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RULES COMMITTEE PRINT 118–33
TEXT OF H.R. 4763, THE FINANCIAL INNOVATION
AND TECHNOLOGY FOR THE 21ST CENTURY ACT

**[Showing the text of H.R. 4763, as ordered reported by the
Committee on Financial Services and the Committee on Ag-
riculture, with modifications]**

1 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Financial Innovation and Technology for the 21st Cen-
4 tury Act”.

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

Sec. 1. Short title; table of contents.

TITLE I—DEFINITIONS; RULEMAKING; NOTICE OF INTENT TO
REGISTER

Sec. 101. Definitions under the Securities Act of 1933.

Sec. 102. Definitions under the Securities Exchange Act of 1934.

Sec. 103. Definitions under the Commodity Exchange Act.

Sec. 104. Definitions under this Act.

Sec. 105. Rulemakings.

Sec. 106. Notice of intent to register for digital commodity exchanges, brokers,
and dealers.

Sec. 107. Notice of intent to register for digital asset brokers, dealers, and
trading systems.

Sec. 108. Commodity Exchange Act savings provisions.

Sec. 109. Administrative requirements.

Sec. 110. International harmonization.

Sec. 111. Implementation.

TITLE II—CLARITY FOR ASSETS OFFERED AS PART OF AN
INVESTMENT CONTRACT

Sec. 201. Short title.

Sec. 202. Treatment of investment contract assets.

TITLE III—OFFERS AND SALES OF DIGITAL ASSETS

- Sec. 301. Exempted transactions in digital assets.
- Sec. 302. Requirements for offers and sales of certain digital assets.
- Sec. 303. Enhanced disclosure requirements.
- Sec. 304. Certification of certain digital assets.
- Sec. 305. Effective date.

TITLE IV—REGISTRATION FOR DIGITAL ASSET INTERMEDIARIES AT THE SECURITIES AND EXCHANGE COMMISSION

- Sec. 401. Treatment of digital commodities and other digital assets.
- Sec. 402. Authority over permitted payment stablecoins and restricted digital assets.
- Sec. 403. Registration of digital asset trading systems.
- Sec. 404. Requirements for digital asset trading systems.
- Sec. 405. Registration of digital asset brokers and digital asset dealers.
- Sec. 406. Requirements of digital asset brokers and digital asset dealers.
- Sec. 407. Rules related to conflicts of interest.
- Sec. 408. Treatment of certain digital assets in connection with federally regulated intermediaries.
- Sec. 409. Exclusion for decentralized finance activities.
- Sec. 410. Registration and requirements for notice-registered digital asset clearing agencies.
- Sec. 411. Treatment of custody activities by banking institutions.
- Sec. 412. Effective date; administration.
- Sec. 413. Discretionary Surplus Fund.

TITLE V—REGISTRATION FOR DIGITAL ASSET INTERMEDIARIES AT THE COMMODITY FUTURES TRADING COMMISSION

- Sec. 501. Commission jurisdiction over digital commodity transactions.
- Sec. 502. Requiring futures commission merchants to use qualified digital commodity custodians.
- Sec. 503. Trading certification and approval for digital commodities.
- Sec. 504. Registration of digital commodity exchanges.
- Sec. 505. Qualified digital commodity custodians.
- Sec. 506. Registration and regulation of digital commodity brokers and dealers.
- Sec. 507. Registration of associated persons.
- Sec. 508. Registration of commodity pool operators and commodity trading advisors.
- Sec. 509. Exclusion for decentralized finance activities.
- Sec. 510. Funding for implementation and enforcement.
- Sec. 511. Effective date.

TITLE VI—INNOVATION AND TECHNOLOGY IMPROVEMENTS

- Sec. 601. Findings; sense of Congress.
- Sec. 602. Codification of the SEC Strategic Hub for Innovation and Financial Technology.
- Sec. 603. Codification of LabCFTC.
- Sec. 604. CFTC-SEC Joint Advisory Committee on Digital Assets.
- Sec. 605. Study on decentralized finance.
- Sec. 606. Study on non-fungible digital assets.
- Sec. 607. Study on expanding financial literacy amongst digital asset holders.
- Sec. 608. Study on financial market infrastructure improvements.

1 **TITLE I—DEFINITIONS; RULE-**
2 **MAKING; NOTICE OF INTENT**
3 **TO REGISTER**

4 **SEC. 101. DEFINITIONS UNDER THE SECURITIES ACT OF**
5 **1933.**

6 Section 2(a) of the Securities Act of 1933 (15 U.S.C.
7 77b(a)) is amended by adding at the end the following:

8 “(20) AFFILIATED PERSON.—

9 “(A) IN GENERAL.—The term ‘affiliated
10 person’ means a person (including a related
11 person) that—

12 “(i) with respect to a digital asset
13 issuer—

14 “(I) directly, or indirectly
15 through one or more intermediaries,
16 controls, or is controlled by, or is
17 under common control with, such dig-
18 ital asset issuer; or

19 “(II) was described under clause
20 (i) at any point in the previous 3-
21 month period; or

22 “(ii) with respect to any digital
23 asset—

1 “(I) beneficially owns 5 percent
2 or more of the units of such digital
3 asset that are then outstanding; or

4 “(II) was described under clause
5 (i) at any point in the previous 3-
6 month period.

7 “(B) BENEFICIAL OWNERSHIP DISCLO-
8 SURE.—The Commission shall issue rules to re-
9 quire a person that beneficially owns 5 percent
10 or more of the units of a digital asset that are
11 then outstanding to file with the Commission a
12 report at such time as the Commission deter-
13 mines appropriate.

14 “(21) BLOCKCHAIN.—The term ‘blockchain’
15 means any technology—

16 “(A) where data is—

17 “(i) shared across a network to create
18 a public ledger of verified transactions or
19 information among network participants;

20 “(ii) linked using cryptography to
21 maintain the integrity of the public ledger
22 and to execute other functions; and

23 “(iii) distributed among network par-
24 ticipants in an automated fashion to con-
25 currently update network participants on

1 the state of the public ledger and any other
2 functions; and

3 “(B) composed of source code that is pub-
4 licly available.

5 “(22) BLOCKCHAIN PROTOCOL.—The term
6 ‘blockchain protocol’ means any executable software
7 deployed to a blockchain composed of source code
8 that is publicly available and accessible, including a
9 smart contract or any network of smart contracts.

10 “(23) BLOCKCHAIN SYSTEM.—The term
11 ‘blockchain system’ means any blockchain or
12 blockchain protocol.

13 “(24) DECENTRALIZED GOVERNANCE SYS-
14 TEM.—

15 “(A) IN GENERAL.—The term ‘decentral-
16 ized governance system’ means, with respect to
17 a blockchain system, any rules-based system
18 permitting persons using the blockchain system
19 or the digital assets related to such blockchain
20 system to form consensus or reach agreement
21 in the development, provision, publication, man-
22 agement, or administration of such blockchain
23 system.

24 “(B) RELATIONSHIP OF PERSONS TO DE-
25 CENTRALIZED GOVERNANCE SYSTEMS.—Per-

1 sons acting through a decentralized governance
2 system shall be treated as separate persons un-
3 less such persons are under common control.

4 “(C) EXCLUSION.—The term ‘decentral-
5 ized governance system’ does not include a sys-
6 tem in which—

7 “(i) a person or group of persons
8 under common control have the ability
9 to—

10 “(I) unilaterally alter the rules of
11 consensus or agreement for the
12 blockchain system; or

13 “(II) determine the final outcome
14 of decisions related to the develop-
15 ment, provision, publication, manage-
16 ment, or administration of such
17 blockchain system;

18 “(ii) a person or group of persons is
19 directly engaging in an activity that re-
20 quires registration with the Commission or
21 the Commodity Futures Trading Commis-
22 sion other than—

23 “(I) developing, providing, pub-
24 lishing, managing, or administering a
25 blockchain system; or

1 “(II) an activity with respect to
2 which the organization is exempt from
3 such registration; or

4 “(iii) a person or group of persons
5 seeking to knowingly evade the require-
6 ments imposed on a digital asset issuer, a
7 related person, an affiliated person, or any
8 other person registered (or required to be
9 registered) under the securities laws, the
10 Financial Innovation and Technology for
11 the 21st Century Act, or the Commodity
12 Exchange Act.

13 “(25) DECENTRALIZED SYSTEM.—With respect
14 to a blockchain system to which a digital asset re-
15 lates, the term ‘decentralized system’ means the fol-
16 lowing conditions are met:

17 “(A) During the previous 12-month period,
18 no person—

19 “(i) had the unilateral authority, di-
20 rectly or indirectly, through any contract,
21 arrangement, understanding, relationship,
22 or otherwise, to control or materially alter
23 the functionality or operation of the
24 blockchain system; or

1 “(ii) had the unilateral authority to
2 restrict or prohibit any person who is not
3 a digital asset issuer, related person, or an
4 affiliated person from—

5 “(I) using, earning, or transmit-
6 ting the digital asset;

7 “(II) deploying software that
8 uses or integrates with the blockchain
9 system;

10 “(III) participating in a decen-
11 tralized governance system with re-
12 spect to the blockchain system; or

13 “(IV) operating a node, validator,
14 or other form of computational infra-
15 structure with respect to the
16 blockchain system.

17 “(B) During the previous 12-month pe-
18 riod—

19 “(i) no digital asset issuer or affiliated
20 person beneficially owned, in the aggre-
21 gate, 20 percent or more of the total
22 amount of units of such digital asset
23 that—

1 “(I) can be created, issued, or
2 distributed in such blockchain system;
3 and

4 “(II) were freely transferrable or
5 otherwise used or available to be used
6 for the purposes of such blockchain
7 system;

8 “(ii) no digital asset issuer or affili-
9 ated person had the unilateral authority to
10 direct the voting, in the aggregate, of 20
11 percent or more of the outstanding voting
12 power of such digital asset or related de-
13 centralized governance system; or

14 “(iii) the digital asset did not include
15 voting power with respect to any decentral-
16 ized governance system of the blockchain
17 system.

18 “(C) During the previous 3-month period,
19 the digital asset issuer, any affiliated person, or
20 any related person has not implemented or con-
21 tributed any intellectual property to the source
22 code of the blockchain system that materially
23 alters the functionality or operation of the
24 blockchain system, unless such implementation
25 or contribution to the source code—

1 “(i) addressed vulnerabilities, errors,
2 regular maintenance, cybersecurity risks,
3 or other technical changes to the
4 blockchain system; or

5 “(ii) were adopted through the con-
6 sensus or agreement of a decentralized
7 governance system.

8 “(D) During the previous 3-month period,
9 neither any digital asset issuer nor any affili-
10 ated person described under paragraph (20)(A)
11 has marketed to the public the digital assets as
12 an investment.

13 “(E) During the previous 12-month period,
14 all issuances of units of such digital asset
15 through the programmatic functioning of the
16 blockchain system were end user distributions.
17 For purposes of the previous sentence, any
18 units of such digital asset that are made avail-
19 able over time and were created in the initial
20 block of the blockchain system shall be consid-
21 ered issued at the point in time of creation.

22 “(26) DIGITAL ASSET.—

23 “(A) IN GENERAL.—The term ‘digital
24 asset’ means any fungible digital representation
25 of value that can be exclusively possessed and

1 transferred, person to person, without necessary
2 reliance on an intermediary, and is recorded on
3 a cryptographically secured public distributed
4 ledger.

5 “(B) EXCLUSIONS.—The term ‘digital
6 asset’ does not include—

7 “(i) any note, stock, treasury stock,
8 security future, security-based swap, bond,
9 debenture, evidence of indebtedness, cer-
10 tificate of interest or participation in any
11 profit-sharing agreement, collateral-trust
12 certificate, preorganization certificate or
13 subscription, transferable share, voting-
14 trust certificate, certificate of deposit for a
15 security, fractional undivided interest in
16 oil, gas, or other mineral rights, any put,
17 call, straddle, option, privilege on any secu-
18 rity, certificate of deposit, or group or
19 index of securities (including any interest
20 therein or based on the value thereof); or

21 “(ii) any asset which, based on its
22 terms and other characteristics, is, rep-
23 resents, or is functionally equivalent to an
24 agreement, contract, or transaction that
25 is—

1 “(I) a contract of sale of a com-
2 modity (as defined under section 1a of
3 the Commodity Exchange Act) for fu-
4 ture delivery or an option thereon;

5 “(II) a security futures product;

6 “(III) a swap;

7 “(IV) an agreement, contract, or
8 transaction described in section
9 2(c)(2)(C)(i) or 2(c)(2)(D)(i) of the
10 Commodity Exchange Act;

11 “(V) a commodity option author-
12 ized under section 4c of the Com-
13 modity Exchange Act; or

14 “(VI) a leverage transaction au-
15 thorized under section 19 of the Com-
16 modity Exchange Act.

17 “(C) RULE OF CONSTRUCTION.—Nothing
18 in this paragraph shall be construed to create
19 a presumption that a digital asset is a represen-
20 tation of any type of security not excluded from
21 the definition of digital asset.

22 “(D) RELATIONSHIP TO A BLOCKCHAIN
23 SYSTEM.—A digital asset is considered to relate
24 to a blockchain system if the digital asset is in-

1 trinsically linked to the blockchain system, in-
2 cluding—

3 “(i) where the digital asset’s value is
4 reasonably expected to be generated by the
5 programmatic functioning of the
6 blockchain system;

7 “(ii) where the digital asset has voting
8 rights with respect to the decentralized
9 governance system of the blockchain sys-
10 tem; or

11 “(iii) where the digital asset is issued
12 through the programmatic functioning of
13 the blockchain system.

14 “(E) TREATMENT OF CERTAIN DIGITAL
15 ASSETS SOLD PURSUANT TO AN INVESTMENT
16 CONTRACT.—A digital asset offered or sold or
17 intended to be offered or sold pursuant to an
18 investment contract is not and does not become
19 a security as a result of being sold or otherwise
20 transferred pursuant to that investment con-
21 tract.

22 “(27) DIGITAL ASSET ISSUER.—

23 “(A) IN GENERAL.—With respect to a dig-
24 ital asset, the term ‘digital asset issuer’ means

1 any person that, in exchange for any consider-
2 ation—

3 “(i) issues or causes to be issued a
4 unit of such digital asset to a person; or

5 “(ii) offers or sells a right to a future
6 issuance of a unit of such digital asset to
7 a person.

8 “(B) EXCLUSION.—The term ‘digital asset
9 issuer’ does not include any person solely be-
10 cause such person deploys source code that cre-
11 ates or issues units of a digital asset that are
12 only distributed in end user distributions.

13 “(C) PROHIBITION ON EVASION.—It shall
14 be unlawful for any person to knowingly evade
15 classification as a ‘digital asset issuer’ and fa-
16 cilitate an arrangement for the primary purpose
17 of effecting a sale, distribution, or other
18 issuance of a digital asset.

19 “(28) DIGITAL ASSET MATURITY DATE.—The
20 term ‘digital asset maturity date’ means, with re-
21 spect to any digital asset, the first date on which 20
22 percent or more of the total units of such digital
23 asset that are then outstanding as of such date
24 are—

25 “(A) digital commodities; or

1 “(B) digital assets that have been reg-
2 istered with the Commission.

3 “(29) DIGITAL COMMODITY.—The term ‘digital
4 commodity’ has the meaning given that term under
5 section 1a of the Commodity Exchange Act (7
6 U.S.C. 1a).

