR OF TERRORISM.—The term
7 “state sponsor of terrorism” means a country deter-
8 mined by the Secretary of State to have repeatedly
9 provided support for acts of international terrorism
10 under section 40 of the Arms Export Control Act
11 (22 U.S.C. 2780) or section 620A of the Foreign
12 Assistance Act of 1961 (22 U.S.C. 2371).

13 (7) TERRORIST.—The term “terrorist” includes
14 a person carrying out domestic terrorism or inter-
15 national terrorism (as such terms are defined, re-
16 spectively, under section 2331 of title 18, United
17 States Code).

18 (8) TRANSNATIONAL ORGANIZED CRIME.—The
19 term “transnational organized crime” has the mean-
20 ing given the term in section 284 of title 10, United
21 States Code.

22 (c) INDEPENDENT FINANCIAL TECHNOLOGY WORK-
23 ING GROUP TO COMBAT TERRORISM, NARCOTICS TRAF-
24 FICKING, AND ILLICIT FINANCING.—

1 (1) ESTABLISHMENT.—There is established the
2 Independent Financial Technology Working Group
3 to Combat Terrorism, Narcotics Trafficking, and Il-
4 licit Financing (in this section referred to as the
5 “Working Group”), which shall consist of the fol-
6 lowing:

7 (A) The Secretary of the Treasury or their
8 designee, who shall serve as the chair of the
9 Working Group.

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

12 (i) The Department of the Treasury.

13 (ii) The Office of Terrorism and Fi-
14 nancial Intelligence.

15 (iii) The Internal Revenue Service.

16 (iv) The Department of Justice.

17 (v) The Federal Bureau of Investiga-
18 tion.

19 (vi) The Drug Enforcement Adminis-
20 tration.

21 (vii) The Department of Homeland
22 Security.

23 (viii) The United States Secret Serv-
24 ice.

25 (ix) The Department of State.

1 (x) The Office of the Director of Na-
2 tional Intelligence.

3 (C) At least 5 individuals appointed by the
4 Secretary of the Treasury to represent the fol-
5 lowing:

6 (i) Digital asset companies.

7 (ii) Distributed ledger analytics com-
8 panies.

9 (iii) Financial institutions.

10 (iv) Institutions or organizations en-
11 gaged in research.

12 (v) Institutions or organizations fo-
13 cused on individual privacy and civil lib-
14 erties.

15 (D) Such additional individuals as the Sec-
16 retary of the Treasury may appoint as nec-
17 essary to accomplish the duties described in
18 paragraph (2).

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

20 (A) conduct research on the illicit use of
21 digital assets and other related emerging tech-
22 nologies, including by terrorists, foreign ter-
23 rorist organizations, state sponsors of ter-
24 rorism, and transnational organized crime
25 groups; and

1 (B) develop legislative and regulatory pro-
2 posals to 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.

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

1 (4) SUNSET.—

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

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

6 (ii) the date on which the Working
7 Group completes any wind-up activities de-
8 scribed in subparagraph (B).

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

16 (C) RETURN OF APPROPRIATED FUNDS.—
17 On the date on which the Working Group ter-
18 minates under subparagraph (A), any unobli-
19 gated funds appropriated to carry out this sub-
20 section shall be transferred to the Treasury.

21 **SEC. 205. DIGITAL ASSET KIOSKS.**

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

24 (1) in subsection (d)—

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

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

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

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

13 “(f) REGISTRATION OF DIGITAL ASSET KIOSK LOCA-
14 TIONS.—

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

23 “(2) FORM AND MANNER OF REGISTRATION.—
24 Each submission by a digital asset kiosk operator
25 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:

1 **“§ 5337. Digital asset kiosk fraud prevention**

2 “(a) DEFINITIONS.—In this section:

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

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

12 “(3) FINCEN.—The term ‘FinCEN’ means the
13 Financial Crimes Enforcement Network of the De-
14 partment of the Treasury.

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

18 “(5) DIGITAL ASSET ADDRESS.—The term ‘dig-
19 ital asset address’ means an alphanumeric identifier
20 associated with a digital asset wallet identifying the
21 location to which digital asset purchased through a
22 digital asset kiosk can be sent or from which digital
23 asset sold through a digital asset kiosk can be
24 accessed.

25 “(6) DIGITAL ASSET KIOSK.—The term ‘digital
26 asset kiosk’ means a stand-alone machine that is ca-

1 pable of accepting or dispensing legal tender in ex-
2 change for digital assets.

3 “(7) DIGITAL ASSET KIOSK OPERATOR.—The
4 term ‘digital asset kiosk operator’ means a person
5 who owns, operates, or manages a digital asset kiosk
6 located in the United States or its territories.

7 “(8) DIGITAL ASSET KIOSK TRANSACTION.—
8 The term ‘digital asset kiosk transaction’ means the
9 purchase or sale of digital assets via a digital asset
10 kiosk.

11 “(9) DIGITAL ASSET WALLET.—The term ‘dig-
12 ital asset wallet’ means a software application or
13 other mechanism providing a means for holding,
14 storing, and transferring digital assets.

15 “(10) NEW CUSTOMER.—The term ‘new cus-
16 tomer,’ with respect to a digital asset kiosk operator,
17 means a customer during the 14-day period begin-
18 ning on the date of the first digital asset kiosk
19 transaction of the customer with the digital asset
20 kiosk operator.

21 “(11) TRANSACTION HASH.—The term ‘trans-
22 action hash’ means a unique identifier made up of
23 a string of characters that act as a record of and
24 provide proof that a transaction was verified and
25 added to the distributed ledger.

1 “(b) DISCLOSURES.—

2 “(1) IN GENERAL.—Before entering into a dig-
3 ital asset transaction with a customer, a digital asset
4 kiosk operator shall disclose in a clear, conspicuous,
5 and easily readable manner—

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

8 “(i) the amount of the digital asset
9 kiosk transaction;

10 “(ii) the type and nature of the digital
11 asset kiosk transaction;

12 “(iii) a warning that the digital asset
13 kiosk transaction is final, is not refund-
14 able, and may not be reversed; and

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

17 “(B) a warning relating to consumer fraud
18 including—

19 “(i) that consumer fraud often starts
20 with contact from a stranger, and that the
21 customer should never send money to
22 someone they do not know;

23 “(ii) the most common types of fraud-
24 ulent schemes involving digital asset ki-
25 osks, such as—

1 “(I) impersonation of a govern-
2 ment official or a bank representative;

3 “(II) threats of jail time or fi-
4 nancial penalties;

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

8 “(IV) claims of a frozen bank ac-
9 count or credit card;

10 “(V) requests for donations to
11 charity or disaster relief; or

12 “(VI) payment to an individual
13 the customer has never met; and

14 “(iii) a statement that the customer
15 should contact law enforcement if they sus-
16 pect fraudulent activity, such as scams, in-
17 cluding 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 aggregate or single-day deposit and withdrawal limits, as the
2 Secretary determines are reasonably necessary to deter
3 fraud and illicit finance. Such regulations shall consider
4 the unique risks and functionalities of digital asset kiosks
5 and may provide for exceptions, adjustments, or exclusions
6 as deemed appropriate by the Secretary.

7 “(l) INTERIM TRANSACTION LIMITS.—Until the ef-
8 fective date of regulations prescribed under subsection (k),
9 a digital asset kiosk operator shall not permit a new cus-
10 tomer to conduct transactions exceeding \$3,500 in the ag-
11 gregate within any 24-hour period.

12 “(m) REFUNDS.—A digital asset kiosk operator shall
13 issue a refund for a customer’s transaction fees within 30
14 days if—

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

17 “(2) the customer files a complaint to the dig-
18 ital asset kiosk operator, which includes—

19 “(A) the name, address, and phone num-
20 ber of the customer;

21 “(B) the transaction hash of the digital
22 asset kiosk transaction or information sufficient
23 to establish the type, value, date, and time of
24 the digital asset kiosk transaction; and

1 “(C) a copy of a report to a state or local
2 law enforcement or government agency made
3 not later than 30 days after the digital asset
4 kiosk transaction.

5 “(n) CUSTOMER SERVICE HELPLINE.—Each digital
6 asset kiosk operator shall provide live customer service
7 during business hours, the phone number for which is reg-
8 ularly monitored and displayed in a clear, conspicuous,
9 and easily readable manner upon each digital asset kiosk.
10 During non-business hours, the digital asset kiosk oper-
11 ator shall maintain an alternative customer service system
12 that may include an automated chatbot, an online com-
13 plaint reporting portal, or other customer service mecha-
14 nism.

15 “(o) COMMUNICATIONS WITH LAW ENFORCE-
16 MENT.—Each digital asset kiosk operator performing
17 business in the United States shall have a dedicated meth-
18 od of contact, such as a phone number, email address, or
19 other contact method, for law enforcement and regulatory
20 agencies to contact the digital asset kiosk operator. This
21 contact method shall be displayed and available on the dig-
22 ital asset kiosk operator’s website.

23 “(p) CIVIL PENALTIES AND STATE ENFORCE-
24 MENT.—Any State regulator may bring a civil action or
25 other appropriate proceeding to enforce the provisions of

1 this section and may assess or collect civil penalties or
2 other remedies for violations of this section, as provided
3 under applicable State law.

4 “(q) 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 (1) an assessment of how foreign terrorist orga-
2 nizations and transnational organized criminals uti-
3 lize digital assets in connection with illicit activities;
4 and

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

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

17 (e) **CLASSIFIED ANNEX.**—The report required under
18 subsection (c) may include a classified annex, as appro-
19 prium.

1 **TITLE III—RESPONSIBLE INNO-**
2 **VATION IN DECENTRALIZED**
3 **FINANCE**

4 **SEC. 301. RULEMAKING ON APPLICATION OF EXISTING SE-**
5 **CURITIES INTERMEDIARY REQUIREMENTS**
6 **AND EXISTING BANK SECRECY ACT REQUIRE-**
7 **MENTS TO NON-DECENTRALIZED FINANCE**
8 **TRADING PROTOCOLS.**

9 (a) DEFINITIONS.—In this section:

10 (1) DECENTRALIZED LEDGER FINANCE TRAD-
11 ING PROTOCOL.—The term “decentralized ledger fi-
12 nance trading protocol” means a distributed ledger
13 system through which multiple participants can exe-
14 cute a financial transaction—

15 (A) in accordance with an automated rule
16 or algorithm that is predetermined and non-dis-
17 cretionary; and

18 (B) without reliance on a person other
19 than the user to maintain custody or control of
20 any digital assets subject to the financial trans-
21 action.

22 (2) NON-DECENTRALIZED FINANCE TRADING
23 PROTOCOL.—The term “non-decentralized finance
24 trading protocol” means a decentralized finance

1 trading protocol that meets 1 or more of the fol-
2 lowing exclusions:

3 (A) A person or group of persons under
4 common control or acting pursuant to an agree-
5 ment to act in concert has the authority, di-
6 rectly or indirectly, through any contract, ar-
7 rangement, understanding, relationship, or oth-
8 erwise, to control or materially alter the
9 functionality, operation, or rules of consensus
10 or agreement of the decentralized ledger finance
11 trading protocol.

12 (B) The decentralized ledger finance trad-
13 ing protocol does not operate, execute, and en-
14 force its operations and transactions based sole-
15 ly on pre-established, transparent rules encoded
16 directly within the source code of the distrib-
17 uted ledger system.

18 (C) A person or group of persons under
19 common control has the unilateral authority,
20 via operation of the decentralized ledger finance
21 trading protocol, to restrict, censor, or prohibit
22 the use of the decentralized ledger finance trad-
23 ing protocol, including any applicable system-
24 based user activity.

25 (b) RULES.—

1 (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

1 (3) to the extent that registration or compliance
2 described in paragraph (2) causes that person, or
3 group of persons, to be treated as a financial institu-
4 tion under the Bank Secrecy Act pursuant to exist-
5 ing law.

6 (d) **ACTIVITY-BASED APPLICATION.**—Rules promul-
7 gated under subsection (b)(1)(A) shall require the Com-
8 mission to determine the applicable requirements only
9 with respect to securities-related activities, based on the
10 functions performed by the controlling person or group of
11 persons, including brokerage, dealing, trading, execution,
12 clearing, or custody of securities, without regard to tech-
13 nological form, distributed architecture, or purportedly de-
14 centralized characterization.

15 (e) **RULES OF CONSTRUCTION.**—

16 (1) **REGISTRATION NOT REQUIRED.**—Nothing
17 in this section, nor any rule promulgated under this
18 section, may be construed to—

19 (A) require a distributed ledger application
20 or any software code to register with the Com-
21 mission in its own capacity; or

22 (B) prohibit the launch, deployment, or op-
23 eration of a distributed ledger application.

24 (2) **NO EXPANSION OF STATUTORY AUTHOR-**
25 **ITY.**—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

1 limits governing such emergency measures, are dis-
2 closed in publicly available written documentation
3 reasonably available to the applicable Federal regu-
4 lator, by a decentralized autonomous organization or
5 similar legal entity sufficiently in advance of any ex-
6 ercise of such emergency powers.

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

11 **SEC. 302. ILLICIT FINANCE OBLIGATIONS FOR DISTRIB-**
12 **UTED LEDGER APPLICATION LAYERS.**

13 (a) DEFINITIONS.—In this section:

14 (1) DISTRIBUTED LEDGER APPLICATION
15 LAYER.—The term “distributed ledger application
16 layer”—

17 (A) means a web-hosted software applica-
18 tion that provides a user with the ability to cre-
19 ate or submit an instruction, communication, or
20 message to a distributed ledger application or
21 decentralized finance trading protocol for the
22 purpose of executing a transaction by the user;
23 and

24 (B) does not include—

25 (i) a distributed ledger application;

- 1 (ii) a distributed ledger protocol;
- 2 (iii) a distributed ledger system;
- 3 (iv) a decentralized finance trading
- 4 protocol;
- 5 (v) any client, node, validator, or
- 6 other form of computational infrastructure
- 7 with respect to a distributed ledger system;
- 8 or
- 9 (vi) any software or hardware wallet
- 10 that facilitates the custody of an individual
- 11 of their digital assets.

12 (2) UNITED STATES SANCTION LAW.—The term
13 “United States sanction law” means any provision
14 of Federal law, or any regulation, order, directive, or
15 licensed issued under such a provision, that restricts
16 or prohibits economic or financial transactions with,
17 or requires the blocking of property or interests in
18 property of, a foreign government, person, or sector
19 for reasons relating to the foreign policy or national
20 security of the United States.