7 “(30) END USER DISTRIBUTION.—

8 “(A) IN GENERAL.—The term ‘end user
9 distribution’ means an issuance of a unit of a
10 digital asset that—

11 “(i) does not involve an exchange of
12 more than a nominal value of cash, prop-
13 erty, or other assets; and

14 “(ii) is distributed in a broad, equi-
15 table, and non-discretionary manner based
16 on conditions capable of being satisfied by
17 any participant in the blockchain system,
18 including, as incentive-based rewards—

19 “(I) to users of the digital asset
20 or any blockchain system to which the
21 digital asset relates;

22 “(II) for activities directly related
23 to the operation of the blockchain sys-
24 tem, such as mining, validating, stak-
25 ing, or other activity directly tied to

1 the operation of the blockchain sys-
2 tem; or

3 “(III) to the existing holders of
4 another digital asset, in proportion to
5 the total units of such other digital
6 asset as are held by each person.

7 “(B) PROHIBITION ON EVASION.—It shall
8 be unlawful for any person to facilitate an end
9 user distribution to knowingly evade classifica-
10 tion as a digital asset issuer, related person, or
11 an affiliated person, or the requirements related
12 to a digital asset issuance.

13 “(31) FUNCTIONAL SYSTEM.—With respect to a
14 blockchain system to which a digital asset relates,
15 the term ‘functional system’ means the network al-
16 lows network participants to use such digital asset
17 for—

18 “(A) the transmission and storage of value
19 on the blockchain system;

20 “(B) the participation in services provided
21 by or an application running on the blockchain
22 system; or

23 “(C) the participation in the decentralized
24 governance system of the blockchain system.

25 “(32) PERMITTED PAYMENT STABLECOIN.—

1 “(A) IN GENERAL.—The term ‘permitted
2 payment stablecoin’ means a digital asset—

3 “(i) that is or is designed to be used
4 as a means of payment or settlement;

5 “(ii) the issuer of which—

6 “(I) is obligated to convert, re-
7 deem, or repurchase for a fixed
8 amount of monetary value; or

9 “(II) represents will maintain or
10 creates the reasonable expectation
11 that it will maintain a stable value rel-
12 ative to the value of a fixed amount of
13 monetary value;

14 “(iii) the issuer of which is subject to
15 regulation by a Federal or State regulator
16 with authority over entities that issue pay-
17 ment stablecoins; and

18 “(iv) that is not—

19 “(I) a national currency; or

20 “(II) a security issued by an in-
21 vestment company registered under
22 section 8(a) of the Investment Com-
23 pany Act of 1940 (15 U.S.C. 80a-
24 8(a)).

1 “(B) MONETARY VALUE DEFINED.—For
2 purposes of subparagraph (A), the term ‘mone-
3 tary value’ means a national currency, deposit
4 (as defined under section 3 of the Federal De-
5 posit Insurance Act), or an equivalent instru-
6 ment that is denominated in a national cur-
7 rency.

8 “(33) RELATED PERSON.—With respect to a
9 digital asset issuer, the term ‘related person’
10 means—

11 “(A) a founder, promoter, employee, con-
12 sultant, advisor, or person serving in a similar
13 capacity;

14 “(B) any person that is or was in the pre-
15 vious 6-month period an executive officer, direc-
16 tor, trustee, general partner, advisory board
17 member, or person serving in a similar capacity;

18 “(C) any equity holder or other security
19 holder; or

20 “(D) any other person that received a unit
21 of digital asset from such digital asset issuer
22 through—

23 “(i) an exempt offering, other than an
24 offering made in reliance on section
25 4(a)(8); or

1 “(ii) a distribution that is not an end
2 user distribution described under section
3 42(d)(1) of the Securities Exchange Act of
4 1934.

5 “(34) RESTRICTED DIGITAL ASSET.—

6 “(A) IN GENERAL.—The term ‘restricted
7 digital asset’ means—

8 “(i) prior to the first date on which
9 each blockchain system to which a digital
10 asset relates is a functional system and
11 certified to be a decentralized system
12 under section 44 of the Securities Ex-
13 change Act of 1934, any unit of the digital
14 asset held by a person, other than the dig-
15 ital asset issuer, a related person, or an af-
16 filiated person, that was—

17 “(I) issued to such person
18 through a distribution, other than an
19 end user distribution described under
20 section 42(d)(1) of the Securities Ex-
21 change Act of 1934; or

22 “(II) acquired by such person in
23 a transaction that was not executed
24 on a digital commodity exchange;

1 “(ii) during any period when any
2 blockchain system to which a digital asset
3 relates is not a functional system or not
4 certified to be a decentralized system
5 under section 44 of the Securities Ex-
6 change Act of 1934, any digital asset held
7 by a related person or an affiliated person;
8 and

9 “(iii) any unit of a digital asset held
10 by the digital asset issuer.

11 “(B) EXCLUSION.—The term ‘restricted
12 digital asset’ does not include a permitted pay-
13 ment stablecoin.

14 “(35) SECURITIES LAWS.—The term ‘securities
15 laws’ has the meaning given that term under section
16 3(a) of the Securities Exchange Act of 1934 (15
17 U.S.C. 78c(a)).

18 “(36) SOURCE CODE.—With respect to a
19 blockchain system, the term ‘source code’ means a
20 listing of commands to be compiled or assembled
21 into an executable computer program.”.

22 **SEC. 102. DEFINITIONS UNDER THE SECURITIES EX-**
23 **CHANGE ACT OF 1934.**

24 Section 3(a) of the Securities Exchange Act of 1934
25 (15 U.S.C. 78c(a)) is amended—

1 (8) by redesignating the second paragraph (80)
2 (relating to funding portals) as paragraph (81); and
3 (9) by adding at the end the following:

4 “(82) BANK SECRECY ACT.—The term ‘Bank
5 Secrecy Act’ means—

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

8 “(B) chapter 2 of title I of Public Law 91–
9 508 (12 U.S.C. 1951 et seq.); and

10 “(C) subchapter II of chapter 53 of title
11 31, United States Code.

12 “(83) DIGITAL ASSET BROKER.—The term ‘dig-
13 ital asset broker’—

14 “(A) means any person engaged in the
15 business of effecting transactions in restricted
16 digital assets for the account of others; and

17 “(B) does not include—

18 “(i) a blockchain protocol or a person
19 or group of persons solely because of their
20 development of a blockchain protocol; or

21 “(ii) a bank engaging in certain bank-
22 ing activities with respect to a restricted
23 digital asset in the same manner as a bank
24 is excluded from the definition of a broker
25 under paragraph (4).

1 “(84) DIGITAL ASSET CUSTODIAN.—The term
2 ‘digital asset custodian’ means an entity in the busi-
3 ness of providing custodial or safekeeping services
4 for restricted digital assets for others.

5 “(85) DIGITAL ASSET DEALER.—The term ‘dig-
6 ital asset dealer’—

7 “(A) means any person engaged in the
8 business of buying and selling restricted digital
9 assets for such person’s own account through a
10 broker or otherwise; and

11 “(B) does not include—

12 “(i) a person that buys or sells re-
13 stricted digital assets for such person’s
14 own account, either individually or in a fi-
15 duciary capacity, but not as a part of a
16 regular business;

17 “(ii) a blockchain protocol or a person
18 or group of persons solely because of their
19 development of a blockchain protocol; or

20 “(iii) a bank engaging in certain
21 banking activities with respect to a re-
22 stricted digital asset in the same manner
23 as a bank is excluded from the definition
24 of a dealer under paragraph (5).

1 “(86) DIGITAL ASSET TRADING SYSTEM.—The
2 term ‘digital asset trading system’—

3 “(A) means any organization, association,
4 person, or group of persons, whether incor-
5 porated or unincorporated, that constitutes,
6 maintains, or provides a market place or facili-
7 ties for bringing together purchasers and sellers
8 of restricted digital assets or for otherwise per-
9 forming with respect to restricted digital assets
10 the functions commonly performed by a stock
11 exchange within the meaning of section 240.3b–
12 16 of title 17, Code of Federal Regulations, as
13 in effect on the date of enactment of this para-
14 graph; and

15 “(B) does not include a blockchain protocol
16 or a person or group of persons solely because
17 of their development of a blockchain protocol.

18 “(87) NOTICE-REGISTERED DIGITAL ASSET
19 CLEARING AGENCY.—The term ‘notice-registered
20 digital asset clearing agency’ means a clearing agen-
21 cy that has registered with the Commission pursuant
22 to section 17A(b)(9).

23 “(88) ADDITIONAL DIGITAL ASSET-RELATED
24 TERMS.—

1 “(A) SECURITIES ACT OF 1933.—The
2 terms ‘affiliated person’, ‘blockchain system’,
3 ‘decentralized governance system’, ‘decentral-
4 ized system’, ‘digital asset’, ‘digital asset
5 issuer’, ‘digital asset maturity date’, ‘end user
6 distribution’, ‘functional system’, ‘permitted
7 payment stablecoin’, ‘related person’, ‘restricted
8 digital asset’, and ‘source code’ have the mean-
9 ing given those terms, respectively, under sec-
10 tion 2(a) of the Securities Act of 1933 (15
11 U.S.C. 77b(a)).

12 “(B) COMMODITY EXCHANGE ACT.—The
13 terms ‘digital commodity’, ‘digital commodity
14 broker’, ‘digital commodity dealer’, and ‘digital
15 commodity exchange’ have the meaning given
16 those terms, respectively, under section 1a of
17 the Commodity Exchange Act (7 U.S.C. 1a).”.

18 **SEC. 103. DEFINITIONS UNDER THE COMMODITY EX-**
19 **CHANGE ACT.**

20 Section 1a of the Commodity Exchange Act (7 U.S.C.
21 1a) is amended—

22 (1) in paragraph (10)(A)—

23 (A) by redesignating clauses (iii) and (iv)
24 as clauses (iv) and (v), respectively; and

1 (B) by inserting after clause (ii) the fol-
2 lowing:

3 “(iii) digital commodity;”;

4 (2) in paragraph (11)—

5 (A) in subparagraph (A)(i)—

6 (i) by redesignating subclauses (III)
7 and (IV) as subclauses (IV) and (V), re-
8 spectively; and

9 (ii) by inserting after subclause (II)
10 the following:

11 “(III) digital commodity;” and

12 (B) by redesignating subparagraph (B) as
13 subparagraph (C) and inserting after subpara-
14 graph (A) the following:

15 “(B) EXCLUSION.—The term ‘commodity
16 pool operator’ does not include—

17 “(i) a decentralized governance sys-
18 tem; or

19 “(ii) any excluded activity, as de-
20 scribed in section 4v.”;

21 (3) in paragraph (12)(A)(i)—

22 (A) in subclause (II), by adding at the end
23 a semicolon;

1 (B) by redesignating subclauses (III) and
2 (IV) as subclauses (IV) and (V), respectively;
3 and

4 (C) by inserting after subclause (II) the
5 following:

6 “(III) a digital commodity;”;

7 (4) in paragraph (40)—

8 (A) by striking “and” at the end of sub-
9 paragraph (E);

10 (B) by striking the period at the end of
11 subparagraph (F) and inserting “; and”; and

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

13 “(G) a digital commodity exchange reg-
14 istered under section 5i.”; and

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

16 “(52) ASSOCIATED PERSON OF A DIGITAL COM-
17 MODITY BROKER.—

18 “(A) IN GENERAL.—Except as provided in
19 subparagraph (B), the term ‘associated person
20 of a digital commodity broker’ means a person
21 who is associated with a digital commodity
22 broker as a partner, officer, employee, or agent
23 (or any person occupying a similar status or
24 performing similar functions) in any capacity
25 that involves—

1 “(i) the solicitation or acceptance of
2 an order for the purchase or sale of a dig-
3 ital commodity; or

4 “(ii) the supervision of any person en-
5 gaged in the solicitation or acceptance of
6 an order for the purchase or sale of a dig-
7 ital commodity.

8 “(B) EXCLUSION.—The term ‘associated
9 person of a digital commodity broker’ does not
10 include any person associated with a digital
11 commodity broker the functions of which are
12 solely clerical or ministerial.

13 “(53) ASSOCIATED PERSON OF A DIGITAL COM-
14 MODITY DEALER.—

15 “(A) IN GENERAL.—Except as provided in
16 subparagraph (B), the term ‘associated person
17 of a digital commodity dealer’ means a person
18 who is associated with a digital commodity deal-
19 er as a partner, officer, employee, or agent (or
20 any person occupying a similar status or per-
21 forming similar functions) in any capacity that
22 involves—

23 “(i) the solicitation or acceptance of
24 an order for the purchase or sale of a dig-
25 ital commodity; or

1 “(ii) the supervision of any person en-
2 gaged in the solicitation or acceptance of
3 an order for the purchase or sale of a dig-
4 ital commodity.

5 “(B) EXCLUSION.—The term ‘associated
6 person of a digital commodity dealer’ does not
7 include any person associated with a digital
8 commodity dealer the functions of which are
9 solely clerical or ministerial.

10 “(54) BANK SECRECY ACT.—The term ‘Bank
11 Secrecy Act’ means—

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

14 “(B) chapter 2 of title I of Public Law 91–
15 508 (12 U.S.C. 1951 et seq.); and

16 “(C) subchapter II of chapter 53 of title
17 31, United States Code.

18 “(55) DIGITAL COMMODITY.—

19 “(A) IN GENERAL.—The term ‘digital com-
20 modity’ means—

21 “(i) any unit of a digital asset held by
22 a person, other than the digital asset
23 issuer, a related person, or an affiliated
24 person, before the first date on which each
25 blockchain system to which the digital

1 asset relates is a functional system and
2 certified to be a decentralized system
3 under section 44 of the Securities Ex-
4 change Act of 1934, that was—

5 “(I) issued to the person through
6 an end user distribution described
7 under section 42(d)(1) of the Securi-
8 ties Exchange Act of 1934; or

9 “(II) acquired by such person in
10 a transaction that was executed on a
11 digital commodity exchange;

12 “(ii) any unit of a digital asset held
13 by a person, other than the digital asset
14 issuer, a related person, or an affiliated
15 person, after the first date on which each
16 blockchain system to which the digital
17 asset relates is a functional system and
18 certified to be a decentralized system
19 under section 44 of the Securities Ex-
20 change Act of 1934; and

21 “(iii) any unit of a digital asset held
22 by a related person or an affiliated person
23 during any period when any blockchain
24 system to which the digital asset relates is
25 a functional system and certified to be a

1 decentralized system under section 44 of
2 the Securities Exchange Act of 1934.

3 “(B) EXCLUSION.—The term ‘digital com-
4 modity’ does not include a permitted payment
5 stablecoin.

6 “(C) TREATMENT OF ADJUDICATED NON-
7 SECURITIES.—If, before enactment of this para-
8 graph, a Federal court in a Securities and Ex-
9 change Commission enforcement action deter-
10 mines that a digital asset transaction is not an
11 offer or sale of a security, any unit of a digital
12 asset transferred pursuant to the transaction
13 shall be considered a digital commodity, unless
14 the determination is overturned.

15 “(56) DIGITAL COMMODITY BROKER.—

16 “(A) IN GENERAL.—The term ‘digital com-
17 modity broker’ means any person who, in a dig-
18 ital commodity cash or spot market, is—

19 “(i) engaged in soliciting or accepting
20 orders for the purchase or sale of a unit of
21 a digital commodity from a person that is
22 not an eligible contract participant;

23 “(ii) engaged in soliciting or accepting
24 orders for the purchase or sale of a unit of
25 a digital commodity from a person on or

1 subject to the rules of a registered entity;
2 or

3 “(iii) registered with the Commission
4 as a digital commodity broker.