21 (b) GUIDANCE.—Not later than 360 days after the
22 date of enactment of this Act, the Secretary of the Treas-
23 ury shall issue guidance clarifying the economic sanctions
24 obligations, as well as applicable anti-money laundering
25 and countering the financing of terrorism requirements,

1 applicable to a distributed ledger application layer that is
2 owned or operated by a United States person, as defined
3 in any law imposing or authorizing the imposition of eco-
4 nomic sanctions, which shall include—

5 (1) using commercially reasonable distributed
6 ledger-analytics screening measures, through indus-
7 try-standard distributed ledger-analytics tools, to
8 identify wallet addresses that are owned by sanc-
9 tioned persons, involve jurisdictions or financial in-
10 stitutions subject to United States sanctions, or oth-
11 erwise present indicators of activity prohibited by
12 United States sanctions;

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

16 (3) blocking or restricting transactions that ex-
17 hibit indicators of ransomware activity, illicit-finance
18 typologies, or any other pattern that presents a sig-
19 nificant and identifiable illicit-finance risk based on
20 a commercially reasonable distributed ledger-ana-
21 lytics assessment; and

22 (4) implementing and maintaining risk-based
23 measures, consistent with applicable law, to identify,
24 mitigate, and address anti-money laundering and

1 countering the financing of terrorism risks, includ-
2 ing—

3 (A) monitoring for risk indicators and lim-
4 iting exposure to illicit-finance risks, which may
5 include restricting, limiting, or otherwise miti-
6 gating exposure to high-risk transactions; and

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

11 (c) ENFORCEMENT AND PENALTIES.—The Secretary
12 of the Treasury, acting through the Financial Crimes En-
13 forcement Network, and any other Federal department or
14 agency with relevant jurisdiction, shall enforce compliance
15 with the requirements of this section using their existing
16 authorities under applicable law.

17 (d) RULES OF CONSTRUCTION.—Nothing in this sec-
18 tion may be construed to—

19 (1) alter or amend any laws imposing or au-
20 thorizing imposition of economic sanctions by the
21 United States, including those that apply to United
22 States persons that own or operate a distributed
23 ledger application layer;

24 (2) limit the applicability of economic sanctions,
25 anti-money laundering, or any other illicit finance

1 law to any person, including any person that owns
2 or operates a distributed ledger application layer; or
3 (3) restrict the authority of the Secretary of the
4 Treasury to implement, administer, and enforce, in-
5 cluding imposing civil money penalties, any law im-
6 posing or authorizing the imposition of economic
7 sanctions or any law to prevent money laundering or
8 illicit finance otherwise provided by Federal law to
9 the Secretary of the Treasury.

10 **SEC. 303. SPECIAL MEASURE RELATING TO CERTAIN**
11 **TRANSMITTAL OF FUNDS.**

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

14 (1) in subsection (a)(2)(C), by striking “sub-
15 section (b)(5)” and inserting “paragraph (5) or (6)
16 of subsection (b)” and

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

19 “(6) SPECIAL MEASURE FOR CERTAIN TRANS-
20 MITTALS OF FUNDS.—If the Secretary of the Treas-
21 ury finds that a jurisdiction outside of the United
22 States, 1 or more financial institutions operating
23 outside of the United States, or 1 or more classes
24 of transactions within, or involving, a jurisdiction
25 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).

1 (3) UNITED STATES-DEPENDENT OFFSHORE
2 STABLECOIN.—The term “United States-dependent
3 offshore stablecoin” means a payment stablecoin
4 that—

5 (A) is not issued by a permitted payment
6 stablecoin issuer or any foreign payment
7 stablecoin issuer registered with the Comp-
8 troller (as those terms are defined in section 2
9 of the GENIUS Act (12 U.S.C. 5901));

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

12 (C) the value of which is supported or
13 backed by a reserve of assets that has a sub-
14 stantial nexus to the United States, which may
15 include—

16 (i) obligations of the United States,
17 including United States Treasury securi-
18 ties and repurchase agreements backed by
19 United States Treasury securities and
20 funds held as deposits at any bank subject
21 to the jurisdiction of the United States;

22 (ii) deposits maintained at a banking
23 entity or insured depository institution lo-
24 cated in the United States, including cor-
25 respondent or payable-through accounts;

1 (iii) securities issued or guaranteed by
2 the United States or any agency or instru-
3 mentality thereof; or

4 (iv) assets custodied, cleared, or set-
5 tled through payment, clearing, or settle-
6 ment systems located in the United States.

7 (b) REPORT.—Not later than June 30 of the first cal-
8 endar year that begins after the date of enactment of this
9 Act, and every 4 years thereafter, the Secretary of the
10 Treasury shall submit to the Committee on Banking,
11 Housing, and Urban Affairs of the Senate and the Com-
12 mittee on Financial Services of the House of Representa-
13 tives, and make available on the website of the Depart-
14 ment of the Treasury, a report assessing whether there
15 is credible, articulable, and publicly supportable evidence
16 of significant illicit finance threats or vulnerabilities asso-
17 ciated with any United States-dependent offshore
18 stablecoin employed in a material volume of transactions.

19 (c) CONTENTS.—Each report required under sub-
20 section (b) shall include—

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

24 (2) an assessment of the controls employed by
25 the issuers of United States-dependent offshore

1 stablecoins to address the use of such stablecoins in
2 illicit finance, as available;

3 (3) data and information regarding the volume
4 of United States-dependent offshore stablecoins as-
5 sessed to be employed in connection with illicit fi-
6 nance, as available;

7 (4) a general description of the relationships be-
8 tween United States-dependent offshore stablecoins
9 and the financial system of the United States, in-
10 cluding principal channels of interaction; and

11 (5) such other information or analysis as the
12 Secretary of the Treasury deems relevant to assess-
13 ing the illicit finance risks of United States-depend-
14 ent offshore stablecoins.

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

18 (e) **NATIONAL STRATEGY.**—The reporting require-
19 ment under subsection (a) may be met as part of the na-
20 tional strategy for combating terrorist and other illicit fi-
21 nancing required under sections 261 and 262 of the Coun-
22 tering America's Adversaries Through Sanctions Act
23 (Public Law 115–44; 131 Stat. 934) for the reporting
24 years.

1 (f) RULE OF CONSTRUCTION.—Nothing in this sec-
2 tion may be construed to authorize—

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

5 (2) the collection or use of any information
6 other than publicly available data or information
7 lawfully obtained by the Department of the Treasury
8 under existing authorities.

9 **SEC. 305. TEMPORARY HOLD FOR CERTAIN DIGITAL ASSET**
10 **TRANSACTIONS.**

11 (a) DEFINITIONS.—In this section:

12 (1) COVERED AGENCY.—The term “covered
13 agency” means any State or Federal law enforce-
14 ment agency, including the Department of the
15 Treasury.

16 (2) COVERED PERSON.—The term “covered
17 person” means a person that is a permitted payment
18 stablecoin issuer or a digital asset service provider,
19 as that term is defined in section 2 of the GENIUS
20 Act (12 U.S.C. 5901).

21 (3) PAYMENT STABLECOIN; PERMITTED PAY-
22 MENT STABLECOIN ISSUER.—The terms “payment
23 stablecoin” and “permitted payment stablecoin
24 issuer” have the meanings given those terms in sec-
25 tion 2 of the GENIUS Act (12 U.S.C. 5901).

1 (4) QUALIFIED WRITTEN REQUEST.—The term
2 “qualified written request” means a written commu-
3 nication issued by an authorized official of a covered
4 agency that—

5 (A) identifies a specific wallet, address, ac-
6 count, or transaction reasonably suspected of
7 being linked to illicit activity; and

8 (B) includes a designated agency contact.

9 (5) TEMPORARY HOLD.—The term “temporary
10 hold” means a restriction applied by a covered per-
11 son that delays execution of a transaction, conver-
12 sion, or withdrawal involving digital assets for a rea-
13 sonable period of time, not to exceed 30 calendar
14 days, provided that a temporary hold may be ex-
15 tended for an additional 150 calendars days pursu-
16 ant to a request for such by a covered agency.

17 (b) PROTECTION FROM PRIVATE CAUSES OF AC-
18 TION.—

19 (1) IN GENERAL.—Any covered person that, in
20 good faith and in compliance with this section, or
21 any person complying with a temporary lawful order
22 under subsection (e) that, voluntarily implements a
23 temporary hold shall not be held liable pursuant to
24 any Federal or State private right of action for im-
25 plementing the temporary hold, provided that—

1 (A) the covered person—

2 (i) implements the temporary hold
3 based on a reasonable belief the trans-
4 action, conversion, or withdrawal relates to
5 an action or attempted violation of state or
6 Federal law; or

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

10 (B) the covered person—

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

14 (ii) reasonably determines that notifi-
15 cation would impede actual or potential
16 law enforcement efforts; or

17 (iii) receives a qualified written re-
18 quest from a covered agency that requests
19 notification not be attempted; and

20 (C) the covered person notifies as soon as
21 reasonably practicable an appropriate State or
22 Federal law enforcement agency or the Federal
23 Trade Commission, provided that such notifica-
24 tion is not required when the covered person

1 has received a qualified written request from a
2 covered agency.

3 (2) DOCUMENTATION.—A covered person
4 shall—

5 (A) maintain for the 3-year period fol-
6 lowing the implementation of a temporary hold
7 documentation of the basis for applying a tem-
8 porary hold; and

9 (B) make available the documentation de-
10 scribed in subparagraph (A) upon the request
11 of a covered agency, the Federal Trade Com-
12 mission, or the Secretary of the Treasury.

13 (c) RULES OF CONSTRUCTION.—Nothing in this sec-
14 tion may be construed to—

15 (1) compel or require any covered person to
16 take action to freeze, seize, or block digital assets
17 that is not otherwise required under existing Federal
18 or State law;

19 (2) limit or alter the authority of any govern-
20 ment agency, including with respect to authority to
21 pursue enforcement actions; or

22 (3) limit or affect the application of—

23 (A) section 5318(g)(3) of title 31, United
24 States Code, and any regulation requiring any

1 financial institution to report suspicious activ-
2 ity; or

3 (B) any lawful authority to seize or freeze
4 assets pursuant to a lawful order or sanctions
5 designation.

6 (4) limit the ability of a covered person de-
7 scribed to apply a temporary hold to any wallet, ad-
8 dress, account, or transaction located outside the
9 United States.

10 (d) REPORTING.—The Attorney General and the
11 Federal Trade Commission may issue regulations or guid-
12 ance relating to any notification by covered persons pursu-
13 ant to this section to the Department of Justice and the
14 Federal Trade Commission, respectively.

15 (e) COMPLIANCE WITH TEMPORARY LAWFUL OR-
16 DERS.—A permitted payment stablecoin issuer shall com-
17 ply with any valid writ, process, order, rule, decree, com-
18 mand, or other requirement issued or promulgated under
19 Federal law by a court of competent jurisdiction that—

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

22 (2) specifies the payment stablecoins or ac-
23 counts subject to blocking with reasonable particu-
24 larity; and

1 (3) is subject to judicial or administrative re-
2 view or appeal, as provided by law.

3 **SEC. 306. VOLUNTARY CYBERSECURITY PROGRAM FOR DE-**
4 **CENTRALIZED FINANCE TRADING PROTO-**
5 **COLS.**

6 (a) DEFINITIONS.—In this section:

7 (1) COVERED ACTIVITIES.—The term “covered
8 activities” means the activities described in section
9 15H(b) of the Securities and Exchange Act of 1934,
10 as added by section 601.

11 (2) DECENTRALIZED FINANCE TRADING PRO-
12 TOCOL.—The term “decentralized finance trading
13 protocol” has the meaning given the term in section
14 15H(a) of the Securities and Exchange Act of 1934,
15 as added by section 601.

16 (3) DIRECTOR.—The term “Director” means
17 the Director of NIST.

18 (4) NIST.—The term “NIST” means the Na-
19 tional Institute of Standards and Technology.

20 (b) ESTABLISHMENT OF PROGRAM.—The Director
21 shall, in consultation with the Commission and the Com-
22 modity Futures Trading Commission, establish a vol-
23 untary program for the adoption by persons developing de-
24 centralized 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 DEFINITION.**
15

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.

1 (2) UNITED STATES SANCTION LAW.—The term
2 “United States sanction law” has the meaning given
3 the term in section 302(a).

4 (b) MONETARY INSTRUMENTS.—Section
5 5312(a)(3)(D) of title 31, United States Code, is amended
6 by inserting “, including digital assets (as defined in sec-
7 tion 2 of the GENIUS Act (12 U.S.C. 5901)), as may
8 be applicable,” after “value”.

9 (c) TREASURY RISK ASSESSMENT.—As part of the
10 national strategy for combating terrorist and other illicit
11 financing required under sections 261 and 262 of the
12 Countering America’s Adversaries Through Sanctions Act
13 (Public Law 115–44; 131 Stat. 934), the Secretary of the
14 Treasury shall consider—

15 (1) illicit activity, such as money laundering
16 and sanctions evasion, involving self-hosted wallets;

17 (2) the effectiveness of and gaps in existing
18 methods, techniques, and strategies used by regu-
19 lated financial institutions in detecting illicit activity,
20 such as money laundering, involving self-hosted wal-
21 lets;

22 (3) any illicit actors, including nation state ac-
23 tors, that pose a high risk of facilitating illicit activ-
24 ity 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
6 for communities underserved by traditional fi-
7 nancial 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

1 wallet when the controller is not both the customer
2 of the regulated entity and a party to such trans-
3 action, except as required by United States sanc-
4 tions laws and regulations or lawful process; or

5 (2) be construed to hinder, restrict, or other-
6 wise impair the authority of any Federal agency to
7 investigate, detect, counteract, or prevent illegal ac-
8 tivity.

9 **SEC. 308. RISK MANAGEMENT STANDARDS FOR DIGITAL**
10 **ASSET INTERMEDIARIES.**

11 (a) IN GENERAL.—Before conducting trading activity
12 (including routing orders and directed trading) through a
13 decentralized finance trading protocol, a digital asset
14 intermediary shall implement risk management standards
15 as described in subsection (b) with respect to trading ac-
16 tivity using such decentralized finance trading protocol.

17 (b) REQUIREMENTS.—The risk management stand-
18 ards applicable to a digital asset intermediary shall be
19 comprised of the following:

20 (1) Conducting an effective risk analysis with
21 respect to the decentralized finance trading protocol,
22 including—

23 (A) money laundering and sanctions eva-
24 sion risks;

25 (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).

1 (3) Rules adopted under this paragraph shall be
2 reasonably tailored to the size and risks of the dig-
3 ital asset intermediary that are reasonably knowable
4 to the digital asset intermediary.