5 “(B) EXCEPTIONS.—The term ‘digital
6 commodity broker’ does not include a person
7 solely because the person—

8 “(i) enters into a digital commodity
9 transaction the primary purpose of which
10 is to make, send, receive, or facilitate pay-
11 ments, whether involving a payment service
12 provider or on a peer-to-peer basis;

13 “(ii) validates a digital commodity
14 transaction, operates a node, or engages in
15 similar activity to participate in facili-
16 tating, operating, or securing a blockchain
17 system; or

18 “(iii) is a bank (as defined under sec-
19 tion 3(a) of the Securities Exchange Act of
20 1934) engaging in certain banking activi-
21 ties with respect to a digital commodity in
22 the same manner as a bank is excluded
23 from the definition of a broker under sec-
24 tion 3(a)(4) of the Securities Exchange Act
25 of 1934.

1 “(57) DIGITAL COMMODITY CUSTODIAN.—The
2 term ‘digital commodity custodian’ means an entity
3 in the business of holding, maintaining, or safe-
4 guarding digital commodities for others.

5 “(58) DIGITAL COMMODITY DEALER.—

6 “(A) IN GENERAL.—The term ‘digital com-
7 modity dealer’ means any person who—

8 “(i) in digital commodity cash or spot
9 markets—

10 “(I) holds itself out as a dealer in
11 a digital commodity;

12 “(II) makes a market in a digital
13 commodity;

14 “(III) has an identifiable busi-
15 ness of dealing in a digital commodity
16 as principal for its own account; or

17 “(IV) engages in any activity
18 causing the person to be commonly
19 known in the trade as a dealer or
20 market maker in a digital commodity;

21 “(ii) has an identifiable business of
22 entering into any agreement, contract, or
23 transaction described in subsection
24 (c)(2)(D)(i) involving a digital commodity;

25 or

1 “(iii) is registered with the Commis-
2 sion as a digital commodity dealer.

3 “(B) EXCEPTION.—The term ‘digital com-
4 modity dealer’ does not include a person solely
5 because the person—

6 “(i) enters into a digital commodity
7 transaction with an eligible contract partic-
8 ipant;

9 “(ii) enters into a digital commodity
10 transaction on or through a registered dig-
11 ital commodity exchange;

12 “(iii) enters into a digital commodity
13 transaction for the person’s own account,
14 either individually or in a fiduciary capac-
15 ity, but not as a part of a regular business;

16 “(iv) enters into a digital commodity
17 transaction the primary purpose of which
18 is to make, send, receive, or facilitate pay-
19 ments, whether involving a payment service
20 provider or on a peer-to-peer basis;

21 “(v) validates a digital commodity
22 transaction, operates a node, or engages in
23 similar activity to participate in facili-
24 tating, operating, or securing a blockchain
25 system; or

1 “(vi) is a bank (as defined under sec-
2 tion 3(a) of the Securities Exchange Act of
3 1934) engaging in certain banking activi-
4 ties with respect to a digital commodity in
5 the same manner as a bank is excluded
6 from the definition of a dealer under sec-
7 tion 3(a)(5) of the Securities Exchange Act
8 of 1934.

9 “(59) DIGITAL COMMODITY EXCHANGE.—The
10 term ‘digital commodity exchange’ means a trading
11 facility that offers or seeks to offer a cash or spot
12 market in at least 1 digital commodity.

13 “(60) DIGITAL ASSET-RELATED DEFINI-
14 TIONS.—

15 “(A) SECURITIES ACT OF 1933.—The
16 terms ‘affiliated person’, ‘blockchain system’,
17 ‘decentralized governance system’, ‘decentral-
18 ized system’, ‘digital asset’, ‘digital asset
19 issuer’, ‘end user distribution’, ‘functional sys-
20 tem’, ‘permitted payment stablecoin’, ‘related
21 person’, and ‘restricted digital asset’ have the
22 meaning given the terms, respectively, under
23 section 2(a) of the Securities Act of 1933 (15
24 U.S.C. 77b(a)).

1 “(B) SECURITIES EXCHANGE ACT OF
2 1934.—The terms ‘digital asset broker’ and ‘dig-
3 ital asset dealer’ have the meaning given those
4 terms, respectively, under section 3(a) of the
5 Securities Exchange Act of 1934 (15 U.S.C.
6 78c(a)).

7 “(61) MIXED DIGITAL ASSET TRANSACTION.—
8 The term ‘mixed digital asset transaction’ means an
9 agreement, contract, or transaction involving a dig-
10 ital commodity and—

11 “(A) a security; or

12 “(B) a restricted digital asset.”.

13 **SEC. 104. DEFINITIONS UNDER THIS ACT.**

14 In this Act:

15 (1) DEFINITIONS UNDER THE COMMODITY EX-
16 CHANGE ACT.—The terms “digital commodity”,
17 “digital commodity broker”, “digital commodity
18 dealer”, “digital commodity exchange”, and “mixed
19 digital asset transaction” have the meaning given
20 those terms, respectively, under section 1a of the
21 Commodity Exchange Act (7 U.S.C. 1a).

22 (2) DEFINITIONS UNDER THE SECURITIES ACT
23 OF 1933.—The terms “affiliated person”,
24 “blockchain”, “blockchain system”, “blockchain pro-
25 tocol”, “decentralized system”, “digital asset”, “dig-

1 ital asset issuer”, “digital asset maturity date”,
2 “digital asset trading system”, “end user distribu-
3 tion”, “functional system”, “permitted payment
4 stablecoin”, “restricted digital asset”, “securities
5 laws”, and “source code” have the meaning given
6 those terms, respectively, under section 2(a) of the
7 Securities Act of 1933 (15 U.S.C. 77b(a)).

8 (3) DEFINITIONS UNDER THE SECURITIES EX-
9 CHANGE ACT OF 1934.—The terms “Bank Secrecy
10 Act”, “digital asset broker”, “digital asset dealer”,
11 “digital asset trading system”, and “self-regulatory
12 organization” have the meaning given those terms,
13 respectively, under section 3(a) of the Securities Ex-
14 change Act of 1934 (15 U.S.C. 78c(a)).

15 **SEC. 105. RULEMAKINGS.**

16 (a) DEFINITIONS.—The Commodity Futures Trading
17 Commission and the Securities and Exchange Commission
18 shall jointly issue rules to further define the following
19 terms:

20 (1) The terms “affiliated person”,
21 “blockchain”, “blockchain system”, “blockchain pro-
22 tocol”, “decentralized system”, “decentralized gov-
23 ernance system”, “digital asset”, “digital asset
24 issuer”, “digital asset maturity date”, “end user dis-
25 tribution”, “functional system”, “related person”,

1 “restricted digital asset”, and “source code”, as de-
2 fined under section 2(a) of the Securities Act of
3 1933.

4 (2) The term “digital commodity”, as defined
5 under section 1a of the Commodity Exchange Act.

6 (b) JOINT RULEMAKING FOR EXCHANGES AND
7 INTERMEDIARIES.—The Commodity Futures Trading
8 Commission and the Securities and Exchange Commission
9 shall jointly issue rules to exempt persons dually registered
10 with the Commodity Futures Trading Commission and the
11 Securities and Exchange Commission from duplicative,
12 conflicting, or unduly burdensome provisions of this Act,
13 the securities laws, and the Commodity Exchange Act and
14 the rules thereunder, to the extent such exemption would
15 foster the development of fair and orderly markets in dig-
16 ital assets, be necessary or appropriate in the public inter-
17 est, and be consistent with the protection of investors.

18 (c) JOINT RULEMAKING FOR MIXED DIGITAL ASSET
19 TRANSACTIONS.—The Commodity Futures Trading Com-
20 mission and the Securities and Exchange Commission
21 shall jointly issue rules applicable to mixed digital asset
22 transactions under this Act and the amendments made by
23 this Act, including by further defining such term.

24 (d) PROTECTION OF SELF-CUSTODY.—

1 (1) IN GENERAL.—The Financial Crimes En-
2 forcement Network may not issue any rule or order
3 that would prohibit a U.S. individual from—

4 (A) maintaining a hardware wallet, soft-
5 ware wallet, or other means to facilitate such
6 individual’s own custody of digital assets; or

7 (B) conducting transactions with and self-
8 custody of digital assets for any lawful purpose.

9 (2) RULE OF CONSTRUCTION.—Paragraph (1)
10 may not be construed to limit the ability of Finan-
11 cial Crimes Enforcement Network to carry out any
12 enforcement action.

13 (e) JOINT RULEMAKING, PROCEDURES, OR GUID-
14 ANCE FOR DELISTING.—Not later than 30 days after the
15 date of the enactment of this Act, the Commodity Futures
16 Trading Commission and the Securities and Exchange
17 Commission shall jointly issue rules, procedures, or guid-
18 ance (as determined appropriate by the Commissions) re-
19 garding the process to delist an asset for trading under
20 sections 106 and 107 of this Act if the Commissions deter-
21 mine that the listing is inconsistent with the Commodity
22 Exchange Act, the securities laws (including regulations
23 under those laws), or this Act.

24 (f) JOINT RULEMAKING FOR CAPITAL REQUIRE-
25 MENTS.—The Commodity Futures Trading Commission

1 and the Securities and Exchange Commission shall jointly
2 issue rules to require a person with multiple registrations
3 with the Commodity Futures Trading Commission, the
4 Securities and Exchange Commission, or both such agen-
5 cies to maintain sufficient capital to comply with the
6 stricter of any applicable capital requirements to which
7 such person is subject to by reason of such registrations.

8 **SEC. 106. NOTICE OF INTENT TO REGISTER FOR DIGITAL**
9 **COMMODITY EXCHANGES, BROKERS, AND**
10 **DEALERS.**

11 (a) IN GENERAL.—

12 (1) NOTICE OF INTENT TO REGISTER.—Any
13 person may file a notice of intent to register with
14 the Commodity Futures Trading Commission (in
15 this subsection referred to as the “Commission”) as
16 a—

17 (A) digital commodity exchange, for a per-
18 son intending to register as a digital commodity
19 exchange under section 5i of the Commodity
20 Exchange Act;

21 (B) digital commodity broker, for a person
22 intending to register as a digital commodity
23 broker under section 4u of such Act; or

1 (C) digital commodity dealer, for a person
2 intending to register as a digital commodity
3 dealer under section 4u of such Act.

4 (2) CONDITIONS.—A person filing a notice of
5 intent to register under paragraph (1) shall be in
6 compliance with this section if the person—

7 (A) submits to the Commission and con-
8 tinues to materially update a statement of the
9 nature of the registrations the filer intends to
10 pursue;

11 (B) submits to the Commission and con-
12 tinues to materially update the information re-
13 quired by subsections (b) and (c);

14 (C) complies with subsection (d);

15 (D) is a member of a futures association
16 registered under section 17 of the Commodity
17 Exchange Act, and complies with the rules of
18 the association, including the rules of the asso-
19 ciation pertaining to customer disclosures and
20 protection of customer assets; and

21 (E) pays all fees and penalties imposed on
22 the person under section 510 of this Act.

23 (b) DISCLOSURE OF GENERAL INFORMATION.—A
24 person filing a notice of intent to register under subsection
25 (a) shall disclose to the Commission the following:

1 (1) Information concerning the management of
2 the person, including information describing—

3 (A) the ownership and management of the
4 person;

5 (B) the financial condition of the person;

6 (C) affiliated entities;

7 (D) potential conflicts of interest;

8 (E) the address of the person, including—

9 (i) the place of incorporation;

10 (ii) principal place of business; and

11 (iii) an address for service of process;

12 and

13 (F) a list of the States in which the person
14 has operations.

15 (2) Information concerning the operations of
16 the person, including—

17 (A) a general description of the person's
18 business and the terms of service for United
19 States customers;

20 (B) a description of the person's account
21 approval process;

22 (C) any rulebook or other customer order
23 fulfilment rules;

24 (D) risk management procedures;

1 (E) a description of the product listing
2 process; and

3 (F) anti-money laundering policies and
4 procedures.

5 (c) LISTING INFORMATION.—A person filing a notice
6 of intent to register under subsection (a) shall provide to
7 the Commission and the Securities and Exchange Com-
8 mission a detailed description of—

9 (1) the specific characteristics of each digital
10 asset listed or offered by the person, including infor-
11 mation regarding the digital asset's market activity,
12 distribution, and functional use; and

13 (2) the product listing determination made by
14 the person for each asset listed or offered for trad-
15 ing by the person.

16 (d) REQUIREMENTS.—A person filing a notice of in-
17 tent to register under subsection (a) shall comply with the
18 following requirements:

19 (1) STATUTORY DISQUALIFICATIONS.—Except
20 to the extent otherwise specifically provided by Com-
21 mission or registered futures association rule, regu-
22 lation, or order, the person shall not permit an indi-
23 vidual who is subject to a statutory disqualification
24 under paragraph (2) or (3) of section 8a of the
25 Commodity Exchange Act to effect or be involved in

1 effecting transactions on behalf of the person, if the
2 person knew, or in the exercise of reasonable care
3 should have known, of the statutory disqualification.

4 (2) BOOKS AND RECORDS.—The person shall
5 keep their books and records open to inspection and
6 examination by the Commission and by any reg-
7 istered futures association of which the person is a
8 member.

9 (3) CUSTOMER DISCLOSURES.—The person
10 shall disclose to customers—

11 (A) information about the material risks
12 and characteristics of the assets listed for trad-
13 ing on the person;

14 (B) information about the material risks
15 and characteristics of the transactions facili-
16 tated by the person;

17 (C) information about the location and
18 manner in which the digital assets of the cus-
19 tomer will be and are custodied;

20 (D) information concerning the policies
21 and procedures of the person that are related to
22 the protection of the data of customers of the
23 person; and

24 (E) in their disclosure documents, offering
25 documents, and promotional material—

1 (i) in a prominent manner, that they
2 are not registered with or regulated by the
3 Commission; and

4 (ii) the contact information for the
5 whistleblower, complaint, and reparation
6 programs of the Commission.

7 (4) CUSTOMER ASSETS.—

8 (A) IN GENERAL.—The person shall—

9 (i) hold customer money, assets, and
10 property in a manner to minimize the risk
11 of loss to the customer or unreasonable
12 delay in customer access to money, assets,
13 and property of the customer;

14 (ii) treat and deal with all money, as-
15 sets, and property, including any rights as-
16 sociated with any such money, assets, or
17 property, of any customer received as be-
18 longing to the customer;

19 (iii) calculate the total digital asset
20 obligations of the person, and at all times
21 hold money, assets, or property equal to or
22 in excess of the total digital asset obliga-
23 tions; and

24 (iv) not commingle such money, assets
25 and property held to meet the total com-

1 modity obligation with the funds of the
2 person or use the money, assets, or prop-
3 erty to margin, secure, or guarantee any
4 trade or contract, or to secure or extend
5 the credit, of any customer or person other
6 than the one for whom the same are held,
7 except that—

8 (I) the money, assets, and prop-
9 erty of any customer may be commin-
10 gled with that of any other customer,
11 if separately accounted for; and

12 (II) the share of the money, as-
13 sets, and property, as in the normal
14 course of business are necessary to
15 margin, guarantee, secure, transfer,
16 adjust, or settle a contract of sale of
17 a commodity asset, may be withdrawn
18 and applied to do so, including the
19 payment of commissions, brokerage,
20 interest, taxes, storage, and other
21 charges lawfully accruing in connec-
22 tion with the contract of sale of a dig-
23 ital commodity.

24 (B) ADDITIONAL RESOURCES.—

1 (i) IN GENERAL.—This section shall
2 not prevent or be construed to prevent the
3 person from adding to the customer
4 money, assets, and property required to be
5 segregated under subparagraph (A), addi-
6 tional amounts of money, assets, or prop-
7 erty from the account of the person as the
8 person determines necessary to hold
9 money, assets, or property equal to or in
10 excess of the total digital asset obligations
11 of the person.