5 **SEC. 309. STUDY ON DIGITAL ASSET MIXERS AND TUM-**
6 **BLERS.**

7 (a) DIGITAL ASSET MIXER AND TUMBLER DE-
8 FINED.—In this section, the term “digital asset mixer and
9 tumbler” means a smart contract, or set of smart con-
10 tracts, that obfuscates or eliminates the source or other
11 forms of identification of a digital asset, including by pool-
12 ing assets from different users and redistributing those
13 assets among users.

14 (b) REPORT.—Not later than 1 year after the date
15 of enactment of this Act, the Director of the Financial
16 Crimes Enforcement Network of the Department of the
17 Treasury shall submit to the Committee on Banking,
18 Housing, and Urban Affairs of the Senate and the Com-
19 mittee on Financial Services of the House of Representa-
20 tives a report that analyzes the following issues:

21 (1) Current (as of the date on which the report
22 is submitted) typologies of digital asset mixers and
23 tumblers and historical transaction volume.

1 (2) Estimates of the percentage of transactions
2 relating to digital asset mixers and tumblers which
3 are used by actors engaged in illicit finance.

4 (3) Estimates of the reliance, and financial ex-
5 posure, of centralized exchanges and traditional fi-
6 nancial institutions to digital asset mixers and tum-
7 blers, and the extent to which centralized exchanges
8 and traditional financial institutions are adequately
9 implementing anti-money laundering and economic
10 sanctions compliance with respect to digital asset
11 mixers and tumblers.

12 (4) An assessment of potential non-illicit uses
13 of mixers and tumblers described in paragraph (1).

14 (5) Analysis of regulatory approaches employed
15 by other jurisdictions relating to digital asset mixers
16 and tumblers.

17 (6) Recommendations for legislation or regula-
18 tion relating to digital asset mixers and tumblers.

19 **SEC. 310. GAO STUDY ON INTERMEDIARIES IN FOREIGN JU-**
20 **RISDICTIONS.**

21 (a) IN GENERAL.—The Comptroller General of the
22 United States, in consultation with the Secretary of the
23 Treasury, shall conduct a study to—

24 (1) assess the risks posed by digital asset inter-
25 mediaries 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;

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

3 (C) the Select Committee on Intelligence of
4 the Senate;

5 (D) the Committee on Financial Services
6 of the House of Representatives;

7 (E) the Committee on Agriculture of the
8 House of Representatives; and

9 (F) the Permanent Select Committee on
10 Intelligence of the House of Representatives.

11 (b) TREASURY REPORT.—Not later than 1 year after
12 the date of enactment of this Act, the Secretary of the
13 Treasury, in consultation with the Commodity Futures
14 Trading Commission and the Commission, shall conduct
15 a study and submit a report to the relevant congressional
16 committees, which may include a classified annex, that—

17 (1) identifies any digital asset intermediary that
18 is controlled by a government of a foreign adversary,
19 or by individuals or entities acting at the direction
20 of a foreign adversary;

21 (2) determines whether any government of a
22 foreign adversary is collecting trading data about
23 United States persons in digital asset markets; and

24 (3) evaluates whether any proprietary intellec-
25 tual property of digital asset intermediaries is being

1 misused or stolen by any government of a foreign
2 adversary.

3 (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 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

1 (D) an assessment of whether the regu-
2 latory framework adequately controls any risk
3 with respect to decentralized finance protocols;
4 (2) conduct a separate study examining the
5 risks to financial stability and orderly markets aris-
6 ing from the extension and maintenance of credit
7 with respect to digital assets by digital asset service
8 providers, including—

9 (A) the effect of gaps in the regulatory
10 framework for credit extended on digital assets,
11 such as risks arising from the extension and
12 maintenance of credit on digital assets; and

13 (B) the interconnections between leverage
14 in the market for digital assets and the finan-
15 cial system; and

16 (3) submit to the Committee on Banking,
17 Housing, and Urban Affairs of the Senate, the Com-
18 mittee on Agriculture, Nutrition, and Forestry of
19 the Senate, the Committee on Financial Services of
20 the House of Representatives, and the Committee on
21 Agriculture of the House of Representatives a report
22 on the studies conducted under paragraphs (1) and
23 (2), which—

24 (A) shall include legislative and regulatory
25 recommendations, as appropriate; and

1 (B) may include a classified annex.

2 **TITLE IV—RESPONSIBLE**
3 **BANKING INNOVATION**

4 **SEC. 401. PERMISSIBILITY OF DIGITAL ASSET ACTIVITIES.**

5 (a) DEFINITIONS.—In this section:

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

10 (2) INSURED CREDIT UNION.—The term “in-
11 sured credit union” has the meaning given the term
12 in section 101 of the Federal Credit Union Act (12
13 U.S.C. 1752).

14 (3) STATE MEMBER BANK.—The term “State
15 member bank” has the meaning given the term in
16 section 3 of the Federal Deposit Insurance Act (12
17 U.S.C. 1813).

18 (b) AUTHORIZED ACTIVITIES FOR FINANCIAL HOLD-
19 ING COMPANIES.—

20 (1) IN GENERAL.—A financial holding company
21 may use a digital asset or distributed ledger system
22 to perform, provide, or deliver any activity, function,
23 product, or service that the financial holding com-
24 pany is otherwise authorized by law to perform, pro-
25 vide, or deliver.

1 (2) FINANCIAL IN NATURE.—The activities de-
2 scribed in subsection (g) are financial in nature for
3 purposes of section 4(k) of the Bank Holding Com-
4 pany Act of 1956 (12 U.S.C. 1843(k)).

5 (3) RULE OF CONSTRUCTION.—Nothing in this
6 subsection may be construed to exempt the perform-
7 ance, provision, or delivery by a financial holding
8 company of an activity, function, product, or service
9 from a requirement that would apply if the activity
10 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 using a digital asset or distributed ledger system.

23 (c) AUTHORIZED ACTIVITIES FOR NATIONAL
24 BANKS.—

25 (1) IN GENERAL.—

1 (A) AUTHORIZED ACTIVITIES.—A national
2 bank may use a digital asset or distributed
3 ledger system to perform, provide, or deliver
4 any activity, function, product, or service that
5 the national bank is otherwise authorized by
6 law to perform, provide, or deliver.

7 (B) FEDERAL-LICENSED BRANCHES AND
8 STATE-LICENSED BRANCHES.—The activities
9 authorized for a national bank under subpara-
10 graph (A) shall be permissible for a Federal-li-
11 censed branch and a State-licensed branch, re-
12 spectively, to engage in as a principal.

13 (2) BUSINESS OF BANKING.—The activities de-
14 scribed in paragraphs (1) through (5) and (7)
15 through (14) of subsection (g) are authorized as
16 part of, or incidental to, the business of banking
17 under the paragraph designated as the “Seventh” of
18 section 5136 of the Revised Statutes (12 U.S.C. 24).

19 (3) RULE OF CONSTRUCTION.—Nothing in this
20 subsection may be construed to exempt the perform-
21 ance, provision, or delivery by a national bank of an
22 activity, function, product, or service from a prohibi-
23 tion, restriction, registration, limitation, or other re-
24 quirement that would apply if the activity were not
25 performed, provided, or delivered using a digital

1 asset or distributed ledger system, such as by requir-
2 ing a national bank, in order to conduct an activity
3 described in subsection (g)(13) with respect to a dig-
4 ital asset that is a security, derivative, swap, or se-
5 curity-based swap, to comply with any prohibition,
6 restriction, registration, limitation, or other similar
7 requirement placed on an activity conducted by a na-
8 tional bank through securities, derivatives, swaps, or
9 security-based swaps that would apply if the activity
10 were not performed, provided, delivered, or con-
11 ducted using a digital asset or distributed ledger
12 system.

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

20 (e) 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

1 otherwise authorized by law to perform, provide, or
2 deliver.

3 (2) BUSINESS OF CREDIT UNIONS.—The activi-
4 ties described in subsection (g) are authorized as
5 part of, or incidental to, the authority necessary or
6 requisite to carry on effectively the business for
7 which Federal credit unions are incorporated under
8 paragraph (17) of section 107 of the Federal Credit
9 Union Act (12 U.S.C. 1757(17)).

10 (3) RULE OF CONSTRUCTION.—Nothing in this
11 subsection may be construed to exempt the perform-
12 ance, provision, or delivery by a Federal credit union
13 of an activity, function, product, or service from a
14 requirement that would apply if the activity were not
15 performed, provided, or delivered using a digital
16 asset or distributed ledger system.

17 (f) INSURED CREDIT UNIONS.—The activities au-
18 thorized for a Federal credit union under subsection (e)(1)
19 shall be permissible for an insured credit union that is in-
20 sured by the National Credit Union Administration, sub-
21 ject to State law.

22 (g) ACTIVITIES DESCRIBED.—The activities de-
23 scribed in this subsection are—

24 (1) providing custodial, fiduciary, or safe-
25 keeping services for digital assets;

- 1 (2) providing related custodial services for dig-
2 ital assets and distributed ledgers, including staking,
3 facilitating digital asset lending, distributed ledger
4 governance services, and advancing funds for the
5 purchase of digital assets or in respect of distribu-
6 tions on digital assets, whether as principal or agent;
- 7 (3) facilitating customer purchases and sales of
8 digital assets;
- 9 (4) making loans collateralized by digital assets;
- 10 (5) engaging in payment activities involving dig-
11 ital assets;
- 12 (6) purchasing or selling digital assets as prin-
13 cipal for any investment or trading purpose;
- 14 (7) operating a node on a distributed ledger;
- 15 (8) providing self-custodial wallet software;
- 16 (9) engaging in derivatives transactions, includ-
17 ing related hedging activities, in a manner consistent
18 with section 7.1030 of title 12, Code of Federal Reg-
19 ulations, as in effect as of the date of enactment of
20 this Act;
- 21 (10) providing brokerage services, including
22 clearing and execution services, whether alone or in
23 combination with other incidental activities;
- 24 (11) facilitating transactions in the secondary
25 market for all types of digital assets on the order of

1 customers as a riskless principal to the extent of en-
2 gaging in a transaction in which a company, after
3 receiving an order to buy or sell a digital asset from
4 a customer, purchases or sells the digital asset for
5 its own account to offset a contemporaneous sale to
6 or purchase from the customer;

7 (12) holding as principal digital assets to the
8 extent incidental to an otherwise permissible activity,
9 which shall include, without limitation, holding dig-
10 ital assets as principal in order to pay fees arising
11 from interactions with a distributed ledger system;

12 (13) underwriting, dealing in, or making a mar-
13 ket in digital assets; and

14 (14) exercising all such incidental powers as are
15 necessary to carry out any of the activities described
16 in paragraphs (1) through (13).

17 (h) OTHER REQUIREMENTS.—There shall be no
18 other prior notice or approval requirements to engage in
19 the activities described in subsections (b) through (g) of
20 this section other than those required under the National
21 Bank Act (12 U.S.C. 38 et seq.), the Federal Reserve Act
22 (12 U.S.C. 226 et seq.), or the Bank Holding Company
23 Act of 1956 (12 U.S.C. 1841 et seq.).

24 (i) RULE OF CONSTRUCTION.—Nothing in this sec-
25 tion may be construed to—

1 (1) exclude other possible permissible activities
2 that are not activities described in subsection (g);

3 (2) imply that inclusion of an activity described
4 in subsection (g) means that the activity is otherwise
5 impermissible;

6 (3) limit the authority of a Federal banking
7 agency to determine that activities other than those
8 activities described in subsection (g) are permissible
9 through 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.

18 (j) APPLICATION.—The authorities described in this
19 section shall not apply to nonfungible assets.

20 **SEC. 402. JOINT RULES FOR PORTFOLIO MARGINING DE-**
21 **TERMINATIONS.**

22 (a) IN GENERAL.—The Commodity Futures Trading
23 Commission and the Commission shall jointly issue rules
24 to facilitate portfolio margining of securities (including re-
25 lated extensions of credit), security-based swaps, futures

1 contracts for future delivery, options on futures contracts
2 for future delivery, swaps, and digital commodities, or any
3 subset thereof, for persons registered with either such
4 Commission, in—

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

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

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

11 (4) a digital commodity account carried by a
12 registered digital commodity broker or digital com-
13 modity dealer that is also registered in such other
14 capacity as is necessary to also carry the other cus-
15 tomer or counterparty positions being held in the ac-
16 count.

17 (b) PROCESS.—The rules required to be jointly issued
18 under subsection (a) shall—

19 (1) describe the treatment of any account to
20 which the rules relate, and any assets that may be
21 held therein, in a proceeding under title 11, United
22 States Code, the Securities Investor Protection Act
23 of 1970 (15 U.S.C. 78aaa et seq.), title II of the
24 Dodd-Frank Wall Street Reform and Consumer Pro-
25 tection Act (12 U.S.C. 5381 et seq.), or other appli-

1 cable insolvency law with respect to the person car-
2 rying the account;

3 (2) be issued only if that issuance is in the pub-
4 lic interest and provides for the appropriate protec-
5 tion of customers, including appropriate disclosures
6 to each current and potential customer concerning
7 the treatment of any account to which the rules re-
8 late, and any assets that may be held therein, in a
9 proceeding under title 11, United States Code, the
10 Securities Investor Protection Act of 1970 (15
11 U.S.C. 78aaa et seq.), title II of the Dodd-Frank
12 Wall Street Reform and Consumer Protection Act
13 (12 U.S.C. 5381 et seq.), or other applicable insol-
14 vency law with respect to the person carrying the ac-
15 count;

16 (3) require the Commission and the Commodity
17 Futures Trading Commission to consider the public
18 interest of, and the protection of investors by, those
19 rules through the solicitation of public comments;
20 and

21 (4) require the Commission and the Commodity
22 Futures Trading Commission to—

23 (A) consult with other relevant foreign or
24 domestic regulators, including the Board of
25 Governors of the Federal Reserve System, the

1 Federal Deposit Insurance Corporation, and the
2 Office of the Comptroller of the Currency and
3 State bank supervisors, as appropriate; and

4 (B) if the rules pertain to a securities ac-
5 count carried by a registered broker or dealer
6 that is a member of the Securities Investor Pro-
7 tection Corporation, consult with the Securities
8 Investor Protection Corporation.

9 **SEC. 403. CAPITAL REQUIREMENTS TO ADDRESS NETTING**
10 **AGREEMENTS.**

11 (a) DEFINITIONS.—In this section, the terms “depos-
12 itory institution holding company” and “insured deposi-
13 tory institution” have the meanings given those terms in
14 section 3 of the Federal Deposit Insurance Act (12 U.S.C.
15 1813).

16 (b) CAPITAL REQUIREMENTS.—Not later than 360
17 days after the date of enactment of this Act, the Board
18 of Governors of the Federal Reserve System, the Comp-
19 troller of the Currency, and the Chair of the Federal De-
20 posit Insurance Corporation shall develop risk-based and
21 leverage capital requirements for insured depository insti-
22 tutions, depository institution holding companies, and
23 nonbank financial companies supervised by the Board of
24 Governors of the Federal Reserve System that address
25 netting agreements that provide for termination and close-

1 out netting across multiple types of financial transactions,
2 consistent with section 402, in the event of the default
3 of a counterparty.

4 **SEC. 404. PRESERVING REWARDS FOR STABLECOIN HOLD-**
5 **ERS.**

6 **【To be supplied.】**

7 **TITLE V—RESPONSIBLE**
8 **REGULATORY INNOVATION**

9 **SEC. 501. CFTC-SEC MICRO-INNOVATION SANDBOX.**

10 (a) DEFINITIONS.—In this section:

11 (1) COMMISSION.—The term “Commission”
12 means either of the Commissions, as the context re-
13 quires.

14 (2) COMMISSIONS.—The term “Commissions”
15 means the Securities and Exchange Commission and
16 the Commodity Futures Trading Commission.

17 (3) ELIGIBLE FIRM.—The term “eligible firm”
18 means a person that is eligible to participate in the
19 Sandbox, in accordance with the requirements under
20 this section.

21 (4) INNOVATIVE.—The term “innovative”
22 means new or emerging technology, or a novel appli-
23 cation of technology, including artificial intelligence,
24 that—

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

4 (B) lacks—

5 (i) a substantially comparable, widely
6 available analogue in common use in the
7 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 (6) SANDBOX.—The term “Sandbox” means
15 the CFTC-SEC Micro-Innovation Sandbox estab-
16 lished under subsection (b).

17 (7) SELF-REGULATORY ORGANIZATION.—The
18 term “self-regulatory organization” means a self-
19 regulatory organization, as defined in—

20 (A) section 3(a) of the Securities Exchange
21 Act of 1934 (15 U.S.C. 78c(a)); or

22 (B) section 1.52(a)(2) of title 17, Code of
23 Federal Regulations, or any successor regula-
24 tion.

1 (b) ESTABLISHMENT.—Not later than 360 days after
2 the date of enactment of this Act, the Commissions shall,
3 by joint notice and comment rulemaking, establish a
4 CFTC-SEC Micro-Innovation Sandbox to enable eligible
5 firms to test innovative activities within the United States,
6 subject to—

7 (1) applicable Federal and State securities and
8 commodities laws;

9 (2) other State laws that are not specific to the
10 regulation of securities or commodities; and

11 (3) the limitations of this section.

12 (c) ELIGIBLE FIRM.—

13 (1) IN GENERAL.—A United States-based per-
14 son shall be an eligible firm, and shall be eligible to
15 participate in the Sandbox, if the person—

16 (A) submits an application under sub-
17 section (e) that is approved under that sub-
18 section;

19 (B) seeks to conduct an eligible and lawful
20 innovative activity in the United States;

21 (C) is not subject to—

22 (i) a statutory disqualification, as de-
23 fined in section 3(a) of the Securities Ex-
24 change Act of 1934 (15 U.S.C. 78c(a));

1 (ii) a disqualification resulting from
2 an investigation conducted under section
3 8(a)(2) of the Commodity Exchange Act (7
4 U.S.C. 12(a)(2)); or

5 (iii) a disqualification under State
6 law;

7 (D) does not have a criminal conviction for
8 fraud;

9 (E) agrees to submit to the jurisdiction
10 and oversight of the Commissions, to the extent
11 that the person is not subject to that jurisdic-
12 tion or oversight, for purposes of, and while
13 participating in, the Sandbox;

14 (F) designates to the Commissions an indi-
15 vidual as a point of contact with respect to ac-
16 tivities that the person undertakes as an appli-
17 cant and participant with respect to the Sand-
18 box;

19 (G) employs not more than 25 employees;
20 and

21 (H) has annual gross revenues of not more
22 than \$10,000,000 in any fiscal year.

23 (2) APPLICATION OF REQUIREMENTS.—The re-
24 quirements under paragraph (1) shall be satisfied

1 during the entire period in which an eligible firm
2 participates in the Sandbox.

3 (d) ELIGIBLE ACTIVITIES AND ACTIVITY CEIL-
4 INGS.—

5 (1) LIST OF ELIGIBLE ACTIVITIES.—

6 (A) IN GENERAL.—After providing notice
7 and an opportunity for public comment, the
8 Commissions shall maintain and publish a list
9 of eligible innovative activities (which may in-
10 clude activities relating to artificial intel-
11 ligence), which shall be—

12 (i) updated once every 2 years after
13 providing notice and an opportunity for
14 public comment;

15 (ii) reasonably tailored to include ac-
16 tivities that—

17 (I) further the purposes of this
18 section; and

19 (II) are consistent with the inter-
20 ests of the public and the protection
21 of investors;

22 (iii) sufficiently flexible to accommo-
23 date evolving technological developments,
24 including distributed ledger-based products
25 and services; and

1 (iv) focused exclusively on activities
2 for which specific provisions of the securi-
3 ties and commodities laws may create a
4 material impediment to the proposed inno-
5 vative activity.

6 (B) IDENTIFICATION OF REQUIRE-
7 MENTS.—

8 (i) IN GENERAL.—For each eligible
9 innovative activity, the Commissions shall,
10 consistent with existing statutory and reg-
11 ulatory precedent concerning the respective
12 jurisdiction of each Commission, identify
13 the requirements that each Commission
14 will administer.

15 (ii) JOINT JURISDICTION.—With re-
16 spect to an eligible innovative activity that
17 is subject to the jurisdiction of both Com-
18 missions, the rulemaking under subsection
19 (b) shall specify which requirements each
20 Commission will administer and any co-
21 ordinated conditions needed to protect in-
22 vestors and market integrity.

23 (2) ACTIVITY CEILINGS.—For each eligible in-
24 novative activity, the Commissions shall, after public
25 input and consultation, establish individual customer

1 and monetary ceilings, which shall provide that an
2 eligible firm may not raise or commit more than
3 \$20,000,000 in aggregate customer, investor, or
4 counterparty funds in connection with Sandbox ac-
5 tivities.

6 (3) ANNUAL PARTICIPATION CAP.—Each of the
7 Commissions may approve not more than 20
8 projects per year.

9 (e) APPLICATION.—

10 (1) IN GENERAL.—An eligible firm seeking to
11 participate in the Sandbox shall submit to the Com-
12 mission or Commissions, as applicable, an applica-
13 tion that—

14 (A) describes the proposed innovative ac-
15 tivity and the desired outcomes;

16 (B) subject to approval of the applicable
17 Commission, identifies the provisions of the se-
18 curities laws, or of the Commodity Exchange
19 Act (7 U.S.C. 1 et seq.), from which the eligible
20 firm proposes to be exempt during the period in
21 which the eligible firm participates in the Sand-
22 box, which—

23 (i) shall not include any Federal or
24 State anti-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;

5 (C) sets forth how relief from the provi-
6 sions of law identified under subparagraph (B)
7 is reasonably necessary to engage in the innova-
8 tive activity;

9 (D) identifies material risks to investors,
10 customers, or market integrity and how the eli-
11 gible firm will mitigate those risks;

12 (E) certifies that the eligible firm will com-
13 ply with applicable Federal and State anti-fraud
14 laws;

15 (F) states an exit objective of the eligible
16 firm involving action from the applicable Com-
17 mission, which may include registration, an ex-
18 emptive order, interpretive guidance, a no-ac-
19 tion letter, or a rulemaking petition, together
20 with milestones and metrics the eligible firm
21 will use to demonstrate readiness for that exit;

22 (G) states the agreement of the eligible
23 firm to submit to the jurisdiction and oversight
24 of the Commissions, to the extent that the eligi-
25 ble firm is not otherwise subject to that juris-

1 diction and oversight, for purposes of, and while
2 participating in, the Sandbox;

3 (H) designates to the Commissions an in-
4 dividual as a point of contact with respect to
5 activities that the eligible firm undertakes as an
6 applicant and participant with respect to the
7 Sandbox; and

8 (I) states the agreement of the eligible firm
9 to abide by any condition that either of the
10 Commissions may impose for engaging in an el-
11 igible innovative activity in the Sandbox.

12 (2) DEADLINE FOR DECISION.—Not later than
13 180 business days after the date on which an eligible
14 firm submits an application under this subsection,
15 the Commission or Commissions, as applicable, shall
16 make a decision with respect to the application, after
17 which the eligible firm submitting the application
18 may commence eligible innovative activities in the
19 Sandbox unless the application is denied.

20 (3) UPDATES AND STATUS REPORTS.—Each eli-
21 gible firm shall submit to the applicable Commission
22 or to the Commissions, on a semi-annual basis while
23 participating in the Sandbox, an updated application
24 that—

1 (A) describes any material changes to the
2 information originally provided under para-
3 graph (1); and

4 (B) reports the progress of the eligible
5 firm toward the stated exit objective described
6 in paragraph (1)(F), including milestones
7 achieved, remaining impediments, and any
8 pending requests for official action before the
9 applicable Commission or the Commissions.

10 (4) UNREDACTED AND REDACTED VERSIONS.—

11 (A) IN GENERAL.—An eligible firm that
12 submits an initial or updated application under
13 this subsection may submit to the applicable
14 Commission or the Commissions an unredacted
15 version, together with a request for confidential
16 treatment, pursuant to procedures the applica-
17 ble Commission shall establish that are modeled
18 on the rules of that Commission relating to the
19 confidential treatment of information, which
20 shall include—

21 (i) for the Securities and Exchange
22 Commission, sections 200.83, 230.406, and
23 2402.24b–2 of title 17, Code of Federal
24 Regulation, or any successor regulations;
25 and

1 (ii) for the Commodity Futures Trad-
2 ing Commission, section 145.9 of title 17,
3 Code of Federal Regulations, or any suc-
4 cessor regulations.

5 (B) OMITTED INFORMATION.—An eligible
6 firm may omit information granted confidential
7 treatment under subparagraph (A) from any
8 public posting under subsection (h) in accord-
9 ance with the procedures established under sub-
10 paragraph (A).

11 (C) INDICATION OF CONFIDENTIAL INFOR-
12 MATION.—Any omission in a public posting
13 under subsection (h) shall be clearly indicated
14 by brackets with a prominent legend stating
15 that—

16 (i) confidential information has been
17 omitted; and

18 (ii) an unredacted version has been
19 filed with the applicable Commission or the
20 Commissions.

21 (f) DURATION OF PARTICIPATION.—

22 (1) DURATION.—Except as provided in para-
23 graph (2), an eligible firm may participate in the
24 Sandbox for a period of not more than 2 years, pro-

1 vided that the eligible firm does not exceed the ceil-
2 ings established under subsection (d)(2).

3 (2) EXTENSION.—

4 (A) SOLE JURISDICTION.—Where an eligi-
5 ble innovative activity is subject only to the ju-
6 risdiction of 1 Commission, that Commission
7 may extend participation by an eligible firm in
8 the Sandbox by not more than 1 additional
9 year, if the eligible firm—

10 (i) is actively pursuing the 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 is 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
23 the findings described in clauses (i) through
24 (iii) of subparagraph (A).

25 (g) CONDITIONS AND ENFORCEMENT.—

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

6 (2) MONITORING.—The Commissions shall
7 monitor Sandbox activities and enforce compliance
8 with applicable regulatory conditions and Federal
9 anti-fraud laws.

10 (3) COORDINATION.—

11 (A) IN GENERAL.—The Commissions shall
12 coordinate supervision, information requests,
13 and examinations to avoid duplication while
14 each Commission retains full authority under
15 the provisions of law that such Commission ad-
16 ministers.

17 (B) COOPERATION WITH STATES.—The
18 Commissions may cooperate with any State in
19 enforcing compliance with applicable regulatory
20 conditions and Federal and State anti-fraud
21 laws with respect to the operation of the Sand-
22 box.

23 (4) SELF-REGULATORY ORGANIZATIONS.—Each
24 self-regulatory organization shall recognize and re-

1 spect Sandbox conditions that are applicable to a
2 participant in the Sandbox.

3 (5) CESSATION OF ACTIVITIES.—The Commis-
4 sions may, at any time during the participation of
5 an eligible firm in the Sandbox, disqualify the eligi-
6 ble firm from continued participation in the Sand-
7 box, order the eligible firm to cease engaging in a
8 permitted activity in the Sandbox, revoke a grant of
9 exemptive relief, or impose additional or more strin-
10 gent conditions on continuing participation or en-
11 gagement in a permitted activity in the Sandbox, if
12 the Commissions find that the eligible firm has
13 failed to comply with—

14 (A) the requirements of this section;

15 (B) the terms or conditions of participa-
16 tion established by the Commissions; or

17 (C) other applicable law.

18 (h) PUBLIC DISCLOSURE.—

19 (1) INITIAL POSTING.—Each eligible firm shall
20 post, in a prominent location on a public website of
21 the eligible firm, the information required under
22 subsection (e)(1), subject to confidential treatment
23 under subsection (e)(4), not later than the date on
24 which the notice becomes effective under subsection
25 (e)(3).

1 (2) UPDATES.—Each eligible firm shall post, in
2 the same manner as under paragraph (1), the infor-
3 mation required under subsection (e)(3), subject to
4 confidential treatment under subsection (e)(4), con-
5 currently with submission to the applicable Commis-
6 sion or the Commissions.

7 (3) DISCLOSURE REQUIREMENTS.—Each post
8 under this subsection shall satisfy the disclosure re-
9 quirements of both Commissions where the jurisdic-
10 tions of both Commissions are implicated.

11 (i) USE OF DATA BY COMMISSIONS.—Each Commis-
12 sion may collect and share data from Sandbox activities
13 with the other Commission to inform permanent, prin-
14 ciples-based regulatory frameworks that advance the mis-
15 sions of the Commissions.

16 (j) PUBLICATION BY COMMISSIONS.—Not less fre-
17 quently than annually, each Commission shall publish on
18 the public website of the Commission a report summa-
19 rizing the activities conducted under this section, includ-
20 ing—

21 (1) the number and general nature of eligible
22 firms participating in the Sandbox;

23 (2) the categories of innovative activities tested;

1 (3) the impact of Sandbox participation on in-
2 novation, investor protection, market integrity, and
3 the public interest;

4 (4) the disclosures posted by eligible firms
5 under subsection (h)(1); and

6 (5) exit outcomes, including the types of relief
7 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—

1 (A) a State law prohibiting fraud or de-
2 ceive, or fraudulent, deceptive, manipulative,
3 unethical, dishonest, or other unlawful conduct
4 or practices, in connection with securities or se-
5 curities transactions;

6 (B) the anti-fraud provisions of the Com-
7 modity Exchange Act (7 U.S.C. 1 et seq.) or
8 State commodities laws; or

9 (C) any State law of general applicability,
10 including such a law relating to banking, con-
11 sumer protection, contracts, property, or crimi-
12 nal conduct.