12 (ii) TREATMENT AS CUSTOMER
13 FUNDS.—Any money, assets, or property
14 deposited pursuant to clause (i) shall be
15 considered customer property within the
16 meaning of this subsection.

17 (e) COMPLIANCE.—

18 (1) IN GENERAL.—A person who has filed a no-
19 tice of intent to register under this section and is in
20 compliance with this section shall be exempt from
21 Securities and Exchange Commission rules and reg-
22 ulations pertaining to registering as a national secu-
23 rities exchange, broker, dealer, or clearing agency,
24 for activities related to a digital asset.

1 (2) NONCOMPLIANCE.—Paragraph (1) shall not
2 apply if, after notice from the Commission and a
3 reasonable opportunity to correct the deficiency, a
4 person who has submitted a notice of intent to reg-
5 ister is not in compliance with this section.

6 (3) ANTI-FRAUD AND ANTI-MANIPULATION.—
7 Paragraph (1) shall not be construed to limit any
8 anti-fraud, anti-manipulation, or false reporting en-
9 forcement authority of the Commission, the Securi-
10 ties and Exchange Commission, a registered futures
11 association, or a national securities association.

12 (4) DELISTING.—Paragraph (1) shall not be
13 construed to limit the authority of the Commission
14 and the Securities and Exchange Commission to
15 jointly require a person to delist an asset for trading
16 if the Commission and the Securities and Exchange
17 Commission determines that the listing is incon-
18 sistent with the Commodity Exchange Act, the secu-
19 rities laws (including regulations under those laws),
20 or this Act.

21 (f) REGISTRATION.—

22 (1) IN GENERAL.—A person may not file a no-
23 tice of intent to register with the Commission after
24 the Commission has finalized its rules for the reg-
25 istration of digital commodity exchanges, digital

1 commodity brokers, or digital commodity dealers, as
2 appropriate.

3 (2) TRANSITION TO REGISTRATION.—Sub-
4 section (e)(1) shall not apply to a person who has
5 submitted a notice of intent to register if—

6 (A) the Commission—

7 (i) determines that the person has
8 failed to comply with the requirements of
9 this section; or

10 (ii) denies the application of the per-
11 son to register; or

12 (B) the digital commodity exchange, digital
13 commodity broker, or digital commodity dealer
14 that filed a notice of intent to register failed to
15 apply for registration as such with the Commis-
16 sion within 180 days after the effective date of
17 the final rules of the Commission for the reg-
18 istration of digital commodity exchanges, digital
19 commodity brokers, or digital commodity deal-
20 ers, as appropriate.

21 (g) RULEMAKING.—

22 (1) IN GENERAL.—Within 180 days after the
23 date of the enactment of this Act, a registered fu-
24 tures association shall adopt and enforce rules appli-

1 cable to persons required by subsection (a)(3) to be
2 members of the association.

3 (2) FEES.—The rules adopted under paragraph
4 (1) may provide for dues in accordance with section
5 17(b)(6) of the Commodity Exchange Act.

6 (3) EFFECT.—A registered futures association
7 shall submit to the Commission any rule adopted
8 under paragraph (1), which shall take effect pursu-
9 ant to the requirements of section 17(j) of the Com-
10modity Exchange Act.

11 (h) LIABILITY OF THE FILER.—It shall be unlawful
12 for any person to provide false information in support of
13 a filing under this section if the person knew or reasonably
14 should have known that the information was false.

15 (i) WHISTLEBLOWER ENFORCEMENT.—For purposes
16 of section 23 of the Commodity Exchange Act, the term
17 “this Act” includes this section.

18 **SEC. 107. NOTICE OF INTENT TO REGISTER FOR DIGITAL**
19 **ASSET BROKERS, DEALERS, AND TRADING**
20 **SYSTEMS.**

21 (a) IN GENERAL.—

22 (1) NOTICE OF INTENT TO REGISTER.—Any
23 person may file a notice of intent to register with
24 the Securities and Exchange Commission (in this
25 section referred to as the “Commission”) as—

1 (A) a digital asset trading system, for a
2 person intending to register as a digital asset
3 trading system under section 6(m) of the Secu-
4 rities Exchange Act of 1934;

5 (B) a digital asset broker, for a person in-
6 tending to register as a digital asset broker
7 under section 15H of the Securities Exchange
8 Act of 1934; or

9 (C) a digital asset dealer, for a person in-
10 tending to register as a digital asset dealer
11 under section 15H of the Securities Exchange
12 Act of 1934.

13 (2) CONDITIONS.—A person filing a notice of
14 intent to register under paragraph (1) shall be in
15 compliance with this section if the person—

16 (A) submits to the Commission and con-
17 tinues to materially update a statement of the
18 nature of the registrations the filer intends to
19 pursue;

20 (B) submits to the Commission and con-
21 tinues to materially update the information re-
22 quired by subsections (b) and (c);

23 (C) complies with the requirements of sub-
24 section (d); and

1 (D) is a member of a national securities
2 association registered under section 15A of the
3 Securities Exchange Act of 1934 (15 U.S.C.
4 78o–3) and complies with the rules of the asso-
5 ciation, including the rules of the association
6 pertaining to customer disclosures and protec-
7 tion of customer assets.

8 (b) DISCLOSURE OF GENERAL INFORMATION.—A
9 person filing a notice of intent to register under subsection
10 (a) shall disclose to the Commission the following:

11 (1) Information concerning the management of
12 the person, including information describing—

13 (A) the ownership and management of the
14 person;

15 (B) the financial condition of the person;

16 (C) affiliated entities;

17 (D) potential conflicts of interest;

18 (E) the address of the person, including—

19 (i) the place of incorporation;

20 (ii) the principal place of business;

21 and

22 (iii) an address for service of process;

23 and

24 (F) a list of the States in which the person
25 has operations.

1 (2) Information concerning the operations of
2 the person, including—

3 (A) a general description of the person's
4 business and the terms of service for United
5 States customers;

6 (B) a description of the person's account
7 approval process;

8 (C) any rulebook or other customer order
9 fulfilment rules;

10 (D) risk management procedures;

11 (E) a description of the product listing
12 process; and

13 (F) anti-money laundering policies and
14 procedures.

15 (c) LISTING INFORMATION.—A person filing a notice
16 of intent to register under subsection (a) shall provide to
17 the Commission and the Commodity Futures Trading
18 Commission a detailed description of—

19 (1) the specific characteristics of each digital
20 asset listed or offered for trading by the person, in-
21 cluding information regarding the digital asset's
22 market activity, distribution, and functional use; and

23 (2) the product listing determination made by
24 the person for each asset listed or offered for trad-
25 ing by the person.

1 (d) REQUIREMENTS.—A person filing a notice of in-
2 tent to register under subsection (a) shall comply with the
3 following requirements:

4 (1) STATUTORY DISQUALIFICATION.—Except to
5 the extent otherwise specifically provided by Com-
6 mission or a national securities association rule, reg-
7 ulation, or order, the person may not permit an indi-
8 vidual who is subject to a statutory disqualification
9 (as defined under section 3(a) of the Securities Ex-
10 change Act of 1934) to effect or be involved in ef-
11 fecting transactions on behalf of the person if the
12 person knows, or in the exercise of reasonable dis-
13 cretion should know, the individual is subject to a
14 statutory disqualification.

15 (2) BOOKS AND RECORDS.—The person shall
16 keep their books and records open to inspection and
17 examination by the Commission and any national se-
18 curities association of which they are a member.

19 (3) CUSTOMER DISCLOSURES.—The person
20 shall disclose to customers—

21 (A) information about the material risks
22 and characteristics of the assets listed for trad-
23 ing on the person;

1 (B) information about the material risks
2 and characteristics of the transactions facili-
3 tated by the person;

4 (C) information about the location and
5 manner in which the digital assets of the cus-
6 tomer will be and are custodied;

7 (D) information concerning the person's
8 policies and procedures related to the protection
9 of customers' data; and

10 (E) in their disclosure documents, offering
11 documents, and promotional material—

12 (i) in a prominent manner, that they
13 are not registered with or regulated by the
14 Commission; and

15 (ii) the contact information for the
16 whistleblower, complaint, and reparation
17 programs of the Commission.

18 (4) CUSTOMER ASSETS.—

19 (A) IN GENERAL.—The person shall—

20 (i) hold customer money, assets, and
21 property in a manner to minimize the risk
22 of loss to the customer or unreasonable
23 delay in customer access to money, assets,
24 and property of the customer;

1 (ii) treat and deal with all money, as-
2 sets, and property, including any rights as-
3 sociated with any such money, assets, or
4 property, of any customer received as be-
5 longing to the customer;

6 (iii) segregate all money, assets, and
7 property received from any customer of the
8 person from the funds of the person, ex-
9 cept that—

10 (I) the money, assets, and prop-
11 erty of any customer may be commin-
12 gled with that of any other customer,
13 if separately accounted for; and

14 (II) the share of the money, as-
15 sets, and property, as in the normal
16 course of business are necessary to
17 margin, guarantee, secure, transfer,
18 adjust, or settle a contract of sale of
19 a digital asset, may be withdrawn and
20 applied to do so, including the pay-
21 ment of commissions, brokerage, in-
22 terest, taxes, storage, and other
23 charges lawfully accruing in connec-
24 tion with the contract of sale of a dig-
25 ital asset.

1 (B) ADDITIONAL RESOURCES.—

2 (i) IN GENERAL.—This section shall
3 not prevent or be construed to prevent the
4 person from adding to the customer
5 money, assets, and property required to be
6 segregated under subparagraph (A) addi-
7 tional amounts of money, assets, or prop-
8 erty from the account of the person as the
9 person determines necessary to hold
10 money, assets, or property equal to or in
11 excess of the total digital asset obligation
12 of the person.

13 (ii) TREATMENT AS CUSTOMER
14 FUNDS.—Any money, assets, or property
15 deposited pursuant to clause (i) shall be
16 considered customer property within the
17 meaning of this subsection.

18 (e) COMPLIANCE.—

19 (1) IN GENERAL.—A person who has filed a no-
20 tice of intent to register under this section and is in
21 compliance with this section shall be exempt from
22 Commission rules and regulations pertaining to reg-
23 istering as a national securities exchange, broker,
24 dealer, or clearing agency, for activities related to a
25 digital asset.

1 (2) NONCOMPLIANCE.—Paragraph (1) shall not
2 apply if, after notice from the Commission and a
3 reasonable opportunity to correct the deficiency, a
4 person who has submitted a notice of intent to reg-
5 ister is not in compliance with this section.

6 (3) ANTI-FRAUD AND ANTI-MANIPULATION.—
7 Paragraph (1) shall not be construed to limit any
8 fraud, anti-manipulation, or false reporting enforce-
9 ment authority of the Commission, the Commodity
10 Futures Trading Commission, a registered futures
11 association, or a national securities association.

12 (4) DELISTING.—Paragraph (1) shall not be
13 construed to limit the authority of the Commission
14 and the Commodity Futures Trading Commission to
15 jointly require a person to delist an asset for trading
16 if the Commission and the Commodity Futures
17 Trading Commission determines that the listing is
18 inconsistent with the Commodity Exchange Act, the
19 securities laws (including regulations under those
20 laws), or this Act.

21 (f) REGISTRATION.—

22 (1) IN GENERAL.—A person may not file a no-
23 tice of intent to register with the Commission after
24 the Commission has finalized its rules for the reg-
25 istration of digital asset brokers, digital asset deal-

1 ers, digital asset trading systems, and notice-reg-
2 istered clearing agencies, as appropriate.

3 (2) TRANSITION TO REGISTRATION.—Sub-
4 section (e)(1) shall not apply to a person who has
5 submitted a notice of intent to register if—

6 (A) the Commission—

7 (i) determines that the person has
8 failed to comply with the requirements of
9 this section; or

10 (ii) denies the application of the per-
11 son to register; or

12 (B) the digital asset broker, digital asset
13 dealer, or digital asset trading system that filed
14 a notice of intent to register failed to apply for
15 registration as such with the Commission within
16 180 days after the effective date of the Com-
17 mission’s final rules for the registration of dig-
18 ital asset brokers, digital asset dealers, and dig-
19 ital asset trading systems, as appropriate.

20 (g) LIABILITY OF THE FILER.—It shall be unlawful
21 for any person to provide false information in support of
22 a filing under this section if the person knew or reasonably
23 should have known that the information was false.

24 (h) NATIONAL SECURITIES ASSOCIATION.—

1 (1) IN GENERAL.—A national securities asso-
2 ciation may adopt and enforce rules written specifi-
3 cally for persons filing a notice of intent to register
4 under subsection (a), including rules that prescribe
5 reasonable fees and charges to defray the costs of
6 the national securities association related to over-
7 seeing such persons.

8 (2) APPROVAL BY THE COMMISSION.—With re-
9 spect to a provisional rule described under para-
10 graph (1) filed with the Commission, the Commis-
11 sion shall—

12 (A) not later than 90 days following the
13 date of such filing, approve the rule if the Com-
14 mission determines that the rule effectuates the
15 purposes of this section; and

16 (B) make such approval on a summary
17 basis pursuant to section 19(b)(3)(B) of the Se-
18 curities Exchange Act of 1934.

19 (i) WHISTLEBLOWER ENFORCEMENT.—For purposes
20 of section 21F of the Securities Exchange Act of 1934
21 (15 U.S.C. 78u-6), the term “securities laws” includes
22 this section.

1 **SEC. 108. COMMODITY EXCHANGE ACT SAVINGS PROVI-**
2 **SIONS.**

3 (a) IN GENERAL.—Nothing in this Act shall affect
4 or apply to, or be interpreted to affect or apply to—

5 (1) any agreement, contract, or transaction that
6 is subject to the Commodity Exchange Act as—

7 (A) a contract of sale of a commodity for
8 future delivery or an option on such a contract;

9 (B) a swap;

10 (C) a security futures product;

11 (D) an option authorized under section 4c
12 of such Act;

13 (E) an agreement, contract, or transaction
14 described in section 2(c)(2)(C)(i) of such Act;

15 or

16 (F) a leverage transaction authorized
17 under section 19 of such Act; or

18 (2) the activities of any person with respect to
19 any such agreement, contract, or transaction.

20 (b) PROHIBITIONS ON SPOT DIGITAL COMMODITY
21 ENTITIES.—Nothing in this Act authorizes, or shall be in-
22 terpreted to authorize, a digital commodity exchange, dig-
23 ital commodity broker, or digital commodity dealer to en-
24 gage in any activities involving any transaction, contract,
25 or agreement described in subsection (a)(1), solely by vir-
26 tue of being registered or filing notice of intent to register

1 as a digital commodity exchange, digital commodity
2 broker, or digital commodity dealer.

3 (c) DEFINITIONS.—In this section, each term shall
4 have the meaning provided in the Commodity Exchange
5 Act or the regulations prescribed under such Act.

6 **SEC. 109. ADMINISTRATIVE REQUIREMENTS.**

7 (a) SECURITIES AND EXCHANGE ACT OF 1934.—
8 Section 21A of the Securities and Exchange Act of 1934
9 (15 U.S.C. 78u-1) is amended by adding at the end the
10 following:

11 “(j) DUTY OF MEMBERS AND FEDERAL EMPLOYEES
12 RELATED TO DIGITAL ASSETS.—

13 “(1) IN GENERAL.—Solely for purposes of the
14 insider trading prohibitions arising under this Act,
15 including section 10 and Rule 10b–5 thereunder,
16 each individual who is a Member of Congress, an
17 employee of Congress, or an employee or agent of
18 any department or agency of the Federal Govern-
19 ment owes a duty arising from a relationship of
20 trust and confidence to the Congress, the United
21 States Government, and the citizens of the United
22 States with respect to material, nonpublic informa-
23 tion related to a restricted digital asset that is de-
24 rived from such individual’s position as a Member of
25 Congress, employee of Congress, or as an employee

1 or agent of a department or agency of the Federal
2 Government or gained from the performance of such
3 individual's official responsibilities.