13 (3) NOTICE FILINGS.—A State may require no-
14 tice of any document filed with either of the Com-
15 missions in connection with participation in the
16 Sandbox, together with consent to service of process
17 and reasonable fees, consistent with section 18(c) of
18 the Securities Act of 1933 (15 U.S.C. 77r(c)).

19 **SEC. 502. INTERNATIONAL COOPERATION.**

20 (a) DEFINITIONS.—In this section, the term “Com-
21 missions” means the Securities and Exchange Commission
22 and the Commodity Futures Trading Commission.

23 (b) COOPERATION.—In order to promote United
24 States leadership in effective, reciprocal, and innovative
25 global regulation of digital assets, and to advance the stra-

1 tegic economic and policy interests of the United States,
2 the Commissions, as appropriate—

3 (1) shall consult and coordinate with foreign
4 regulatory authorities or other relevant international
5 organizations on the application of consistent inter-
6 national standards with respect to the regulation of
7 digital assets;

8 (2) may enter into such information sharing ar-
9 rangements as may be determined to be necessary or
10 appropriate in the public interest or for the protec-
11 tion of investors, customers, and users of digital as-
12 sets;

13 (3) shall pursue reciprocal arrangements with
14 foreign regulatory authorities that ensure United
15 States-based digital asset firms, exchanges, and in-
16 frastructure providers receive treatment equivalent
17 to that granted to foreign counterparts operating
18 within the United States;

19 (4) shall advocate in international fora for the
20 development and adoption of technology-neutral,
21 open standards that preserve lawful access to public
22 distributed ledger infrastructure, support dollar-de-
23 nominated digital asset usage, and safeguard indi-
24 vidual rights, including self-custody and privacy; and

1 (5) may, as appropriate, engage in, at the least,
2 cooperative enforcement, supervisory coordination,
3 and joint technical assistance, in a manner that pro-
4 motes responsible innovation in digital financial
5 markets.

6 (c) CROSS-BORDER SANDBOX.—The Commissions
7 may leverage the activities described in paragraphs (1)
8 through (5) of subsection (b) to establish or participate
9 in cross-border regulatory sandboxes that build upon the
10 Micro-Innovation Sandbox established pursuant to section
11 501.

12 **SEC. 503. AUTOMATED REGULATORY COMPLIANCE STUDY.**

13 (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 tomation, and distributed ledger or smart contract
18 functionality, to automate, tag, or otherwise stream-
19 line regulatory reporting, disclosure, supervisory, or
20 other compliance obligations.

21 (2) INNOVATIVE.—The term “innovative” has
22 the meaning given the term in section 501(a).

23 (b) STUDY REQUIRED.—The Comptroller General of
24 the United States shall, in consultation with the Depart-
25 ment of the Treasury (including the Financial Crimes En-

1 enforcement Network, the Office of Foreign Assets Control,
2 and the Office of Financial Research), the Office of the
3 Comptroller of the Currency, the Federal Deposit Insur-
4 ance Corporation, the National Credit Union Administra-
5 tion, the Commission, the Commodity Futures Trading
6 Commission, the Bureau of Consumer Financial Protec-
7 tion, and the Federal Housing Finance Agency, carry out
8 a study of distributed ledger-based compliance tools
9 that—

10 (1) to the extent feasible, identifies and evalu-
11 ates—

12 (A) the landscape of existing distributed
13 ledger-based compliance tools for—

14 (i) statutory and regulatory disclo-
15 sures;

16 (ii) real-time reporting and audit-trail
17 logging; and

18 (iii) anti-money-laundering practices,
19 sanctions screening, and customer-identi-
20 fication checks;

21 (B) the feasibility, benefits, and risks of al-
22 lowing regulated entities to satisfy applicable
23 regulatory obligations through on-chain, code-
24 based, or other automated mechanisms;

1 (C) the potential for interoperability with
2 automated regulatory compliance mechanisms
3 across and among each of those agencies;

4 (D) the data collection systems of each of
5 those agencies; and

6 (E) standards or taxonomies, or other
7 common data elements, if any, that those agen-
8 cies could publish or adopt to support the inter-
9 operability described in subparagraph (C) in
10 order to ensure consistency and regulatory ac-
11 cess;

12 (2) recommends pilot programs, guidance, rule
13 changes, or amendments to statutes that would be
14 needed to implement effective automated regulatory
15 compliance approaches and any other related ap-
16 proaches addressed in the study;

17 (3) identifies the costs and benefits to issuers of
18 different sizes, secondary market intermediaries,
19 regulators, investors, and other applicable parties,
20 including differential impacts on smaller entities and
21 options to reduce those burdens;

22 (4) benchmarks international efforts with re-
23 spect to automated regulatory compliance mecha-
24 nisms and consults with any appropriate State, Fed-
25 eral, or foreign regulators; and

1 (5) evaluates whether existing oversight, en-
2 forcement, and liability frameworks are sufficient
3 to—

4 (A) ensure accountability, transparency,
5 fairness, and consumer protection; and

6 (B) prevent misuse of distributed ledger-
7 based compliance tools.

8 (c) REPORT.—Not later than 1 year after the date
9 of enactment of this Act, the Comptroller General of the
10 United States shall make publicly available a report that
11 includes the results of the study conducted under sub-
12 section (b).

13 **SEC. 504. REPORT ON LEGISLATIVE RECOMMENDATIONS.**

14 (a) DEFINITIONS.—In this section:

15 (1) APPROPRIATE COMMITTEES OF CON-
16 GRESS.—The term “appropriate committees of Con-
17 gress” means—

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

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

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

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

1 (2) FEDERAL FINANCIAL REGULATOR.—The
2 term “Federal financial regulator” means—

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

5 (B) the Commodity Futures Trading Com-
6 mission;

7 (C) the Department of the Treasury;

8 (D) the Federal Deposit Insurance Cor-
9 poration;

10 (E) the Federal Housing Finance Agency;

11 (F) the National Credit Union Administra-
12 tion;

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

15 (H) the Bureau of Consumer Financial
16 Protection; and

17 (I) the Commission.

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

24 (1) a description of the implementation of this
25 Act and the amendments made by this Act (includ-

1 ing the adoption of rules and guidance, and the ap-
2 proval or rejection of applications submitted, under
3 this Act and the amendments made by this Act),
4 where applicable to the Federal financial regulator;
5 and

6 (2) any legislative recommendations for the fur-
7 ther effective implementation of this Act and the
8 amendments made by this Act.

9 **SEC. 505. TOKENIZATION OF SECURITIES AND OTHER**
10 **REAL-WORLD ASSETS.**

11 (a) DEFINITIONS.—In this section:

12 (1) FINANCIAL INSTRUMENT.—The term “fi-
13 nancial instrument” means any security, derivative,
14 contract of sale of a commodity for future delivery,
15 option on any such security, derivative, contract, or
16 deposit, or any other security or financial instrument
17 that the appropriate Federal banking agencies, the
18 Commission, and the Commodity Futures Trading
19 Commission may, by rule determine.

20 (2) QUALIFIED THIRD-PARTY CUSTODIAN.—The
21 term “qualified third-party custodian” means an
22 independent entity that—

23 (A) is registered or regulated in a manner
24 consistent with qualified custodians under the
25 securities laws;

1 (B) meets standards for asset verification,
2 custody, and audit, as established by the Com-
3 mission pursuant to subsection (c); and

4 (C) is authorized to verify the legal exist-
5 ence, title, and ongoing status of real-world as-
6 sets represented by digital tokens.

7 (3) REAL-WORLD ASSET.—The term “real-
8 world asset”—

9 (A) means any tangible property or prop-
10 erty right, including real estate, a physical com-
11 modity, equipment, or a contractual right; and

12 (B) does not include a financial instrument
13 or a deposit.

14 (4) TOKENIZATION.—The term “tokenization”
15 means the process of creating a unique digital rep-
16 resentation of rights, obligations, or interests in a
17 tangible or intangible asset on a distributed ledger.

18 (5) TOKENIZED.—The term “tokenized”, with
19 respect to an asset, means that the asset has under-
20 gone tokenization.

21 (6) TOKENIZED FINANCIAL INSTRUMENT.—The
22 term “tokenized financial instrument” means any
23 digital representation of a financial instrument, in-
24 cluding any security, commodity future, swap or
25 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 (b) SENSE OF CONGRESS.—It is the sense of Con-
5 gress that States should promptly consider and adopt com-
6 mercial law frameworks under the Uniform Commercial
7 Code that provide clear and uniform rules for the owner-
8 ship, control, and enforceability of rights relating to digital
9 assets.

10 (c) JOINT STUDY AND RULEMAKING.—

11 (1) JOINT STUDY.—

12 (A) IN GENERAL.—Not later than 360
13 days after the date of enactment of this Act,
14 the Commission and the Commodity Futures
15 Trading Commission, shall jointly conduct a
16 comprehensive study of the regulatory treat-
17 ment of tokenized real-world assets.

18 (B) CONTENTS.—The study required
19 under subparagraph (A) shall—

20 (i) address standards for the
21 verification, custody, audit, regulatory re-
22 porting, transaction reporting, and investor
23 reporting of underlying real-world assets
24 issued as digital assets, including setting

1 criteria for qualified third-party custodians
2 and how to address fraud and false claims;

3 (ii) assess the Federal jurisdictional
4 treatment of tokenized real-world assets,
5 how State and international regulatory re-
6 gimes may interact with that treatment,
7 and mechanisms for interagency coordina-
8 tion, cross-border cooperation, and enforce-
9 ment with respect to tokenized real-world
10 assets;

11 (iii) assess consumer protection issues,
12 including the potential for fraud, scams,
13 and misrepresentation of financial returns;
14 and

15 (iv) assess how tokenization may af-
16 fect the sovereign interests of States re-
17 lated to the ownership and transfers of
18 rights to tangible and intangible property,
19 including the regulation of firearms, auto-
20 mobiles, and real estate.

21 (2) JOINT AGENCY RULEMAKING.—After com-
22 pleting the study required under paragraph (1), the
23 Commission and the Commodity Futures Trading
24 Commission may initiate notice and comment rule-

1 making to jointly establish tailored regulatory path-
2 ways for tokenized real-world assets.

3 (d) PROHIBITION ON MISREPRESENTATION.—

4 (1) REAL WORLD ASSETS.—It shall be unlawful
5 for any person to represent that a tokenized real-
6 world asset is itself, or is equivalent to, the under-
7 lying real-world asset, except to the extent that such
8 representation is expressly supported by the legal
9 rights and obligations associated with such tokenized
10 real-world asset.

11 (2) TOKENIZED FINANCIAL INSTRUMENTS.—It
12 shall be unlawful for any person to market, offer,
13 sell, or otherwise represent that a tokenized financial
14 instrument is, or is economically or legally equivalent
15 to, the financial instrument it represents unless—

16 (A) the tokenized financial instrument con-
17 fers substantially equivalent in all material re-
18 spects economic rights, legal rights, and obliga-
19 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 vided in this section or any other provision of 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 underlying financial instrument 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.

1 (2) CFTC.—The Commodity Futures Trading
2 Commission shall issue rules governing tokenized fi-
3 nancial instruments representing futures, swaps, and
4 other derivatives regulated under the Commodity
5 Exchange Act.

6 (3) REQUIREMENTS.—Rules issued under this
7 subsection shall address, and in the case of the Com-
8 mission, consistent with sections 106 and 107, how
9 requirements applicable to the underlying financial
10 instrument apply to custody, books and records, rec-
11 onciliation with transfer agents or other record-
12 keepers, auditability, settlement finality, treatment
13 of chain reorganizations, and other operational risks
14 arising from the use of distributed ledger technology.

15 (g) ENFORCEMENT.—

16 (1) SEC.—The Commission may enforce sub-
17 sections (d) through (f) as violations of section 10(b)
18 of the Securities Exchange Act of 1934 (15 U.S.C.
19 78j(b)), provided that the elements of such section
20 are satisfied.

21 (2) CFTC.—The Commodity Futures Trading
22 Commission may enforce subsections (d) through (f)
23 as violations of section 6(c)(1) of the Commodity
24 Exchange Act (7 U.S.C. 8(c)(1)), provided that the
25 elements of such section are satisfied.

1 (h) SAVINGS CLAUSES.—

2 (1) FINANCIAL INSTRUMENT.—Any financial
3 instrument that is a security under the securities
4 laws shall not cease to be a security because the fi-
5 nancial instrument is issued, recorded, represented,
6 or transferred using distributed ledger technology.

7 (2) TOKENIZATION.—The tokenization of a
8 real-world asset that is not otherwise a security
9 under Federal law shall not, solely by reason of that
10 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 Federal or State regulator, to adopt any rule, ex-
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 paragraph (6) and (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

14 (F) the Committee on Energy and Com-
15 merce of the House of Representatives.

16 (2) DIRECTOR.—The term “Director” means
17 the Under Secretary of Commerce for Standards
18 and Technology.

19 (b) SENSE OF CONGRESS.—Congress finds the fol-
20 lowing:

21 (1) Technical standards with respect to digital
22 assets ensure quality, interoperability, and reliability
23 in products, processes, and services and facilitate in-
24 novation.

1 (2) The digital asset ecosystem should harness
2 standards to solve coordination problems and foster
3 innovation, not through regulation, but through vol-
4 untary, market-driven measures.

5 (3) Advances in quantum computing threaten
6 existing cryptographic standards and the security of
7 digital assets.

8 (c) VOLUNTARY ADOPTION.—The Director, in con-
9 sultation with the Secretary of Homeland Security and the
10 heads of sector risk management agencies, as appropriate,
11 shall promote the voluntary adoption and deployment of
12 post-quantum cryptography standards, including by—

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 and deployment of those standards across the
24 United States.

1 (d) INDUSTRY CONSULTATION.—In implementing
2 subsection (c), the Director shall, at a minimum—

3 (1) solicit regular input from a broad range of
4 industry stakeholders regarding the feasibility and
5 practical challenges of adopting the standards de-
6 scribed in that subsection;

7 (2) facilitate ongoing dialogue between the Na-
8 tional Institute of Standards and Technology and in-
9 dustry participants to identify, assess, and address
10 barriers to the adoption of the standards described
11 in that subsection;

12 (3) not later than 2 years after the date of en-
13 actment of this Act, and biennially thereafter until
14 2035, submit to the appropriate congressional com-
15 mittees a report on the implementation of subsection
16 (c), including stakeholder engagement with respect
17 to those actions and continued challenges in adopt-
18 ing the standards described in that subsection; and

19 (4) not later than 5 years after the date of en-
20 actment of this Act, make available to the public a
21 report on stakeholder engagement and lessons
22 learned in implementing subsection (c).

1 **SEC. 507. INTERNATIONAL COORDINATION TO COMBAT**
2 **DIGITAL ASSET ILLICIT FINANCE.**

3 (a) IN GENERAL.—The Secretary of the Treasury, in
4 coordination with the Secretary of State, the Attorney
5 General, the Secretary of Homeland Security, and the
6 heads of such other Federal departments and agencies as
7 the President may designate, shall lead an interagency ini-
8 tiative to strengthen international cooperation to prevent
9 the misuse of digital assets for illicit finance, sanctions
10 evasion, terrorist financing, or other national-security
11 threats.

12 (b) OBJECTIVES.—The initiative established under
13 subsection (a) shall—

14 (1) engage foreign counterparts, including fi-
15 nance ministries, central banks, and financial intel-
16 ligence units, to promote anti-money-laundering,
17 sanctions evasion, and counter-terrorist financing
18 controls applicable to digital asset activities, con-
19 sistent with United States standards for those con-
20 trols and the framework established under the Na-
21 tional Strategy for International Digital Asset Illicit
22 Finance submitted under subsection (c);

23 (2) encourage the adoption and enforcement of
24 effective regulatory and supervisory frameworks for
25 digital asset service providers to ensure transparency
26 and prevent illicit use;

1 (3) identify and prioritize jurisdictions of con-
2 cern that present significant risk of facilitating illicit
3 digital asset activity and develop coordinated diplo-
4 matic, economic, and law enforcement strategies to
5 address those risks;

6 (4) support technical assistance and capacity-
7 building programs for partner jurisdictions to en-
8 hance anti-money laundering, sanctions evasion, and
9 counter-terrorist financing supervision, enforcement,
10 and information sharing relating to digital assets;
11 and

12 (5) report annually to Congress on progress
13 made toward the objectives described in paragraphs
14 (1) through (4), including a list of cooperative and
15 non-cooperative jurisdictions and any recommenda-
16 tions for additional actions or sanctions.

17 (c) NATIONAL STRATEGY.—Not later than 270 days
18 after the date of enactment of this Act, the Secretary of
19 the Treasury, in consultation with the Secretary of State,
20 the Attorney General, and the Director of National Intel-
21 ligence, shall submit to the Committee on Banking, Hous-
22 ing, and Urban Affairs, the Committee on Foreign Rela-
23 tions, and the Committee on Homeland Security and Gov-
24 ernmental Affairs of the Senate, and the Committee on
25 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;

1 (C) terrorist financing and proliferation-fi-
2 nancing offenses and related targeted financial
3 sanctions;

4 (D) preventive measures for financial insti-
5 tutions and other covered entities, including
6 customer due diligence, recordkeeping, internal
7 controls, and reporting of suspicious trans-
8 actions; and

9 (E) regulation, supervision, and enforce-
10 ment by competent authorities, including finan-
11 cial intelligence, law enforcement, and sanctions
12 measures.

13 **SEC. 508. ANNUAL REPORT ON FOREIGN DIGITAL ASSET**
14 **TRADING VOLUME, COMPLIANCE WITH**
15 **UNITED STATES STANDARDS AND REMEDI-**
16 **ATION ACTIONS.**

17 (a) IN GENERAL.—Not later than 1 year after the
18 date of enactment of this Act, and annually thereafter for
19 a period of 4 years, the Secretary of the Treasury shall
20 submit to the Committee on Banking, Housing, and
21 Urban Affairs of the Senate and the Committee on Finan-
22 cial Services of the House of Representatives a report
23 that—

24 (1) lists the top 20 foreign jurisdictions by vol-
25 ume of digital asset trading activity on foreign dig-

1 ital asset service providers during the calendar year
2 immediately preceding the year of the report, as
3 measured by reliable market data providers and dis-
4 tributed ledger analytics;

5 (2) assesses the degree to which each foreign
6 jurisdiction listed under paragraph (1) has imple-
7 mented and enforced anti-money laundering, sanc-
8 tions evasion, and counter-terrorist financing con-
9 trols applicable to digital asset activities consistent
10 with the standards and framework identified under
11 the National Strategy for International Digital Asset
12 Illicit Finance submitted under section 507; and

13 (3) identifies foreign jurisdictions with—

14 (A) material deficiencies in the implemen-
15 tation or enforcement of the standards de-
16 scribed in paragraph (2); and

17 (B) trading volumes that present systemic
18 illicit finance risk to the United States.

19 (b) FORM.—Each report required under subsection
20 (a) shall be submitted in unclassified form, but may in-
21 clude a classified annex, as appropriate.

22 (c) REMEDIATION AND ENGAGEMENT REPORT.—For
23 each foreign jurisdiction identified pursuant to subsection
24 (a)(3), the Secretary of the Treasury shall include in the
25 applicable report—

1 (1) a description of bilateral diplomatic, regu-
2 latory, or law enforcement engagements undertaken
3 during the calendar year immediately preceding the
4 year in which the report is submitted to remedy the
5 deficiencies of the foreign jurisdiction;

6 (2) a summary of actions taken by the United
7 States individually, or in conjunction with any appli-
8 cable international body, to identify, monitor, and
9 remedy high-risk or non-cooperative jurisdictions
10 with respect to digital asset illicit finance, including
11 designations or public statements identifying those
12 jurisdictions and measures to support their remedi-
13 ation;

14 (3) any commitments obtained from the foreign
15 jurisdiction to address identified deficiencies, includ-
16 ing timeliness and benchmarks; and

17 (4) an assessment of progress made toward full
18 implementation of the standards identified under the
19 National Strategy for International Digital Asset Il-
20 licit Finance submitted under section 507.

1 **TITLE VI—PROTECTING SOFT-**
2 **WARE DEVELOPERS AND**
3 **SOFTWARE INNOVATION**

4 **SEC. 601. PROTECTING SOFTWARE DEVELOPERS.**

5 (a) AMENDMENT TO THE SECURITIES ACT OF
6 1933.—The Securities Act of 1933 (15 U.S.C. 77a et
7 seq.) is amended by inserting after section 27B (15 U.S.C.
8 77z–2a) the following:

9 **“SEC. 27C. APPLICATION TO SOFTWARE DEVELOPERS.**

10 “(a) DISTRIBUTED LEDGER SYSTEM DEFINED.—In
11 this section, the term ‘distributed ledger system’ has the
12 meaning given the term in section 2 of the Digital Asset
13 Market Clarity Act.

14 “(b) APPLICATION TO SOFTWARE DEVELOPERS.—
15 Notwithstanding any other provision of this Act, a person
16 shall not be subject to this Act and the regulations pro-
17 mulgated under this Act solely based on the person engag-
18 ing in any of the following activities, whether singly or
19 in combination, in relation to the operation of a distrib-
20 uted ledger system or any component thereof:

21 “(1) Compiling network transactions or relay-
22 ing, searching, sequencing, validating, or acting in a
23 similar capacity.

24 “(2) Providing computational work, operating a
25 node or oracle service, or procuring, offering, or uti-

1 lizing network bandwidth, or providing other similar
2 incidental services.”.

3 (b) AMENDMENT TO THE SECURITIES EXCHANGE
4 ACT OF 1934.—The Securities Exchange Act of 1934 (15
5 U.S.C. 78a et seq.) is amended by inserting after section
6 15G (15 U.S.C. 78o–11) the following:

7 **“SEC. 15H. APPLICATION TO SOFTWARE DEVELOPERS.**

8 “(a) DEFINITIONS.—In this section:

9 “(1) CONSTITUTE.—The term ‘constitute’
10 means to compile, assemble, integrate, or otherwise
11 combine software components into a complete soft-
12 ware system.

13 “(2) DECENTRALIZED FINANCE TRADING PRO-
14 TOCOL.—

15 “(A) IN GENERAL.—The term ‘decentral-
16 ized finance trading protocol’ means a distrib-
17 uted ledger system through which multiple par-
18 ticipants can execute a financial transaction—

19 “(i) in accordance with an automated
20 rule or algorithm that is predetermined
21 and non-discretionary; and

22 “(ii) without reliance on a person
23 other than the user to maintain custody or
24 control of the digital assets subject to the
25 financial transaction.

1 “(B) EXCLUSIONS.—

2 “(i) IN GENERAL.—The term ‘decen-
3 tralized finance trading protocol’ does not
4 include a distributed ledger system if—

5 “(I) a person or group of persons
6 under common control or acting pur-
7 suant to an agreement to act in con-
8 cert has the authority, directly or in-
9 directly, through any contract, ar-
10 rangement, understanding, relation-
11 ship, or otherwise, to control or mate-
12 rially alter the functionality, oper-
13 ation, or rules of consensus or agree-
14 ment of the distributed ledger system;
15 or

16 “(II) the distributed ledger sys-
17 tem does not operate, execute, and en-
18 force its operations and transactions
19 based solely on pre-established, trans-
20 parent rules encoded directly within
21 the source code of the distributed
22 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 “(ii) SPECIAL RULE.—For purposes of
7 clause (i), a decentralized governance sys-
8 tem shall not be considered to be a person
9 or a group of persons under common con-
10 trol or acting pursuant to an agreement to
11 act in concert.

12 “(3) DEPLOY.—The term ‘deploy’ means to
13 bring software or hardware onto a distributed ledger
14 system for active use.

15 “(4) DIGITAL ASSET; DISTRIBUTED LEDGER
16 APPLICATION; DISTRIBUTED LEDGER SYSTEM; DIS-
17 TRIBUTED LEDGER PROTOCOL; DECENTRALIZED
18 GOVERNANCE SYSTEM; SMART CONTRACT.—The
19 terms ‘digital asset’, ‘distributed ledger application’,
20 ‘distributed ledger system’, ‘distributed ledger pro-
21 tocol’, ‘decentralized governance system’, and ‘smart
22 contract’ have the meanings given those terms in
23 section 2 of the Digital Asset Market Clarity Act.

24 “(5) DECENTRALIZED FINANCE MESSAGING
25 SYSTEM.—

1 “(A) IN GENERAL.—The term ‘decentral-
2 ized finance messaging system’ means a soft-
3 ware application that provides a user with the
4 ability to create or submit an instruction, com-
5 munication, or message to a decentralized fi-
6 nance trading protocol.

7 “(B) ADDITIONAL REQUIREMENTS.—The
8 term ‘decentralized finance messaging system’
9 does not include any system that provides any
10 person other than the user with —

11 “(i) control over the funds of the user;

12 or

13 “(ii) the authority to execute any of
14 the transaction of the user.

15 “(b) APPLICATION TO SOFTWARE DEVELOPERS.—
16 Notwithstanding any other provision of this Act, a person
17 shall not be subject to this Act and the regulations pro-
18 mulgated under this Act solely based on the person engag-
19 ing in any of the following activities, whether singly or
20 in combination, in relation to the operation of a distrib-
21 uted ledger system or any component thereof:

22 “(1) Compiling network transactions or relay-
23 ing, searching, sequencing, validating, or acting in a
24 similar capacity.

1 “(2) Providing computational work, operating a
2 node or oracle service, or procuring, offering, or uti-
3 lizing network bandwidth, or providing other similar
4 incidental services.

5 “(3) Developing, publishing, or constituting—

6 “(A) a distributed ledger system; or

7 “(B) software or systems that create or
8 utilize hardware or software, including wallets
9 or other systems, that facilitate the ability of a
10 user to keep, safeguard, or have custody of the
11 digital assets or private keys of the user.

12 “(c) RULE OF CONSTRUCTION.—Subsection (b)(3)
13 does not extend to any activity covered in any of the activi-
14 ties described in subparagraphs (A) through (D) of sub-
15 section (d)(1), including activity taken following deploy-
16 ment of such software or hardware.

17 “(d) CLARIFICATION.—

18 “(1) IN GENERAL.—The Commission shall, pur-
19 suant to notice and comment rulemaking, clarify the
20 circumstances under which a person shall not be
21 subject to this Act by reason of engaging solely in
22 1 or more of the following activities in relation to
23 the operation of a decentralized finance trading pro-
24 tocol or any component thereof:

1 “(A) Providing a user interface that en-
2 ables a user to read and access data.

3 “(B) Administering, maintaining, or other-
4 wise distributing a decentralized governance
5 system relating to a decentralized finance trad-
6 ing protocol, or a decentralized finance trading
7 protocol.

8 “(C) Administering, maintaining, or other-
9 wise distributing a decentralized finance mes-
10 saging system or operating or participating in
11 a smart contract-based liquidity pool in a de-
12 centralized finance trading protocol.

13 “(D) Administering, maintaining, or other-
14 wise distributing software or systems that cre-
15 ate or deploy hardware or software, including
16 wallets or other systems, that facilitate the abil-
17 ity of a user to keep, safeguard, or custody the
18 digital assets or related private keys of 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-

1 tors, and the maintenance of fair and orderly
2 markets;

3 “(B) provide that section 108(a) of the
4 Lummis-Gillibrand Responsible Financial Inno-
5 vation Act of 2026 shall apply to such rules;

6 “(C) protect the rights of software devel-
7 opers, publishers, and users to create, publish,
8 and use code and software in a manner con-
9 sistent with the First Amendment to the Con-
10 stitution of the United States; and

11 “(D) provide legal clarity for the develop-
12 ment, publication, and operation of distributed
13 ledger systems and the components therein in a
14 manner consistent with the purposes of this sec-
15 tion.

16 “(3) RULE OF CONSTRUCTION.—Nothing in
17 this subsection may be construed to grant the Com-
18 mission authority over persons, systems, software, or
19 activities that do not otherwise fall within the juris-
20 diction of the Commission under this Act, or to cre-
21 ate a presumption that any such activity is subject
22 to this Act.

23 “(e) ANTI-FRAUD, ANTI-MANIPULATION, AND FALSE
24 REPORTING.—The determination to be not subject to this
25 Act under subsections (b) and (d) shall not apply to the

1 anti-fraud, anti-manipulation, or false reporting enforce-
2 ment authorities of the Commission.

3 “(f) **RULE OF CONSTRUCTION.**—For the avoidance of
4 doubt, nothing in this Act or the rules and regulations
5 promulgated under this Act may be construed to apply any
6 requirement of the securities laws to a digital commodity,
7 as defined in section 2 of the Digital Asset Market Clarity
8 Act, or expand the authority of the Commission beyond
9 that which the Commission had before the date of enact-
10 ment of the Digital Asset Market Clarity Act to regulate
11 the activities described in subsection (d)(1).