4 “(2) DEFINITIONS.—In this subsection, the
5 terms ‘Member of Congress’ and ‘employee of Con-
6 gress’ have the meaning given those terms, respec-
7 tively, under subsection (g)(2).”.

8 (b) COMMODITY EXCHANGE ACT.—Section 4c(a) of
9 the Commodity Exchange Act (7 U.S.C. 6c(a)) is amend-
10 ed—

11 (1) in paragraph (3)—

12 (A) in subparagraph (B), by striking “or”
13 at the end;

14 (B) in subparagraph (C), by striking the
15 period and inserting “; or”; and

16 (C) by adding at the end the following:

17 “(D) a contract of sale of a digital com-
18 modity.”;

19 (2) in paragraph (4)—

20 (A) in subparagraph (A)—

21 (i) in clause (ii), by striking “or” at
22 the end;

23 (ii) in clause (iii), by striking the pe-
24 riod and inserting “; or”; and

1 (iii) by adding at the end the fol-
2 lowing:

3 “(iv) a contract of sale of a digital
4 commodity.”;

5 (B) in subparagraph (B)—

6 (i) in clause (ii), by striking “or” at
7 the end;

8 (ii) in clause (iii), by striking the pe-
9 riod and inserting “; or”; and

10 (iii) by adding at the end the fol-
11 lowing:

12 “(iv) a contract of sale of a digital
13 commodity.”; and

14 (C) in subparagraph (C)—

15 (i) in clause (ii), by striking “or” at
16 the end;

17 (ii) by striking “(iii) a swap, provided
18 however,” and inserting the following:

19 “(iii) a swap; or

20 “(iv) a contract of sale of a digital
21 commodity,

22 provided, however,”; and

23 (iii) by striking “clauses (i), (ii), or
24 (iii)” and insert “any of clauses (i)
25 through (iv)”.

1 **SEC. 110. INTERNATIONAL HARMONIZATION.**

2 In order to promote effective and consistent global
3 regulation of digital assets, the Commodity Futures Trad-
4 ing Commission and the Securities and Exchange Com-
5 mission, as appropriate—

6 (1) shall consult and coordinate with foreign
7 regulatory authorities on the establishment of con-
8 sistent international standards with respect to the
9 regulation of digital assets, restricted digital assets,
10 and digital commodities; and

11 (2) may agree to such information-sharing ar-
12 rangements as may be deemed to be necessary or
13 appropriate in the public interest or for the protec-
14 tion of investors, customers, and users of digital as-
15 sets.

16 **SEC. 111. IMPLEMENTATION.**

17 (a) GLOBAL RULEMAKING TIMEFRAME.—Unless oth-
18 erwise provided in this Act or an amendment made by this
19 Act, the Commodity Futures Trading Commission and the
20 Securities and Exchange Commission, or both, shall indi-
21 vidually, and jointly where required, promulgate rules and
22 regulations required of each Commission under this Act
23 or an amendment made by this Act not later than 360
24 days after the date of enactment of this Act.

25 (b) RULES AND REGISTRATION BEFORE FINAL EF-
26 FECTIVE DATES.—

1 (1) IN GENERAL.—In order to prepare for the
2 implementation of this Act, the Commodity Futures
3 Trading Commission and the Securities and Ex-
4 change Commission may, before any effective date
5 provided in this Act—

6 (A) promulgate rules, regulations, or or-
7 ders permitted or required by this Act;

8 (B) conduct studies and prepare reports
9 and recommendations required by this Act;

10 (C) register persons under this Act; and

11 (D) exempt persons, agreements, contracts,
12 or transactions from provisions of this Act,
13 under the terms contained in this Act.

14 (2) LIMITATION ON EFFECTIVENESS.—An ac-
15 tion by the Commodity Futures Trading Commission
16 or the Securities and Exchange Commission under
17 paragraph (1) shall not become effective before the
18 effective date otherwise applicable to the action
19 under this Act.

20 **TITLE II—CLARITY FOR ASSETS** 21 **OFFERED AS PART OF AN IN-** 22 **VESTMENT CONTRACT**

23 **SEC. 201. SHORT TITLE.**

24 This title may be referred to as the “Securities Clar-
25 ity Act of 2024”.

1 **SEC. 202. TREATMENT OF INVESTMENT CONTRACT ASSETS.**

2 (a) SECURITIES ACT OF 1933.—Section 2(a) of the
3 Securities Act of 1933 (15 U.S.C. 77b(a)), as amended
4 by section 101, is further amended—

5 (1) in paragraph (1), by adding at the end the
6 following: “The term ‘security’ does not include an
7 investment contract asset.”; and

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

9 “(37) The term ‘investment contract asset’
10 means a fungible digital representation of value—

11 “(A) that can be exclusively possessed and
12 transferred, person to person, without necessary
13 reliance on an intermediary, and is recorded on
14 a cryptographically secured public distributed
15 ledger;

16 “(B) sold or otherwise transferred, or in-
17 tended to be sold or otherwise transferred, pur-
18 suant to an investment contract; and

19 “(C) that is not otherwise a security pur-
20 suant to the first sentence of paragraph (1).”.

21 (b) INVESTMENT ADVISERS ACT OF 1940.—Section
22 202(a)(18) of the Investment Advisers Act of 1940 (15
23 U.S.C. 80b–2(a)(18)) is amended by adding at the end
24 the following: “The term ‘security’ does not include an in-
25 vestment contract asset (as such term is defined under
26 section 2(a) of the Securities Act of 1933).”.

1 (c) INVESTMENT COMPANY ACT OF 1940.—Section
2 2(a)(36) of the Investment Company Act of 1940 (15
3 U.S.C. 80a–2(a)(36)) is amended by adding at the end
4 the following: “The term ‘security’ does not include an in-
5 vestment contract asset (as such term is defined under
6 section 2(a) of the Securities Act of 1933).”.

7 (d) SECURITIES EXCHANGE ACT OF 1934.—Section
8 3(a)(10) of the Securities Exchange Act of 1934 (15
9 U.S.C. 78c(a)(10)) is amended by adding at the end the
10 following: “The term ‘security’ does not include an invest-
11 ment contract asset (as such term is defined under section
12 2(a) of the Securities Act of 1933).”.

13 (e) SECURITIES INVESTOR PROTECTION ACT OF
14 1970.—Section 16(14) of the Securities Investor Protec-
15 tion Act of 1970 (15 U.S.C. 78lll(14)) is amended by add-
16 ing at the end the following: “The term ‘security’ does
17 not include an investment contract asset (as such term
18 is defined under section 2(a) of the Securities Act of
19 1933).”.

20 **TITLE III—OFFERS AND SALES** 21 **OF DIGITAL ASSETS**

22 **SEC. 301. EXEMPTED TRANSACTIONS IN DIGITAL ASSETS.**

23 (a) IN GENERAL.—The Securities Act of 1933 (15
24 U.S.C. 77a et seq.) is amended—

1 (1) in section 4(a), by adding at the end the
2 following:

3 “(8) transactions involving the offer or sale of
4 units of a digital asset by a digital asset issuer, if—

5 “(A) the aggregate amount of units of the
6 digital asset sold by the digital asset issuer in
7 reliance on the exemption provided under this
8 paragraph, during the 12-month period pre-
9 ceding the date of such transaction, including
10 the amount sold in such transaction, is not
11 more than \$75,000,000 (as such amount is an-
12 nually adjusted by the Commission to reflect
13 the change in the Consumer Price Index for All
14 Urban Consumers published by the Bureau of
15 Labor Statistics of the Department of Labor);

16 “(B) with respect to a transaction involv-
17 ing the purchase of units of a digital asset by
18 a person who is not an accredited investor, the
19 aggregate amount of all units of digital assets
20 purchased by such person during the 12-month
21 period preceding the date of such transaction,
22 including the unit of a digital asset purchased
23 in such transaction, does not exceed the greater
24 of—

1 “(i) 10 percent of the person’s annual
2 income or joint income with that person’s
3 spouse or spousal equivalent; or

4 “(ii) 10 percent of the person’s net
5 worth or joint net worth with the person’s
6 spouse or spousal equivalent;

7 “(C) after the completion of the trans-
8 action, the purchaser does not own more than
9 10 percent of the total amount of the units of
10 the digital asset sold in reliance on the exemp-
11 tion under this paragraph;

12 “(D) the transaction does not involve the
13 offer or sale of any digital asset not offered as
14 part of an investment contract;

15 “(E) the transaction does not involve the
16 offer or sale of a unit of a digital asset by a
17 digital asset issuer that—

18 “(i) is not organized under the laws of
19 a State, a territory of the United States,
20 or the District of Columbia;

21 “(ii) is a development stage company
22 that either—

23 “(I) has no specific business plan
24 or purpose; or

1 “(II) has indicated that the busi-
2 ness plan of the company is to merge
3 with or acquire an unidentified com-
4 pany;

5 “(iii) is an investment company, as
6 defined in section 3 of the Investment
7 Company Act of 1940 (15 U.S.C. 80a-3),
8 or is excluded from the definition of invest-
9 ment company by section 3(b) or section
10 3(c) of that Act (15 U.S.C. 80a-3(b) or
11 80a-3(c));

12 “(iv) is issuing fractional undivided
13 interests in oil or gas rights, or a similar
14 interest in other mineral rights;

15 “(v) is, or has been, subject to any
16 order of the Commission entered pursuant
17 to section 12(j) of the Securities Exchange
18 Act of 1934 during the 5-year period be-
19 fore the filing of the offering statement; or

20 “(vi) is disqualified pursuant to sec-
21 tion 230.262 of title 17, Code of Federal
22 Regulations; and

23 “(F) the issuer meets the requirements of
24 section 4B(a).”; and

25 (2) by inserting after section 4A the following:

1 **“SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN DIG-**
2 **ITAL ASSET TRANSACTIONS.**

3 “(a) REQUIREMENTS FOR DIGITAL ASSET
4 ISSUERS.—

5 “(1) INFORMATION REQUIRED IN STATE-
6 MENT.—A digital asset issuer offering or selling a
7 unit of digital asset in reliance on section 4(a)(8)
8 shall file with the Commission a statement con-
9 taining the following information:

10 “(A) The name, legal status (including the
11 jurisdiction in which the issuer is organized and
12 the date of organization), and website of the
13 digital asset issuer.

14 “(B) The address and telephone number of
15 the issuer or a legal representative of the
16 issuer.

17 “(C) A certification that the digital asset
18 issuer meets the relevant requirements de-
19 scribed under section 4(a)(8).

20 “(D) An overview of the material aspects
21 of the offering.

22 “(E) A description of the purpose and in-
23 tended use of the offering proceeds.

24 “(F) A description of the plan of distribu-
25 tion of any unit of a digital asset that is to be
26 offered.

1 “(G) A description of the material risks
2 surrounding ownership of a unit of a digital
3 asset.

4 “(H) A description of the material aspects
5 of the digital asset issuer’s business.

6 “(I) A description of exempt offerings con-
7 ducted within the past three years by the digital
8 asset issuer.

9 “(J) A description of the digital asset
10 issuer and the current number of employees of
11 the digital asset issuer.

12 “(K) A description of any material trans-
13 actions or relationships between the digital
14 asset issuer and affiliated persons.

15 “(L) A description of exempt offerings
16 conducted within the past three years.

17 “(2) INFORMATION REQUIRED FOR PUR-
18 CHASERS.—A digital asset issuer that has filed a
19 statement under paragraph (1) to offer and sell a
20 unit of a digital asset in reliance on section 4(a)(8)
21 shall disclose the information described under sec-
22 tion 43 of the Securities Exchange Act of 1934 on
23 a freely accessible public website.

24 “(3) ONGOING DISCLOSURE REQUIREMENTS.—
25 A digital asset issuer that has filed a statement

1 under paragraph (1) to offer and sell a unit of a dig-
2 ital asset in reliance on section 4(a)(8) shall file the
3 following with the Commission:

4 “(A) ANNUAL REPORTS.—An annual re-
5 port that includes any material changes to the
6 information described under paragraph (2) for
7 the current fiscal year and for any fiscal year
8 thereafter, unless the issuer is no longer obli-
9 gated to file such annual report pursuant to
10 paragraph (4).

11 “(B) SEMIANNUAL REPORTS.—Along with
12 each annual report required under subpara-
13 graph (A), and separately six months there-
14 after, a report containing—

15 “(i) an updated description of the cur-
16 rent state and timeline for the development
17 of the blockchain system to which the dig-
18 ital asset relates, showing how and when
19 the blockchain system intends or intended
20 to be considered a functional system and a
21 decentralized system;

22 “(ii) the amount of money raised by
23 the digital asset issuer in reliance on sec-
24 tion 4(a)(8), how much of that money has
25 been spent, and the general categories and

1 amounts on which that money has been
2 spent; and

3 “(iii) any material changes to the in-
4 formation in the most recent annual re-
5 port.

6 “(C) CURRENT REPORTS.—A current re-
7 port shall be filed with the Commission reflect-
8 ing any material changes to the information
9 previously reported to the Commission by the
10 digital asset issuer.

11 “(4) TERMINATION OF REPORTING REQUIRE-
12 MENTS.—

13 “(A) IN GENERAL.—The ongoing reporting
14 requirements under paragraph (3) shall not
15 apply to a digital asset issuer 180 days after
16 the end of the covered fiscal year.

17 “(B) COVERED FISCAL YEAR DEFINED.—
18 In this paragraph, the term ‘covered fiscal year’
19 means the first fiscal year of an issuer in which
20 the blockchain system to which the digital asset
21 relates is a functional system and certified to be
22 a decentralized system under section 44 of the
23 Securities Exchange Act of 1934.

24 “(b) REQUIREMENTS FOR INTERMEDIARIES.—

1 “(1) IN GENERAL.—A person acting as an
2 intermediary in a transaction involving the offer or
3 sale of a unit of a digital asset in reliance on section
4 4(a)(8) shall—

5 “(A) register with the Commission as a
6 digital asset broker; and

7 “(B) be a member of a national securities
8 association registered under section 15A of the
9 Securities Exchange Act of 1934 (15 U.S.C.
10 78o–3).

11 “(2) PURCHASER QUALIFICATION.—

12 “(A) IN GENERAL.—Each time, before ac-
13 cepting any commitment (including any addi-
14 tional commitment from the same person), an
15 intermediary or digital asset issuer shall have a
16 reasonable basis for believing that the pur-
17 chaser satisfies the requirements of section
18 4(a)(8).

19 “(B) RELIANCE ON PURCHASER’S REP-
20 RESENTATIONS.—For purposes of subpara-
21 graph (A), an intermediary or digital asset
22 issuer may rely on a purchaser’s representa-
23 tions concerning the purchaser’s annual income
24 and net worth and the amount of the pur-
25 chaser’s other investments made, unless the

1 intermediary or digital asset issuer has reason
2 to question the reliability of the representation.

3 “(C) RELIANCE ON ISSUER.—For purposes
4 of determining whether a transaction meets the
5 requirements described under subparagraph (A)
6 through (C) of section 4(a)(8), an intermediary
7 may rely on the efforts of a digital asset issuer.