12 “(g) **FEDERAL PREEMPTION.**—

13 “(1) **IN GENERAL.**—Notwithstanding any other
14 provision of law, no securities, commodities, or dig-
15 ital assets law of any State (or of any political sub-
16 division of a State) shall apply to an activity de-
17 scribed in subsection (b).

18 “(2) **RULE OF CONSTRUCTION.**—Nothing in
19 paragraph (1) may be construed to apply to the
20 anti-money laundering, anti-fraud, or anti-manipula-
21 tion authorities of a State (or of any political sub-
22 division of a State).”.

23 (c) **APPLICABILITY.**—This section, and the amend-
24 ments made by this section, shall apply to conduct occur-
25 ring before, on, or after the date of enactment of this Act.

1 **SEC. 602. SAFE HARBOR FOR NONFUNGIBLE TOKENS.**

2 (a) DEFINITIONS.—In this section:

3 (1) NONFUNGIBLE TOKEN.—The term “non-
4 fungible token” means a digital asset recorded on a
5 distributed ledger that—

6 (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 nonfungible token shall not be deemed to
4 constitute an offer or sale of a security or invest-
5 ment contract under the Securities Act of 1933 (15
6 U.S.C. 77a et seq.), the Securities Exchange Act of
7 1934 (15 U.S.C. 78a et seq.), or any equivalent
8 State law, unless the transaction, in substance, in-
9 volves all of the elements of an investment contract.

10 (2) RULES OF CONSTRUCTION.—Neither of the
11 following shall be considered to be a security under
12 the Securities Act of 1933 (15 U.S.C. 77a et seq.)
13 or the Securities Exchange Act of 1934 (15 U.S.C.
14 78a et seq.):

15 (A) The resale or secondary market trans-
16 fer of a nonfungible token, where the payment
17 for that resale or transfer does not flow to a
18 promoter or is not used to raise new capital for
19 an enterprise.

20 (B) A nonfungible token that serves as a
21 collectible, membership right, event ticket, ac-
22 cess credential, or other non-investment-based
23 use case solely because the nonfungible token
24 may appreciate in value or depend in part on

1 continued efforts or the reputation of the cre-
2 ator or issuer of the nonfungible token.

3 (3) EXCEPTIONS.—The safe harbor under para-
4 graph (1) shall not apply to—

5 (A) a mass-minted series of items with
6 substantially similar or nearly identical traits
7 that are marketed or sold interchangeably;

8 (B) a fractionalized interest in a nonfun-
9 gible token; or

10 (C) an interest representing a beneficial or
11 economic claim on a nonfungible token or an
12 asset that a nonfungible token represents.

13 (4) RELIANCE; PROSPECTIVE EFFECT.—

14 (A) RELIANCE.—A person, other than an
15 originator or related person, that reasonably
16 and in good faith relies on the safe harbor
17 under this subsection shall not be subject to
18 any civil or administrative penalties.

19 (B) PROSPECTIVE EFFECT.—Any deter-
20 mination by the Commission that the safe har-
21 bor under this subsection does not apply to a
22 particular circumstance shall—

23 (i) be prospective only; and

1 (ii) take effect not earlier than 60
2 days after the date on which the Commis-
3 sion publicly posts that determination.

4 **SEC. 603. STUDY ON NONFUNGIBLE TOKENS.**

5 (a) DEFINITION.—In this section, the term “nonfun-
6 gible token” has the meaning given the term in section
7 602.

8 (b) STUDY.—The Comptroller General of the United
9 States shall carry out a study of nonfungible tokens that
10 analyzes—

11 (1) the nature, size, role, purpose, and use of
12 nonfungible tokens;

13 (2) the similarities and differences between non-
14 fungible tokens and other digital commodities, in-
15 cluding digital commodities and payment stablecoins,
16 and how the markets for those digital commodities
17 intersect;

18 (3) how nonfungible tokens are minted by
19 issuers and subsequently administered to purchasers;

20 (4) how nonfungible tokens are stored after
21 being purchased by a consumer;

22 (5) the interoperability of nonfungible tokens
23 between different distributed ledger systems;

24 (6) the scalability of different nonfungible token
25 marketplaces;

1 (7) the benefits of nonfungible tokens, including
2 verifiable digital ownership;

3 (8) the risks of nonfungible tokens, including—
4 (A) intellectual property rights;
5 (B) cybersecurity risks; and
6 (C) market risks;

7 (9) whether and how nonfungible tokens have
8 been, or could be, integrated with traditional mar-
9 ketplaces, including marketplaces for music, real es-
10 tate, gaming, events, and travel;

11 (10) whether and how nonfungible tokens have
12 been, or could be, used to facilitate commerce or
13 other activities through the representation of docu-
14 ments, identification, contracts, licenses, and other
15 commercial, governmental, or personal records;

16 (11) any risks to traditional markets from the
17 integration described in paragraph (9); and

18 (12) the levels and types of illicit activity in
19 nonfungible token markets.

20 (c) REPORT.—Not later than 1 year after the date
21 of enactment of this Act, the Comptroller General of the
22 United States shall make publicly available a report that
23 includes the results of the study required under subsection
24 (b).

1 **SEC. 604. BLOCKCHAIN REGULATORY CERTAINTY ACT.**

2 (a) SHORT TITLE.—This section may be cited as the
3 “Blockchain Regulatory Certainty Act”.

4 (b) DEFINITIONS.—In this section:

5 (1) DEVELOPER OR PROVIDER.—The term “de-
6 veloper or provider” means any person or business
7 that creates or publishes software to facilitate the
8 creation of, or provide maintenance to, a distributed
9 ledger, or a service associated with a distributed
10 ledger.

11 (2) DISTRIBUTED LEDGER SERVICE.—The term
12 “distributed ledger service” means any information,
13 transaction, or computing service or system that
14 provides or enables access to a distributed ledger
15 system by multiple users, including a service or sys-
16 tem that enables users to send, receive, exchange, or
17 store digital assets described by distributed ledger
18 systems.

19 (3) NON-CONTROLLING DEVELOPER OR PRO-
20 VIDER.—The term “non-controlling developer or pro-
21 vider” means a developer or provider of a distributed
22 ledger service that, in the regular course of oper-
23 ations, does not have the legal right or the unilateral
24 and independent ability to control, initiate upon de-
25 mand, or effectuate transactions involving digital as-
26 sets to which users are entitled, without the ap-

1 proval, consent, or direction of any other third
2 party.

3 (c) TREATMENT.—Notwithstanding any other provi-
4 sion of law, a non-controlling developer or provider—

5 (1) shall not be treated as—

6 (A) a money transmitting business, as de-
7 fined in section 5330 of title 31, United States
8 Code, and the regulations promulgated under
9 that section; or

10 (B) engaged in money transmitting, as de-
11 fined in section 1960 of title 18, United States
12 Code, as amended by this Act; and

13 (2) on or after the date of enactment of this
14 Act, shall not be otherwise subject to any registra-
15 tion requirement that is substantially similar to a re-
16 quirement (as in effect on the day before the date
17 of enactment of this Act) that applies to an entity
18 described in subparagraph (A) or (B) of paragraph
19 (1), solely on the basis of—

20 (A) creating or publishing software to fa-
21 cilitate the creation of, or providing mainte-
22 nance services to, a distributed ledger or a serv-
23 ice associated with a distributed ledger;

1 (B) providing hardware or software to fa-
2 cilitate a customer's own custody or safekeeping
3 of the digital assets of the customer; or

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

6 (d) RULES OF CONSTRUCTION.—Nothing in this sec-
7 tion may be construed—

8 (1) to affect whether a developer or provider of
9 a distributed ledger service is otherwise subject to
10 classification or treatment as a money transmitter,
11 or as engaged in money transmitting, under applica-
12 ble Federal or State law, including laws relating to
13 anti-money laundering or countering the financing of
14 terrorism, based on conduct outside the scope of
15 subsection (c);

16 (2) to affect whether a developer or provider is
17 otherwise subject to classification or treatment as a
18 financial institution under subchapter II of chapter
19 53 of title 31, United States Code, this Act, any
20 amendment made by this Act, or any Act enacted
21 after the date of enactment of this Act;

22 (3) to limit or expand any law pertaining to in-
23 tellectual property;

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

1 (5) to create a cause of action or impose liabil-
2 ity under any State or local law that is inconsistent
3 with this section.

4 **SEC. 605. KEEP YOUR COINS ACT.**

5 (a) SHORT TITLE.—This section may be cited as the
6 “Keep Your Coins Act”.

7 (b) DEFINITIONS.—In this section:

8 (1) COVERED USER.—The term “covered user”
9 means a United States individual who obtains digital
10 assets to purchase goods or services on behalf of
11 that individual, without regard to the method in
12 which that individual obtained those digital assets.

13 (2) SELF-HOSTED WALLET.—The term “self-
14 hosted wallet” means a digital interface—

15 (A) that is used to secure and transfer dig-
16 ital assets; and

17 (B) under which the owner of digital assets
18 secured and transferred under subparagraph

19 (A) retains independent control over those dig-
20 ital assets.

21 (c) SELF-CUSTODY.—A Federal agency may not pro-
22 hibit, restrict, or otherwise impair the ability of a covered
23 user to self-custody digital assets using a self-hosted wallet
24 or other means to conduct transactions for any lawful pur-
25 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 VII—PROTECTING CUSTOMER PROPERTY

SEC. 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—

1 (A) by redesignating paragraphs (5)
2 through (9) as paragraphs (7) through (11), re-
3 spectively;

4 (B) by redesignating paragraphs (1)
5 through (4) as paragraphs (2) through (5), re-
6 spectively;

7 (C) by inserting before paragraph (2), as
8 so redesignated, the following:

9 “(1) ‘ancillary asset’ has the meaning given
10 that term section 2 of the Digital Asset Market
11 Clarity Act;”;

12 (D) in paragraph (3), as so redesignated—

13 (i) in subparagraph (A)(vi), by strik-
14 ing “and” at the end;

15 (ii) by redesignating subparagraph
16 (B) as subparagraph (C);

17 (iii) by inserting after subparagraph
18 (A) the following:

19 “(B) entity with whom a person deals as
20 principal or agent and that has a claim against
21 such person on account of a digital commodity
22 or an ancillary asset received, acquired, or held
23 by such person from or for the securities ac-
24 count or accounts of such entity for 1 or more
25 of the purposes identified in clauses (i) through

1 (vi) of subparagraph (A) of this paragraph;
2 and”; and

3 (iv) in subparagraph (C), as so redes-
4 ignated—

5 (I) in clause (i)—

6 (aa) by inserting “, ancillary
7 asset, or digital commodity” after
8 “security”; and

9 (bb) by inserting “or (B)”
10 after “subparagraph (A)”; and

11 (II) in clause (ii), by inserting
12 “an ancillary asset, a digital com-
13 modity,” after “a security,”;

14 (E) in paragraph (5), as so redesignated,
15 in the matter preceding subparagraph (A), by
16 inserting “ancillary asset, digital commodity,”
17 after “cash, security,” each place it appears;

18 (F) by inserting after paragraph (5), as so
19 redesignated, the following:

20 “(6) ‘digital commodity’ has the meaning given
21 that term in section 2 of the Digital Asset Market
22 Clarity Act;”; and

23 (G) in paragraph (8), as so redesignated,
24 in subparagraph (A)(i), by inserting “, ancillary

1 asset positions, and digital commodities posi-
2 tions” after “securities positions”.

3 (b) EXTENT OF CUSTOMER CLAIMS.—Section 746(b)
4 of title 11, United States Code, is amended, in the matter
5 preceding paragraph (1), by striking “cash or a security”
6 and inserting “cash, a security, an ancillary asset, or a
7 digital commodity”.

8 (c) TECHNICAL AND CONFORMING AMENDMENTS.—

9 (1) Section 546(e) of title 11, United States
10 Code, is amended—

11 (A) by striking “section 741(7)” and in-
12 serting “section 741”; and

13 (B) by striking “section 761(4)” and in-
14 serting “section 761”.

15 (2) Section 561 of title 11, United States Code,
16 is amended—

17 (A) in paragraph (1), by striking “section
18 741(7)” and inserting “section 741”; and

19 (B) in paragraph (2), by striking “section
20 761(4)” and inserting “section 761”.

21 (3) Section 752(c) of title 11, United States
22 Code, is amended by striking “section 741(4)(B)”
23 and inserting “section 471(5)(B)”.

24 (d) CLARIFICATION.—For the avoidance of doubt—

1 (1) nothing in this section or an amendment
2 made by this section may be construed to apply to
3 securities or cash held by a broker-dealer and such
4 assets and related claims shall be governed exclu-
5 sively by the Securities Investor Protection Act of
6 1970 (15 U.S.C. 78aaa et seq.);

7 (2) nothing in this section or an amendment
8 made by this section may be construed to apply to
9 deposits held by a bank or commodity contracts,
10 which shall be governed by the relevant applicable
11 law; and

12 (3) in any liquidation proceeding under sub-
13 chapter III or IV of chapter 7 of title 11, United
14 States Code, those provisions shall be construed to
15 treat ancillary assets and digital commodities held
16 for customers as customer property governed by title
17 11 and required to be distributed according to such
18 title.

19 **TITLE VIII—CUSTOMER** 20 **PROTECTION**

21 **SEC. 801. EDUCATIONAL MATERIALS.**

22 The Commission and the Commodity Futures Trad-
23 ing Commission shall require digital asset intermediaries
24 to provide clear and accessible educational materials to the
25 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;

1 (2) highlighting best practices relating to com-
2 merce in nonfungible tokens or digital consumer to-
3 kens;

4 (3) promoting responsible innovation;

5 (4) consumer education relating to fraudulent
6 digital asset activity; or

7 (5) investigating unlawful restraints of trade in
8 the digital asset industry.

9 (c) **RULE OF CONSTRUCTION.**—Nothing in this Act,
10 or any amendment made by this Act, may be construed
11 to expand, contract, or otherwise affect the jurisdiction or
12 authority with respect to the Federal consumer financial
13 laws under the Consumer Financial Protection Act of
14 2010 (12 U.S.C. 5481 et seq.), as in effect on the day
15 before the date of enactment of this Act, including with
16 respect to subsection (i) or (j) of section 1027 of the Con-
17 sumer Financial Protection Act of 2010 (12 U.S.C. 5517).