8 “(c) ADDITIONAL PROVISIONS.—

9 “(1) ACCEPTANCE OF WRITTEN OFFERS;
10 SALES.—After an issuer files a statement under
11 paragraph (1) to offer and sell a digital asset in reli-
12 ance on section 4(a)(8)—

13 “(A) written offers of the digital asset may
14 be made; and

15 “(B) the issuer may sell the digital assets
16 in reliance on section 4(a)(8), if such sales meet
17 all other requirements.

18 “(2) SOLICITATION OF INTEREST.—

19 “(A) IN GENERAL.—At any time before
20 the filing of a statement under paragraph (1),
21 a digital asset issuer may communicate orally
22 or in writing to determine whether there is any
23 interest in a contemplated offering. Such com-
24 munications are deemed to be an offer of a unit
25 of a digital asset for sale for purposes of the

1 anti-fraud provisions of the Federal securities
2 laws. No solicitation or acceptance of money or
3 other consideration, nor of any commitment,
4 binding or otherwise, from any person is per-
5 mitted until the statement is filed.

6 “(B) CONDITIONS.—In any communication
7 described under subparagraph (A), the digital
8 asset issuer shall—

9 “(i) state that no money or other con-
10 sideration is being solicited, and if sent in
11 response, will not be accepted;

12 “(ii) state that no offer to buy a unit
13 of a digital asset can be accepted and no
14 part of the purchase price can be received
15 until the statement is filed and then only
16 through an intermediary; and

17 “(iii) state that a person’s indication
18 of interest involves no obligation or com-
19 mitment of any kind.

20 “(C) INDICATIONS OF INTEREST.—Any
21 written communication described under sub-
22 paragraph (A) may include a means by which
23 a person may indicate to the digital asset issuer
24 that such person is interested in a potential of-
25 fering. A digital asset issuer may require a

1 name, address, telephone number, or email ad-
2 dress in any response form included with a
3 communication described under subparagraph
4 (A).

5 “(3) DISQUALIFICATION PROVISIONS.—The
6 Commission shall issue rules to apply the disquali-
7 fication provisions under section 230.262 of title 17,
8 Code of Federal Regulations, to the exemption pro-
9 vided under section 4(a)(8).”.

10 (b) ADDITIONAL EXEMPTIONS.—

11 (1) CERTAIN REGISTRATION REQUIREMENTS.—
12 Section 12(g)(6) of the Securities Exchange Act of
13 1934 (15 U.S.C. 78l(g)(6)) is amended by striking
14 “under section 4(6)” and inserting “under section
15 4(a)(6) or 4(a)(8)”.

16 (2) EXEMPTION FROM STATE REGULATION.—
17 Section 18(b)(4) of the Securities Act of 1933 (15
18 U.S.C. 77r(b)(4)) is amended—

19 (A) in section (B), by striking “section
20 4(4)” and inserting “section 4(a)(4)”;

21 (B) in section (C), by striking “section
22 4(6)” and inserting “section 4(a)(6)”;

23 (C) in subparagraph (F)—

- 1 (i) by striking “section 4(2)” each
2 place such term appears and inserting
3 “section 4(a)(2)”;
4 (ii) by striking “or” at the end;
5 (D) in subparagraph (G), by striking the
6 period and inserting “; or”; and
7 (E) by adding at the end the following:
8 “(H) section 4(a)(8).”.

9 **SEC. 302. REQUIREMENTS FOR OFFERS AND SALES OF CER-**
10 **TAIN DIGITAL ASSETS.**

11 (a) IN GENERAL.—Title I of the Securities Exchange
12 Act of 1934 (15 U.S.C. 78a et seq.) is amended by adding
13 at the end the following:

14 **“SEC. 42. REQUIREMENTS FOR OFFERS AND SALES OF CER-**
15 **TAIN DIGITAL ASSETS.**

16 “(a) OFFERS AND SALES OF CERTAIN RESTRICTED
17 DIGITAL ASSETS.—

18 “(1) IN GENERAL.—Notwithstanding any other
19 provision of law, subject to paragraph (2), a re-
20 stricted digital asset may be offered and sold on a
21 digital asset trading system by any person other
22 than a digital asset issuer if, at the time of such
23 offer or sale, any blockchain system to which the re-
24 stricted digital asset relates is a functional system
25 and the information described in section 43 has been

1 certified and made publicly available for any
2 blockchain system to which the restricted digital
3 asset relates.

4 “(2) ADDITIONAL RULES FOR RELATED PER-
5 SONS AND AFFILIATED PERSONS.—Except as pro-
6 vided under subsection (c), a restricted digital asset
7 owned by a related person or an affiliated person
8 may only be offered or sold after 12 months after
9 the later of—

10 “(A) the date on which such restricted dig-
11 ital asset was acquired; or

12 “(B) the digital asset maturity date.

13 “(b) OFFERS AND SALES OF CERTAIN DIGITAL COM-
14 MODITIES.—

15 “(1) IN GENERAL.—Subject to paragraph (2), a
16 digital commodity may be offered and sold by any
17 person.

18 “(2) RULES FOR RELATED AND AFFILIATED
19 PERSONS.—Except as provided under subsection (c),
20 a digital commodity may only be offered or sold by
21 a related person or an affiliated person if—

22 “(A) the holder of the digital commodity
23 originally acquired the digital asset while it was
24 a restricted digital asset not less than 12
25 months after the later of—

1 “(i) the date on which such restricted
2 digital asset was acquired; or

3 “(ii) the digital asset maturity date;

4 “(B) any blockchain system to which the
5 digital commodity relates is certified to be a de-
6 centralized system under section 44; and

7 “(C) the digital commodity is offered or
8 sold on or subject to the rules of a digital com-
9 modity exchange registered under section 5i of
10 the Commodity Exchange Act.

11 “(3) NOT AN INVESTMENT CONTRACT.—For
12 purposes of the securities laws, an offer or sale of
13 a digital commodity that does not violate paragraph
14 (2) shall not be a transaction in an investment con-
15 tract.

16 “(c) SALES RESTRICTIONS FOR AFFILIATED PER-
17 SONS.—A digital asset may be offered and sold by an af-
18 filiated person under subsection (a) or (b) if—

19 “(1) the aggregate amount of such digital as-
20 sets sold in any 3-month period by the affiliated per-
21 son is not greater than one percent of the digital as-
22 sets then outstanding; or

23 “(2) the affiliated person promptly, following
24 the placement of an order to sell one percent or

1 more of the digital assets then outstanding during
2 any 3-month period, reports the sale to—

3 “(A) the Commodity Futures Trading
4 Commission, in the case of an order to sell a
5 digital commodity on or subject to the rules of
6 a digital commodity exchange; or

7 “(B) the Securities and Exchange Commis-
8 sion, in the case of a sell order for a restricted
9 digital asset placed with a digital asset trading
10 system.

11 “(d) TREATMENT OF CERTAIN END USER DISTRIBUTIONS UNDER THE SECURITIES LAWS.—

12 “(1) IN GENERAL.—With respect to a digital
13 asset, an end user distribution is described under
14 this paragraph if—

15 “(A) each blockchain system to which such
16 digital asset relates is a functional system; and

17 “(B) with respect to the digital asset and
18 each blockchain system to which such digital
19 asset relates, the information described in sec-
20 tion 43 has been certified and made publicly
21 available.

22 “(2) NOT AN INVESTMENT CONTRACT.—For
23 purposes of the securities laws, an end user distribu-
24

1 tion described under paragraph (1) shall not be a
2 transaction in an investment contract.

3 “(3) EXEMPTION.—Section 5 of the Securities
4 Act of 1933 (15 U.S.C. 77e) shall not apply to an
5 end user distribution described under paragraph (1)
6 or a transaction in a unit of digital asset issued in
7 such a distribution.”.

8 (b) RULE OF CONSTRUCTION.—Nothing in this Act
9 or the amendments made by this Act may be construed
10 to restrict the use of a digital asset, except as expressly
11 provided in connection with—

12 (1) the offer or sale of a restricted digital asset
13 or digital commodity; or

14 (2) an intermediary’s custody of a restricted
15 digital asset or digital commodity.

16 **SEC. 303. ENHANCED DISCLOSURE REQUIREMENTS.**

17 Title I of the Securities Exchange Act of 1934 (15
18 U.S.C. 78a et seq.), as amended by section 302, is further
19 amended by adding at the end the following:

20 **“SEC. 43. ENHANCED DISCLOSURE REQUIREMENTS WITH**
21 **RESPECT TO DIGITAL ASSETS.**

22 “(a) DISCLOSURE INFORMATION.—With respect to a
23 digital asset and any blockchain system to which the dig-
24 ital asset relates, the information described under this sec-
25 tion is as follows:

1 “(1) SOURCE CODE.—The source code for any
2 blockchain system to which the digital asset relates.

3 “(2) TRANSACTION HISTORY.—A description of
4 the steps necessary to independently access, search,
5 and verify the transaction history of any blockchain
6 system to which the digital asset relates.

7 “(3) DIGITAL ASSET ECONOMICS.—A descrip-
8 tion of the purpose of any blockchain system to
9 which the digital asset relates and the operation of
10 any such blockchain system, including—

11 “(A) information explaining the launch
12 and supply process, including the number of
13 digital assets to be issued in an initial alloca-
14 tion, the total number of digital assets to be
15 created, the release schedule for the digital as-
16 sets, and the total number of digital assets then
17 outstanding;

18 “(B) information on any applicable con-
19 sensus mechanism or process for validating
20 transactions, method of generating or mining
21 digital assets, and any process for burning or
22 destroying digital assets on the blockchain sys-
23 tem;

24 “(C) an explanation of governance mecha-
25 nisms for implementing changes to the

1 blockchain system or forming consensus among
2 holders of such digital assets; and

3 “(D) sufficient information for a third
4 party to create a tool for verifying the trans-
5 action history of the digital asset.

6 “(4) PLAN OF DEVELOPMENT.—The current
7 state and timeline for the development of any
8 blockchain system to which the digital asset relates,
9 showing how and when the blockchain system in-
10 tends or intended to be considered a functional sys-
11 tem and decentralized system.

12 “(5) DEVELOPMENT DISCLOSURES.—A list of
13 all persons who are related persons or affiliated per-
14 sons who have been issued a unit of a digital asset
15 by a digital asset issuer or have a right to a unit of
16 a digital asset from a digital asset issuer.

17 “(6) RISK FACTOR DISCLOSURES.—A descrip-
18 tion of the material risks surrounding ownership of
19 a unit of a digital asset.

20 “(b) CERTIFICATION.—

21 “(1) IN GENERAL.—With respect to a digital
22 asset and any blockchain system to which the digital
23 asset relates, the information described under this
24 section has been certified if the digital asset issuer,
25 an affiliated person, a decentralized governance sys-

1 tem, or a digital commodity exchange certifies on a
2 quarterly basis to the Commodity Futures Trading
3 Commission and the Securities and Exchange Com-
4 mission that the information is true and correct.

5 “(2) PRIOR DISCLOSURES.—Information de-
6 scribed under this section which was made available
7 to the public prior to the date of enactment of this
8 section may be certified as true and correct on the
9 date such information was published in final form.

10 “(3) RULEMAKING.—The Commission and the
11 Commodity Futures Trading Commission may joint-
12 ly issue rules regarding the certification process de-
13 scribed under paragraph (1).”.

14 **SEC. 304. CERTIFICATION OF CERTAIN DIGITAL ASSETS.**

15 Title I of the Securities Exchange Act of 1934 (15
16 U.S.C. 78a et seq.), as amended by section 303, is further
17 amended by adding at the end the following:

18 **“SEC. 44. CERTIFICATION OF CERTAIN DIGITAL ASSETS.**

19 “(a) CERTIFICATION.—Any person may certify to the
20 Securities and Exchange Commission that the blockchain
21 system to which a digital asset relates is a decentralized
22 system.

23 “(b) FILING REQUIREMENTS.—A certification de-
24 scribed under subsection (a) shall be filed with the Com-
25 mission, and include—

1 “(1) information regarding the person making
2 the certification;

3 “(2) a description of the blockchain system and
4 the digital asset which relates to such blockchain
5 system, including—

6 “(A) the operation of the blockchain sys-
7 tem;

8 “(B) the functionality of the related digital
9 asset;

10 “(C) any decentralized governance system
11 which relates to the blockchain system; and

12 “(D) the process to develop consensus or
13 agreement within such decentralized governance
14 system;

15 “(3) a description of the development of the
16 blockchain system and the digital asset which relates
17 to the blockchain system, including—

18 “(A) a history of the development of the
19 blockchain system and the digital asset which
20 relates to such blockchain system;

21 “(B) a description of the issuance process
22 for the digital asset which relates to the
23 blockchain system;

1 “(C) information identifying the digital
2 asset issuer of the digital asset which relates to
3 the blockchain system; and

4 “(D) a list of any affiliated person related
5 to the digital asset issuer;

6 “(4) an analysis of the factors on which such
7 person based the certification that the blockchain
8 system is a decentralized system, including—

9 “(A) an explanation of the protections and
10 prohibitions available during the previous 12
11 months against any one person being able to—

12 “(i) control or materially alter the
13 blockchain system;

14 “(ii) exclude any other person from
15 using or participating on the blockchain
16 system; and

17 “(iii) exclude any other person from
18 participating in a decentralized governance
19 system;

20 “(B) information regarding the beneficial
21 ownership of the digital asset which relates to
22 such blockchain system and the distribution of
23 voting power in any decentralized governance
24 system during the previous 12 months;

1 “(C) information regarding the history of
2 upgrades to the source code for such blockchain
3 system during the previous 3 months, includ-
4 ing—

5 “(i) a description of any consensus or
6 agreement process utilized to process or
7 approve changes to the source code;

8 “(ii) a list of any material changes to
9 the source code, the purpose and effect of
10 the changes, and the contributor of the
11 changes, if known; and

12 “(iii) any changes to the source code
13 made by the digital asset issuer, a related
14 person, or an affiliated person;

15 “(D) information regarding any activities
16 conducted to market the digital asset which re-
17 lates to the blockchain system during the pre-
18 vious 3 months by the digital asset issuer or an
19 affiliated person of the digital asset issuer; and

20 “(E) information regarding any issuance of
21 a unit of the digital asset which relates to such
22 blockchain system during the previous 12
23 months; and

24 “(5) with respect to a blockchain system for
25 which a certification has previously been rebutted

1 under this section or withdrawn under section 5i(m)
2 of the Commodity Exchange Act, specific informa-
3 tion relating to the analysis provided in subsection
4 (f)(2) in connection with such rebuttal or such sec-
5 tion 5i(m)(1)(C) in connection with such withdrawal.

6 “(c) REBUTTABLE PRESUMPTION.—The Commission
7 may rebut a certification described under subsection (a)
8 with respect to a blockchain system if the Commission,
9 within 60 days of receiving such certification, determines
10 that the blockchain system is not a decentralized system.

11 “(d) CERTIFICATION REVIEW.—

12 “(1) IN GENERAL.—Any blockchain system that
13 relates to a digital asset for which a certification has
14 been made under subsection (a) shall be considered
15 a decentralized system 60 days after the date on
16 which the Commission receives a certification under
17 subsection (a), unless the Commission notifies the
18 person who made the certification within such time
19 that the Commission is staying the certification due
20 to—

21 “(A) an inadequate explanation by the per-
22 son making the certification; or

23 “(B) any novel or complex issues which re-
24 quire additional time to consider.

1 “(2) PUBLIC NOTICE.—The Commission shall
2 make the following available to the public and pro-
3 vide a copy to the Commodity Futures Trading
4 Commission:

5 “(A) Each certification received under sub-
6 section (a).

7 “(B) Each stay of the Commission under
8 this section, and the reasons therefore.

9 “(C) Any response from a person making
10 a certification under subsection (a) to a stay of
11 the certification by the Commission.

12 “(3) CONSOLIDATION.—The Commission may
13 consolidate and treat as one submission multiple cer-
14 tifications made under subsection (a) for the same
15 blockchain system which relates to a digital asset
16 which are received during the review period provided
17 under this subsection.

18 “(e) STAY OF CERTIFICATION.—

19 “(1) IN GENERAL.—A notification by the Com-
20 mission pursuant to subsection (d)(1) shall stay the
21 certification once for up to an additional 120 days
22 from the date of the notification.

23 “(2) PUBLIC COMMENT PERIOD.—Before the
24 end of the 60-day period described under subsection
25 (d)(1), the Commission may begin a public comment

1 period of at least 30 days in conjunction with a stay
2 under this section.

3 “(f) DISPOSITION OF CERTIFICATION.—

4 “(1) IN GENERAL.—A certification made under
5 subsection (a) shall—

6 “(A) become effective—

7 “(i) upon the publication of a notifica-
8 tion from the Commission to the person
9 who made the certification that the Com-
10 mission does not object to the certification;
11 or

12 “(ii) at the expiration of the certifi-
13 cation review period; and

14 “(B) not become effective upon the publi-
15 cation of a notification from the Commission to
16 the person who made the certification that the
17 Commission has rebutted the certification.

18 “(2) DETAILED ANALYSIS INCLUDED WITH RE-
19 BUTTAL.—The Commission shall include, with each
20 publication of a notification of rebuttal described
21 under paragraph (1)(B), a detailed analysis of the
22 factors on which the decision was based.

23 “(g) RECERTIFICATION.—With respect to a
24 blockchain system for which a certification has been rebut-
25 ted under this section, no person may make a certification

1 under subsection (a) with respect to such blockchain sys-
2 tem during the 90-day period beginning on the date of
3 such rebuttal.

4 “(h) APPEAL OF REBUTTAL.—

5 “(1) IN GENERAL.—If a certification is rebut-
6 ted under this section, the person making such cer-
7 tification may appeal the decision to the United
8 States Court of Appeals for the District of Colum-
9 bia, not later than 60 days after the notice of rebut-
10 tal is made.

11 “(2) REVIEW.—In an appeal under paragraph
12 (1), the court shall have de novo review of the deter-
13 mination to rebut the certification.”.

14 **SEC. 305. EFFECTIVE DATE.**

15 Unless otherwise provided in this title, this title and
16 the amendments made by this title shall take effect 360
17 days after the date of enactment of this Act, except that,
18 to the extent a provision of this title requires a rule-
19 making, the provision shall take effect on the later of—

20 (1) 360 days after the date of enactment of this
21 Act; or

22 (2) 60 days after the publication in the Federal
23 Register of the final rule implementing the provision.

1 **TITLE IV—REGISTRATION FOR**
2 **DIGITAL ASSET INTER-**
3 **MEDIARIES AT THE SECURI-**
4 **TIES AND EXCHANGE COM-**
5 **MISSION**

6 **SEC. 401. TREATMENT OF DIGITAL COMMODITIES AND**
7 **OTHER DIGITAL ASSETS.**

8 (a) SECURITIES ACT OF 1933.—Section 2(a)(1) of
9 the Securities Act of 1933 (15 U.S.C. 77b(a)(1)) is
10 amended by adding at the end the following: “The term
11 does not include a digital commodity or permitted pay-
12 ment stablecoin.”.

13 (b) SECURITIES EXCHANGE ACT OF 1934.—Section
14 3(a) of the Securities Exchange Act of 1934 (15 U.S.C.
15 78c(a)) is amended—

16 (1) in paragraph (1), by adding at the end the
17 following: “The term ‘exchange’ does not include a
18 digital asset trading system or a blockchain protocol
19 offering digital assets, or any person or group of
20 persons solely because of their development of such
21 a blockchain protocol.”;

22 (2) in paragraph (2), by adding at the end the
23 following: “A digital asset trading system is not a
24 ‘facility’ of an exchange.”;

1 (3) in paragraph (4)(A), by inserting “, other
2 than restricted digital assets,” after “securities”;

3 (4) in paragraph (5)(A), by inserting “re-
4 stricted digital assets or” after “not including”;

5 (5) in paragraph (26) by inserting “(other than
6 a notice-registered digital asset clearing agency)”
7 after “or registered clearing agency”;

8 (6) in paragraph (28) by inserting “(other than
9 a notice-registered digital asset clearing agency)”
10 after “registered clearing agency”; and

11 (7) in paragraph (10), by adding at the end the
12 following: “The term does not include a digital com-
13 modity or permitted payment stablecoin.”.

14 (c) INVESTMENT ADVISERS ACT OF 1940.—Section
15 202(a) of the Investment Advisers Act of 1940 (15 U.S.C.
16 80b–2) is amended—

17 (1) in paragraph (18), by adding at the end the
18 following: “The term does not include a digital com-
19 modity or permitted payment stablecoin.”;

20 (2) by redesignating the second paragraph (29)
21 (relating to commodity pools) as paragraph (31);

22 (3) by adding at the end, the following:

23 “(32) DIGITAL ASSET-RELATED TERMS.—The
24 terms ‘digital commodity’ and ‘permitted payment
25 stablecoin’ have the meaning given those terms, re-

1 spectively, under section 2(a) of the Securities Act
2 of 1933 (15 U.S.C. 77b(a)).”.

3 (d) INVESTMENT COMPANY ACT OF 1940.—Section
4 2(a) of the Investment Company Act of 1940 (15 U.S.C.
5 80a–2) is amended—

6 (1) in paragraph (36), by adding at the end the
7 following: “The term does not include a digital com-
8 modity or permitted payment stablecoin.”; and

9 (2) by adding at the end, the following:

10 “(55) DIGITAL ASSET-RELATED TERMS.—The
11 terms ‘digital commodity’ and ‘permitted payment
12 stablecoin’ have the meaning given those terms, re-
13 spectively, under section 2(a) of the Securities Act
14 of 1933 (15 U.S.C. 77b(a)).”.

15 **SEC. 402. AUTHORITY OVER PERMITTED PAYMENT**
16 **STABLECOINS AND RESTRICTED DIGITAL AS-**
17 **SETS.**

18 (a) IN GENERAL.—Section 10 of the Securities Ex-
19 change Act of 1934 (15 U.S.C. 78j) is amended—

20 (1) by moving subsection (c) so as to appear
21 after subsection (b);

22 (2) by designating the undesignated matter at
23 the end of that section as subsection (d); and

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

1 “(e)(1) Rules promulgated under subsection (b) that
2 prohibit fraud, manipulation, or insider trading (but not
3 rules imposing or specifying reporting or recordkeeping re-
4 quirements, procedures, or standards as prophylactic
5 measures against fraud, manipulation, or insider trading),
6 and judicial precedents decided under subsection (b) and
7 rules promulgated thereunder that prohibit fraud, manip-
8 ulation, or insider trading, shall apply with respect to per-
9 mitted payment stablecoin transactions and restricted dig-
10 ital assets transactions engaged in by a broker, dealer,
11 digital asset broker, or digital asset dealer or through an
12 alternative trading system or digital asset trading system
13 to the same extent as they apply to securities transactions.

14 “(2) Judicial precedents decided under section 17(a)
15 of the Securities Act of 1933 and sections 9, 15, 16, 20,
16 and 21A of this title, and judicial precedents decided
17 under applicable rules promulgated under such sections,
18 shall apply to permitted payment stablecoins and re-
19 stricted digital assets with respect to those circumstances
20 in which the permitted payment stablecoins or restricted
21 digital assets are brokered, traded, or custodied by a
22 broker, dealer, digital asset broker, digital asset dealer,
23 or through an alternative trading system or digital asset
24 trading system to the same extent as they apply to securi-
25 ties.

1 “(3) Nothing in this subsection may be construed to
2 provide the Commission authority to make any rule, regu-
3 lation, or requirement or impose any obligation or limita-
4 tion on a permitted payment stablecoin issuer or a digital
5 asset issuer regarding any aspect of the operations of a
6 permitted payment stablecoin issuer, a digital asset issuer,
7 a permitted payment stablecoin, or a restricted digital
8 asset.”.

9 (b) TREATMENT OF PERMITTED PAYMENT
10 STABLECOINS.—Title I of the Securities Exchange Act of
11 1934 (15 U.S.C. 78a et seq.), as amended by section 404,
12 is amended by inserting after section 6B the following

13 **“SEC. 6C. TREATMENT OF TRANSACTIONS IN PERMITTED**
14 **PAYMENT STABLECOINS.**

15 “(a) AUTHORITY TO BROKER, TRADE, AND CUSTODY
16 PERMITTED PAYMENT STABLECOINS.—Permitted pay-
17 ment stablecoins may be brokered, traded, or custodied by
18 a broker, dealer, digital asset broker, or digital asset deal-
19 er or through an alternative trading system or digital asset
20 trading system.

21 “(b) COMMISSION JURISDICTION.—The Commission
22 shall only have jurisdiction over a transaction in a per-
23 mitted payment stablecoin with respect to those cir-
24 cumstances in which a permitted payment stablecoin is
25 brokered, traded, or custodied—

1 “(1) by a broker, dealer, digital asset broker, or
2 digital asset dealer; or

3 “(2) through an alternative trading system or
4 digital asset trading system.

5 “(c) LIMITATION.—Subsection (b) shall only apply to
6 a transaction described in subsection (b) for the purposes
7 of regulating the offer, execution, solicitation, or accept-
8 ance of a permitted payment stablecoin in those cir-
9 cumstances in which the permitted payment stablecoin is
10 brokered, traded, or custodied—

11 “(1) by a broker, dealer, digital asset broker, or
12 digital asset dealer; or

13 “(2) through an alternative trading system or
14 digital asset trading system.”.

15 **SEC. 403. REGISTRATION OF DIGITAL ASSET TRADING SYS-**
16 **TEMS.**

17 Section 6 of the Securities Exchange Act of 1934 (15
18 U.S.C. 78f) is amended by adding at the end the following:

19 “(m) DIGITAL ASSET TRADING SYSTEM.—

20 “(1) IN GENERAL.—It shall be unlawful for any
21 digital asset trading system to make use of the mails
22 or any means or instrumentality of interstate com-
23 merce within or subject to the jurisdiction of the
24 United States to effect any transaction in a re-

1 stricted digital asset, unless such digital asset trad-
2 ing system is registered with the Commission.

3 “(2) APPLICATION.—A person desiring to reg-
4 ister as a digital asset trading system shall submit
5 to the Commission an application in such form and
6 containing such information as the Commission may
7 require for the purpose of making the determina-
8 tions required for approval.

9 “(3) EXEMPTIONS.—A digital asset trading sys-
10 tem that offers or seeks to offer at least one re-
11 stricted digital asset shall not be required to register
12 under this section (and paragraph (1) shall not
13 apply to such digital asset trading system) if the
14 trading system satisfies any exemption contained on
15 a list of exemptions prepared by the Commission to
16 be as close as practicable to those exemptions set
17 forth in section 240.3b–16(b) of title 17, Code of
18 Federal Regulations, applicable to the definition of
19 an exchange.

20 “(4) ADDITIONAL REGISTRATIONS.—

21 “(A) WITH THE COMMISSION.—

22 “(i) IN GENERAL.—A registered dig-
23 ital asset trading system shall be permitted
24 to maintain any other registration with the
25 Commission relating to the other activities

1 of the registered digital asset trading sys-
2 tem, including as a—

3 “(I) national securities exchange;

4 “(II) broker;

5 “(III) dealer;

6 “(IV) alternative trading system,
7 pursuant to part 242 of title 17, Code
8 of Federal Regulations, as in effect on
9 the date of enactment of this sub-
10 section;

11 “(V) digital asset broker; or

12 “(VI) digital asset dealer.

13 “(ii) RULEMAKING.—The Commission
14 shall prescribe rules for an entity with
15 multiple registrations described under
16 clause (i) to exempt the entity from dupli-
17 cative, conflicting, or unduly burdensome
18 provisions of this Act and the rules under
19 this Act, to the extent such an exemption
20 would protect investors, maintain fair, or-
21 derly, and efficient markets, and facilitate
22 capital formation.

23 “(B) WITH THE COMMODITY FUTURES
24 TRADING COMMISSION.—A registered digital
25 asset trading system shall be permitted to

1 maintain a registration with the Commodity
2 Futures Trading Commission as a digital com-
3 modity exchange to offer contracts of sale for
4 digital commodities.”.

5 **SEC. 404. REQUIREMENTS FOR DIGITAL ASSET TRADING**
6 **SYSTEMS.**

7 Title I of the Securities Exchange Act of 1934 (15
8 U.S.C. 78a et seq.) is amended by inserting after section
9 6 the following:

10 **“SEC. 6A. REQUIREMENTS FOR DIGITAL ASSET TRADING**
11 **SYSTEMS.**

12 “(a) HOLDING OF CUSTOMER ASSETS.—

13 “(1) QUALIFIED DIGITAL ASSET CUSTODIAN
14 REQUIRED.—A digital asset trading system shall
15 hold customer restricted digital assets with a quali-
16 fied digital asset custodian described under section
17 6B.

18 “(2) CUSTODY PROHIBITED.—A digital asset
19 trading system, in its capacity as such, may not hold
20 custody of customer money, assets, or property.

21 “(3) CUSTODY IN OTHER CAPACITY.—Nothing
22 in this Act may be construed to prohibit a person
23 registered as a digital asset trading system from
24 holding custody of customer money, assets, or prop-
25 erty in any other permitted capacity, including as a

1 digital asset broker, digital asset dealer, or qualified
2 digital asset custodian in compliance with the re-
3 quirements of this Act.

4 “(b) RULEMAKING.—The Commission shall prescribe
5 rules for digital asset trading systems relating to the fol-
6 lowing:

7 “(1) NOTICE.—Notice to the Commission of the
8 initial operation of a digital asset trading system or
9 any material change to the operation of the digital
10 asset trading system.

11 “(2) ORDER DISPLAY.—The thresholds at
12 which a digital asset trading system is required to
13 display the orders of the digital asset trading sys-
14 tem, and the manner of such display.

15 “(3) FAIR ACCESS.—The thresholds at which a
16 digital asset trading system is required to have poli-
17 cies regarding providing fair access to the digital
18 asset trading system.

19 “(4) CAPACITY, INTEGRITY, AND SECURITY OF
20 AUTOMATED SYSTEMS.—Policies and procedures rea-
21 sonably designed to ensure the capacity, integrity,
22 and security of the digital asset trading system, tak-
23 ing into account the particular nature of digital
24 asset trading systems.

1 “(5) EXAMINATIONS, INSPECTIONS, AND INVES-
2 TIGATIONS.—The examination and inspection of the
3 premises, systems, and records of the digital asset
4 trading system by the Commission or by a self-regu-
5 latory organization of which such digital asset trad-
6 ing system is a member.

7 “(6) RECORDKEEPING.—The making, keeping
8 current, and preservation of records related to trad-
9 ing activity on the digital asset trading system.

10 “(7) REPORTING.—The reporting of trans-
11 actions in digital assets that occur through the dig-
12 ital asset trading system.

13 “(8) PROCEDURES.—The establishment of ade-
14 quate written safeguards and written procedures to
15 protect confidential trading information.