18 **SEC. 803. STUDY ON EXPANDING FINANCIAL LITERACY.**

19 (a) **STUDY.**—The Commission and the Commodity
20 Futures Trading Commission shall jointly conduct a study
21 to identify—

22 (1) the existing level of financial literacy among
23 retail digital asset customers;

1 (2) methods to improve the timing, content, and
2 format of financial literacy materials regarding dig-
3 ital assets provided by the respective commissions;

4 (3) methods to improve coordination between
5 the Securities and Exchange Commission and the
6 Commodity Futures Trading Commission with other
7 agencies, including the Financial Literacy and Edu-
8 cation Commission, nonprofit organizations, and
9 State and local jurisdictions, to better disseminate
10 financial literacy materials;

11 (4) the efficacy of current financial literacy ef-
12 forts with a focus on rural communities and commu-
13 nities with majority-minority populations;

14 (5) the most useful and understandable relevant
15 information, including clear disclosures, that retail
16 digital asset customers need to make informed finan-
17 cial decisions before engaging with or purchasing a
18 digital asset;

19 (6) the most effective public-private partner-
20 ships in providing financial literacy regarding digital
21 asset;

22 (7) the most relevant metrics to measure suc-
23 cessful improvement of the financial literacy of an
24 individual after engaging with financial literacy ef-
25 forts; and

1 (8) in consultation with the Financial Literacy
2 and Education Commission, a strategy (including to
3 the extent practicable, measurable goals and objec-
4 tives) to increase financial literacy of investors re-
5 garding digital assets.

6 (b) REPORT.—Not later than 1 year after the date
7 of enactment of this Act, the Commission and the Com-
8 modity Futures Trading Commission shall jointly submit
9 to the Committee on Banking, Housing, and Urban Af-
10 fairs and the Committee on Agriculture, Nutrition, and
11 Forestry of the Senate and the Committee on Financial
12 Services and the Committee on Agriculture of the House
13 of Representatives a written report on the study required
14 under subsection (a).

15 **SEC. 804. CONSULTATION WITH SIPC REGARDING MANDA-**
16 **TORY BROKER-DEALER DISCLOSURES TO IN-**
17 **VESTORS CONCERNING THE STATUS OF PAY-**
18 **MENT STABLECOINS AND DIGITAL COMMOD-**
19 **ITIES.**

20 (a) DEFINITION.—In this section, the term “payment
21 stablecoin” has the meaning given the term in section 2
22 of the GENIUS Act (12 U.S.C. 5901).

23 (b) RULES.—Not later than 270 days after the date
24 of enactment of this Act, the Commission, after consulta-
25 tion with the Commodity Futures Trading Commission

1 and the Securities Investor Protection Corporation, shall
2 issue rules requiring written disclosures regarding the
3 treatment of customer assets in the event of an insolvency,
4 resolution, or liquidation proceeding to be provided by a
5 registered broker or dealer to an investor—

6 (1) before a digital commodity, a payment
7 stablecoin, or an investment contract involving a
8 unit of a digital commodity is received, acquired, or
9 held by the broker or dealer for the account of the
10 investor; and

11 (2) after the provision of the disclosures under
12 paragraph (1), at such frequency as the Commission
13 may prescribe.

14 (c) CONTENTS.—The rules issued under subsection
15 (b) shall include, as necessary or appropriate for the pro-
16 tection of investors—

17 (1) a description of the manner in which any
18 digital commodity, payment stablecoin, or invest-
19 ment contract involving a unit of a digital com-
20 modity received, acquired, or held by a broker or
21 dealer for the account of an investor would be treat-
22 ed in an insolvency, resolution, or liquidation pro-
23 ceeding with respect to the broker or dealer under—

1 (A) title II of the Dodd-Frank Wall Street
2 Reform and Consumer Protection Act (12
3 U.S.C. 5381 et seq.);

4 (B) the Securities Investor Protection Act
5 of 1970 (15 U.S.C. 78aaa et seq.); or

6 (C) as applicable, chapter 7 or 11 of title
7 11, United States Code; and

8 (2) how the treatment described in paragraph
9 (1) differs from the treatment of securities and cash
10 received, acquired, or held by the broker or dealer
11 for the account of the applicable investor in the
12 event of an insolvency, resolution, or liquidation pro-
13 ceeding with respect to the broker or dealer under
14 each provision of law described in subparagraph (A),
15 (B), and (C) of paragraph (1).

16 **TITLE IX—OTHER MATTERS**

17 **SEC. 901. JOINT ADVISORY COMMITTEE ON DIGITAL AS-** 18 **SETS.**

19 (a) ESTABLISHMENT.—The Commodity Futures
20 Trading Commission and the Securities and Exchange
21 Commission (referred to collectively in this section as the
22 “Commissions”) shall jointly establish the Joint Advisory
23 Committee on Digital Assets (referred to in this section
24 as the “Committee”).

25 (b) PURPOSE.—

1 (1) IN GENERAL.—The Committee shall—

2 (A) provide the Commissions with official
3 findings and nonbinding recommendations on—

4 (i) the rules, regulations, oversight,
5 and other matters of the Commissions re-
6 lating to digital assets, including with re-
7 spect to regulatory harmonization between
8 the Commissions;

9 (ii) how to further the regulatory har-
10 monization of digital asset policy between
11 the Commissions or areas in which that
12 harmonization should occur; and

13 (iii) the implementation by the Com-
14 missions of this Act, and the amendments
15 made by this Act, including with respect to
16 regulatory harmonization between the
17 Commissions, memoranda of under-
18 standing, and the Joint Micro-Innovation
19 Sandbox established pursuant to section
20 501;

21 (B) develop and share objective methods
22 and best practices for evaluating digital asset
23 networks and activities, including, as appro-
24 priate, technical features, economic design, and

1 implications for market integrity, investor pro-
2 tection, and operational resilience; and

3 (C) issue nonbinding recommendations to
4 assist in resolving disputes between the Com-
5 missions.

6 (c) REVIEW BY THE COMMISSIONS.—Each of the
7 Commissions shall—

8 (1) review the findings and nonbinding rec-
9 ommendations provided under subsection (b)(1)(A);

10 (2) promptly publish a public statement each
11 time the Committee submits a finding or nonbinding
12 recommendation to the applicable Commission under
13 subsection (b)(1)(A) that—

14 (A) assesses the finding or recommenda-
15 tion; and

16 (B) if applicable, discloses the action or de-
17 cision not to take action; and

18 (3) provide the Committee with a formal writ-
19 ten response not later than 90 days after the date
20 of submission of the finding or nonbinding rec-
21 ommendation under subsection (b)(1)(A).

22 (d) MEMBERSHIP AND LEADERSHIP.—

23 (1) NON-FEDERAL MEMBERS; SIZE AND COM-
24 POSITION.—

1 (A) IN GENERAL.—The Commissions shall
2 appoint to the Committee not more than 14
3 nongovernmental voting members who—

4 (i) represent a broad spectrum of in-
5 terests, equally divided 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);

18 (iv) 2 individuals described in para-
19 graph (2)(D); and

20 (v) 1 individual described in para-
21 graph (2)(E).

22 (2) MEMBERS DESCRIBED.—A member de-
23 scribed in this paragraph is—

1 (A) an individual who is employed by, or is
2 a related person with respect to, a digital asset
3 market participant;

4 (B) a person registered with either of the
5 Commissions and that is engaged in activities
6 relating to digital assets;

7 (C) an individual engaged in academic re-
8 search relating to digital assets;

9 (D) a retail user of digital assets; and

10 (E) a State securities regulator.

11 (3) NIST.—The Director of the National Insti-
12 tute of Standards and Technology, or the designee
13 of the Director, shall serve in an advisory capacity
14 as a nonvoting, ex officio member of the Committee,
15 and shall not be excluded from any proceedings,
16 meetings, discussions, or deliberations of the Com-
17 mittee, except that the chair of the Committee, upon
18 an affirmative vote of the Committee, may exclude
19 the Director or the designee from any proceedings,
20 meetings, discussions, or deliberations of the Com-
21 mittee when necessary to safeguard and promote the
22 free exchange of confidential information.

23 (4) CO-DESIGNATED FEDERAL OFFICERS; COM-
24 MISSIONER SUPPORT.—

1 (A) CO-DESIGNATED FEDERAL OFFI-
2 CERS.—

3 (i) IN GENERAL.—Each Commission
4 shall designate 1 Federal officer to serve
5 as co-designated Federal officers of the
6 Committee.

7 (ii) SHARED DUTIES.—The duties re-
8 quired by section 1009(e) of title 5, United
9 States Code, to be carried out by a des-
10 ignated Federal officer with respect to the
11 Committee shall be shared by the Federal
12 officers of the Committee who are co-des-
13 ignated under clause (i).

14 (B) COMMISSIONER SUPPORT.—

15 (i) IN GENERAL.—Commissioners of
16 the Commissions may be supported by offi-
17 cers or employees of the respective Com-
18 mission who may prepare or transmit ma-
19 terials, coordinate with agency staff, liaise
20 with Committee leadership, propose agenda
21 items, gather information, and otherwise
22 support the participation of that commis-
23 sioner in Committee business, in an ex
24 officio, nonvoting capacity.

1 (ii) RULE OF CONSTRUCTION.—An of-
2 ficer or employee described in clause (i)
3 shall not be considered to be a member of
4 the Committee for purposes of chapter 10
5 of title 5, United States Code.

6 (C) INFORMATION SHARING.—The co-des-
7 ignated Federal officers and their Commis-
8 sioner support shall share information about
9 digital asset activities under this Act, in accord-
10 ance with section 902, including with regard to
11 preventing insider trading.

12 (5) COMMITTEE LEADERSHIP.—The members
13 of the Committee shall elect, from among the mem-
14 bership of the Committee, a secretary and an assist-
15 ant secretary.

16 (6) ROTATING CHAIR.—The chair and vice
17 chair of the Committee shall rotate annually between
18 the Commissions, with the Commission designating
19 the chair in even-numbered calendar years, the Com-
20 modity Futures Trading Commission designating the
21 chair in odd-numbered calendar years, the Commis-
22 sion designating the vice chair in odd-numbered cal-
23 endar years, and the Commodity Futures Trading
24 Commission designating the vice chair in even-num-
25 bered 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.

9 (C) VACANCIES.—A vacancy with respect
10 to membership in the Committee shall be filled
11 only for the remainder of the applicable term.

12 (D) REAPPOINTMENT.—A member of the
13 Committee may be reappointed.

14 (8) STATUS OF MEMBERS.—A member of the
15 Committee appointed under paragraph (1) shall not
16 be deemed to be an employee or agent of either of
17 the Commissions solely by reason of membership on
18 the Committee.

19 (e) NO COMPENSATION FOR COMMITTEE MEM-
20 BERS.—

21 (1) NON-FEDERAL MEMBERS.—All Committee
22 members appointed under subsection (d)(1) shall—

23 (A) serve without compensation; and

24 (B) while away from the home or regular
25 place of business of the member in the perform-

1 ance of services for the Committee, be allowed
2 travel expenses, including per diem in lieu of
3 subsistence, in the same manner as persons em-
4 ployed intermittently in Government service are
5 allowed expenses under section 5703 of title 5,
6 United States Code.

7 (2) NO COMPENSATION FOR CO-DESIGNATED
8 FEDERAL OFFICERS.—The Federal officers co-des-
9 ignated under subsection (d)(4)(A) shall serve with-
10 out compensation in addition to that received for
11 their services as officers or employees of the United
12 States.

13 (f) FREQUENCY OF MEETINGS.—The Committee
14 shall meet—

15 (1) not less frequently than twice annually; and
16 (2) at such other times as either of the Com-
17 missions may request.

18 (g) PROCEDURES; ADVISORY NATURE.—

19 (1) IN GENERAL.—The Committee shall operate
20 pursuant to chapter 10 of title 5, United States
21 Code, except as otherwise expressly provided by this
22 section.

23 (2) ADVISORY NATURE OF RECOMMENDA-
24 TIONS.—The recommendations of the Committee are
25 advisory in nature, shall not create any legal rights

1 or obligations, and shall not limit or delay the inde-
2 pendent authority of either of the Commissions.

3 (h) TIME LIMITS.—The Commissions shall—

4 (1) not later than 90 days after the date of en-
5 actment of this Act, adopt a joint charter for the
6 Committee;

7 (2) not later than 120 days after the date of
8 enactment of this Act, make the appointments re-
9 quired 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.

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
13 the Commodity Futures Trading Commission, in-
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 (B) the market integrity authorities 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

1 (15 U.S.C. 78a et seq.), and the Commodity Ex-
2 change Act (7 U.S.C. 1 et seq.).

3 (b) RULE OF CONSTRUCTION.—Nothing in this sec-
4 tion may be construed to limit the anti-fraud, anti-manip-
5 ulation, or false reporting enforcement authorities of the
6 Commodity Futures Trading Commission with respect to
7 a contract of sale of a commodity and persons effecting
8 such contracts.

9 (c) RULE OF CONSTRUCTION.—Nothing in this Act,
10 or any amendment made by this Act, may be construed
11 to limit or prevent the continued application of applicable
12 law regarding the insider trading of securities, including
13 digital asset securities, including section 21A of the Secu-
14 rities Exchange Act of 1934 (15 U.S.C. 78u–1).

15 **SEC. 903. FINCEN APPROPRIATIONS.**

16 (a) AUTHORIZATION OF APPROPRIATIONS.—For the
17 purposes of developing policy relating to digital assets, ac-
18 quiring information technology resources, funding the op-
19 erations described in sections 202 and 203 of this Act,
20 and enforcement of the laws within its jurisdiction relating
21 to digital assets, there is authorized to be appropriated
22 to the Financial Crimes Enforcement Network of the De-
23 partment of the Treasury the following:

24 (1) \$30,000,000 for fiscal year 2026, to remain
25 available until September 30, 2027.

1 (2) \$30,000,000 for fiscal year 2027, to remain
2 available until September 30, 2028.

3 (3) \$30,000,000 for fiscal year 2028, to remain
4 available until September 30, 2029.

5 (4) \$30,000,000 for fiscal year 2029, to remain
6 available until September 30, 2030.

7 (5) \$30,000,000 for fiscal year 2030, to remain
8 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
13 may pay an annual incentive premium of not more than
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 Director has certified to the Director of the
17 Office of Personnel Management reflects the needs of the
18 Financial Crimes Enforcement Network.

19 **SEC. 904. RULEMAKINGS.**

20 Except as otherwise provided, not later than 1 year
21 after the date of enactment of this Act, each applicable
22 regulator shall promulgate regulations to carry out this
23 Act, and the amendments made by this Act, through ap-
24 propriate notice and comment rulemaking.

1 **SEC. 905. EFFECTIVE DATE.**

2 This Act, and the amendments made by this Act,
3 shall take effect on the date that is 360 days after the
4 date of enactment of this Act, except that, if a provision
5 of this Act, or an amendment made by this Act, requires
6 a rulemaking, that provision shall take effect on the later
7 of—

8 (1) the date that is 360 days after the date of
9 enactment of this Act; or

10 (2) the date that is 60 days after the publica-
11 tion in the Federal Register of the final rule imple-
12 menting the provision.