16 “(c) NAME REQUIREMENT.—A digital asset trading
17 system may not use the word ‘exchange’ in the name of
18 the digital asset trading system, unless the digital asset
19 trading system—

20 “(1) is operated by a registered national securi-
21 ties exchange; and

22 “(2) is clearly indicated as being provided out-
23 side of the system’s capacity as a national securities
24 exchange.

1 “(d) TREATMENT UNDER THE BANK SECRECY
2 ACT.—A digital asset trading system shall be treated as
3 a financial institution for purposes of the Bank Secrecy
4 Act.

5 **“SEC. 6B. REQUIREMENTS FOR QUALIFIED DIGITAL ASSET**
6 **CUSTODIANS.**

7 “(a) IN GENERAL.—A digital asset custodian is a
8 qualified digital asset custodian if the digital asset custo-
9 dian complies with the requirements of this section.

10 “(b) SUPERVISION REQUIREMENT.—A digital asset
11 custodian that is not subject to supervision and examina-
12 tion by an appropriate Federal banking agency, the Na-
13 tional Credit Union Administration, the Commodity Fu-
14 tures Trading Commission, or the Securities and Ex-
15 change Commission shall be subject to adequate super-
16 vision and appropriate regulation by—

17 “(1) a State bank supervisor (within the mean-
18 ing of section 3 of the Federal Deposit Insurance
19 Act);

20 “(2) a State credit union supervisor, as defined
21 under section 6003 of the Anti-Money Laundering
22 Act of 2020; or

23 “(3) an appropriate foreign governmental au-
24 thority in the home country of the digital asset cus-
25 todian.

1 “(c) OTHER REQUIREMENTS.—

2 “(1) NOT OTHERWISE PROHIBITED.—The dig-
3 ital asset custodian has not been prohibited by a su-
4 pervisor of the digital asset custodian from engaging
5 in an activity with respect to the custody and safe-
6 keeping of digital assets.

7 “(2) INFORMATION SHARING.—

8 “(A) IN GENERAL.—A digital asset custo-
9 dian shall share information with the Commis-
10 sion on request and comply with such require-
11 ments for periodic sharing of information re-
12 garding customer accounts that the digital asset
13 custodian holds on behalf of an entity registered
14 with the Commission as the Commission deter-
15 mines by rule are reasonably necessary to effec-
16 tuate any of the provisions, or to accomplish
17 any of the purposes, of this Act.

18 “(B) PROVISION OF INFORMATION.—Any
19 entity that is subject to regulation and exam-
20 ination by an appropriate Federal banking
21 agency may satisfy any information request de-
22 scribed in subparagraph (A) by providing the
23 Commission with a detailed listing, in writing,
24 of the restricted digital assets of a customer
25 within the custody or use of the entity.

1 “(d) ADEQUATE SUPERVISION AND APPROPRIATE
2 REGULATION.—

3 “(1) IN GENERAL.—For purposes of subsection
4 (b), the terms ‘adequate supervision’ and ‘appro-
5 priate regulation’ mean such minimum standards for
6 supervision and regulation as are reasonably nec-
7 essary to protect the digital assets of customers of
8 an entity registered with the Commission, including
9 standards relating to the licensing, examination, and
10 supervisory processes that require the digital asset
11 custodian to, at a minimum—

12 “(A) receive a review and evaluation of
13 ownership, character and fitness, conflicts of in-
14 terest, business model, financial statements,
15 funding resources, and policies and procedures
16 of the digital asset custodian;

17 “(B) hold capital sufficient for the finan-
18 cial integrity of the digital asset custodian;

19 “(C) protect customer assets;

20 “(D) establish and maintain books and
21 records regarding the business of the digital
22 asset custodian;

23 “(E) submit financial statements and au-
24 dited financial statements to the applicable su-
25 pervisor described in subsection (b);

1 “(F) provide disclosures to the applicable
2 supervisor described in subsection (b) regarding
3 actions, proceedings, and other items as deter-
4 mined by such supervisor;

5 “(G) maintain and enforce policies and
6 procedures for compliance with applicable State
7 and Federal laws, including those related to
8 anti-money laundering and cybersecurity;

9 “(H) establish a business continuity plan
10 to ensure functionality in cases of disruption;
11 and

12 “(I) establish policies and procedures to re-
13 solve complaints.

14 “(2) RULEMAKING WITH RESPECT TO DEFINI-
15 TIONS.—

16 “(A) IN GENERAL.—For purposes of this
17 section, the Commission may, by rule, further
18 define the terms ‘adequate supervision’ and ‘ap-
19 propriate regulation’ as necessary in the public
20 interest, as appropriate for the protection of in-
21 vestors, and consistent with the purposes of this
22 Act.

23 “(B) CONDITIONAL TREATMENT OF CER-
24 TAIN CUSTODIANS BEFORE RULEMAKING.—Be-
25 fore the effective date of a rulemaking under

1 subparagraph (A), a trust company is deemed
2 subject to adequate supervision and appropriate
3 regulation if—

4 “(i) the trust company is expressly
5 permitted by a State bank supervisor to
6 engage in the custody and safekeeping of
7 digital assets;

8 “(ii) the State bank supervisor has es-
9 tablished licensing, examination, and su-
10 pervisory processes that require the trust
11 company to, at a minimum, meet the con-
12 ditions described in subparagraphs (A)
13 through (I) of paragraph (1); and

14 “(iii) the trust company is in good
15 standing with its State bank supervisor.

16 “(C) TRANSITION PERIOD FOR CERTAIN
17 CUSTODIANS.—In implementing the rulemaking
18 under subparagraph (A), the Commission shall
19 provide a transition period of not less than two
20 years for any trust company which is deemed
21 subject to adequate supervision and appropriate
22 regulation under subparagraph (B) on the ef-
23 fective date of the rulemaking.”.

1 **SEC. 405. REGISTRATION OF DIGITAL ASSET BROKERS AND**
2 **DIGITAL ASSET DEALERS.**

3 The Securities Exchange Act of 1934 (15 U.S.C. 78a
4 et seq.) is amended by inserting after section 15G the fol-
5 lowing:

6 **“SEC. 15H. REGISTRATION OF DIGITAL ASSET BROKERS**
7 **AND DIGITAL ASSET DEALERS.**

8 “(a) REGISTRATION.—

9 “(1) IN GENERAL.—It shall be unlawful for any
10 digital asset broker or digital asset dealer (other
11 than a natural person associated with a registered
12 digital asset broker or registered digital asset dealer,
13 and other than such a digital asset broker or digital
14 asset dealer whose business is exclusively intrastate
15 and who does not make use of a digital asset trading
16 system) to make use of the mails or any means or
17 instrumentality of interstate commerce to effect any
18 transactions in, or to induce or attempt to induce
19 the purchase or sale of, any restricted digital asset
20 unless such digital asset broker or digital asset deal-
21 er is registered in accordance with this section.

22 “(2) APPLICATION.—A person desiring to reg-
23 ister as a digital asset broker or digital asset dealer
24 shall submit to the Commission an application in
25 such form and containing such information as the

1 Commission may require for the purpose of making
2 the determinations required for approval.

3 “(b) NATIONAL SECURITIES ASSOCIATION MEMBER-
4 SHIP.—

5 “(1) IN GENERAL.—A digital asset broker or
6 digital asset dealer may not register or maintain reg-
7 istration under this section unless such digital asset
8 broker or digital asset dealer is a member of a na-
9 tional securities association registered under section
10 15A.

11 “(2) TREATMENT UNDER SECTION 15A.—

12 “(A) IN GENERAL.—For purposes of sec-
13 tion 15A—

14 “(i) the term ‘broker’ includes a dig-
15 ital asset broker and the term ‘registered
16 broker’ includes a registered digital asset
17 broker;

18 “(ii) the term ‘dealer’ includes a dig-
19 ital asset dealer and the term ‘registered
20 dealer’ includes a registered digital asset
21 dealer; and

22 “(iii) the term ‘security’ includes a re-
23 stricted digital asset.

24 “(B) CLARIFICATION.—Notwithstanding
25 subparagraph (A), a national securities associa-

1 tion shall, with respect to the restricted digital
2 asset activities of a digital asset broker or a
3 digital asset dealer, only examine for and en-
4 force against such digital asset broker or digital
5 asset dealer—

6 “(i) rules of such national securities
7 association written specifically for digital
8 asset brokers or digital asset dealers;

9 “(ii) the provisions of the Financial
10 Innovation and Technology for the 21st
11 Century Act and rules issued thereunder
12 applicable to digital asset brokers and dig-
13 ital asset dealers; and

14 “(iii) the provisions of the securities
15 laws and the rules thereunder applicable to
16 digital asset brokers and digital asset deal-
17 ers.

18 “(c) ADDITIONAL REGISTRATIONS WITH THE COM-
19 MISSION.—

20 “(1) IN GENERAL.—A registered digital asset
21 broker or registered digital asset dealer shall be per-
22 mitted to maintain any other registration with the
23 Commission relating to the other activities of the
24 registered digital asset broker or registered digital
25 asset dealer, including as—

1 “(A) a national securities exchange;

2 “(B) a broker;

3 “(C) a dealer;

4 “(D) an alternative trading system, pursu-
5 ant to part 242 of title 17, Code of Federal
6 Regulations, as in effect on the date of enact-
7 ment of this section; or

8 “(E) a digital asset trading system.

9 “(2) RULEMAKING.—The Commission shall pre-
10 scribe rules for an entity with multiple registrations
11 described under paragraph (1) to exempt the entity
12 from duplicative, conflicting, or unduly burdensome
13 provisions of this Act and the rules under this Act,
14 to the extent such an exemption would protect inves-
15 tors, maintain fair, orderly, and efficient markets,
16 and facilitate capital formation.

17 “(3) SELF-REGULATORY ORGANIZATIONS.—The
18 Commission shall require any self-regulatory organi-
19 zation with a registered digital asset broker or reg-
20 istered digital asset dealer as a member to provide
21 such rules as may be necessary to further compli-
22 ance with this section, protect investors, maintain
23 fair, orderly, and efficient markets, and facilitate
24 capital formation.

1 “(d) ADDITIONAL REGISTRATIONS WITH THE COM-
2 MODITY FUTURES TRADING COMMISSION.—A registered
3 digital asset broker or registered digital asset dealer shall
4 be permitted to maintain a registration with the Com-
5 modity Futures Trading Commission as a digital com-
6 modity broker or digital commodity dealer, to list or trade
7 contracts of sale for digital commodities.”.

8 **SEC. 406. REQUIREMENTS OF DIGITAL ASSET BROKERS**
9 **AND DIGITAL ASSET DEALERS.**

10 (a) IN GENERAL.—Section 15H of the Securities Ex-
11 change Act of 1934, as added by section 405, is amended
12 by adding at the end the following:

13 “(e) ANTI-FRAUD.—No digital asset broker or digital
14 asset dealer shall make use of the mails or any means or
15 instrumentality of interstate commerce to effect any trans-
16 action in, or to induce or attempt to induce the purchase
17 or sale of, any restricted digital asset by means of any
18 manipulative, deceptive, or other fraudulent device or con-
19 trivance.

20 “(f) HOLDING OF CUSTOMER ASSETS.—

21 “(1) IN GENERAL.—A digital asset broker or
22 digital asset dealer shall hold customer money, as-
23 sets, and property in a manner to minimize the risk
24 of loss to the customer or unreasonable delay in the

1 access to the money, assets, and property of the cus-
2 tomer.

3 “(2) QUALIFIED DIGITAL ASSET CUSTODIAN
4 REQUIRED.—A digital asset broker or digital asset
5 dealer shall hold customer restricted digital assets
6 described in paragraph (1) with a qualified digital
7 asset custodian described under section 6B.

8 “(3) SEGREGATION OF FUNDS.—

9 “(A) IN GENERAL.—A digital asset broker
10 or digital asset dealer shall treat and deal with
11 all money, assets, and property held for a cus-
12 tomer of the digital asset broker or digital asset
13 dealer, or that accrues to a customer as a result
14 of trading in restricted digital assets, as belong-
15 ing to the customer.

16 “(B) COMMINGLING PROHIBITED.—Money,
17 assets, and property of a customer described in
18 subparagraph (A) shall be separately accounted
19 for and shall not be commingled with the funds
20 of the digital asset broker or digital asset dealer
21 or be used to margin, secure, or guarantee any
22 trades of any person other than the customer of
23 the digital asset broker or digital asset dealer
24 for whom the same are held.

25 “(4) EXCEPTIONS.—

1 “(A) USE OF FUNDS.—

2 “(i) IN GENERAL.—Notwithstanding
3 paragraph (4), money, assets, and property
4 of customers of a digital asset broker or
5 digital asset dealer described in paragraph
6 (4) may be maintained and deposited in
7 the same account or accounts with any
8 bank, trust company, or qualified digital
9 asset custodian described under section
10 6B, if the money, assets, and property re-
11 main segregated from the money, assets,
12 and property of the digital asset broker or
13 digital asset dealer.

14 “(ii) WITHDRAWAL.—Notwithstanding
15 paragraph (4), such share of the money,
16 assets, and property described in para-
17 graph (4) as in the normal course of busi-
18 ness shall be necessary to transfer, adjust,
19 or settle a restricted digital asset trans-
20 action pursuant to a customer’s instruction
21 (standing or otherwise) may be withdrawn
22 and applied to such purposes, including the
23 withdrawal and payment of commissions,
24 brokerage, interest, taxes, storage, and
25 other charges lawfully accruing in connec-

1 tion with a restricted digital asset trans-
2 action.

3 “(iii) COMMISSION ACTION.—In ac-
4 cordance with such terms and conditions
5 as the Commission may prescribe by rule,
6 regulation, or order, any money, assets, or
7 property of a customer of a digital asset
8 broker or digital asset dealer described in
9 paragraph (4) may be commingled and de-
10 posited as provided in this section with any
11 other money, assets, or property received
12 by the digital asset broker or digital asset
13 dealer and required by the Commission to
14 be separately accounted for and treated
15 and dealt with as belonging to the cus-
16 tomer of the digital asset broker or digital
17 asset dealer.

18 “(B) PARTICIPATION IN BLOCKCHAIN
19 SERVICES.—

20 “(i) IN GENERAL.—A customer shall
21 have the right to waive the restrictions in
22 paragraph (4) for any unit of a digital
23 asset to be used under clause (ii), by af-
24 firmatively electing, in writing to the dig-

1 ital asset broker or digital asset dealer, to
2 waive the restrictions.

3 “(ii) USE OF FUNDS.—Customer dig-
4 ital assets removed from segregation under
5 clause (i) may be pooled and used by the
6 digital asset broker or digital asset dealer
7 or its designee to provide a blockchain
8 service for a blockchain system to which
9 the unit of the digital asset removed from
10 segregation under clause (i) relates.

11 “(iii) LIMITATIONS.—

12 “(I) IN GENERAL.—The Commis-
13 sion may, by rule, establish notice and
14 disclosure requirements, and any
15 other limitations and rules related to
16 the waiving of any restrictions under
17 this subparagraph that are reasonably
18 necessary to protect customers.

19 “(II) CUSTOMER CHOICE.—A
20 digital asset broker or digital asset
21 dealer may not require a waiver from
22 a customer described in clause (i) as
23 a condition of doing business with the
24 digital asset broker or digital asset
25 dealer.

1 “(iv) BLOCKCHAIN SERVICE DE-
2 FINED.—In this subparagraph, the term
3 ‘blockchain service’ means any activity re-
4 lating to validating transactions on a
5 blockchain system, providing security for a
6 blockchain system, or other similar activity
7 required for the ongoing operation of a
8 blockchain system.

9 “(5) FURTHER LIMITATIONS.—No person shall
10 treat or deal with a restricted digital asset held on
11 behalf of any customer pursuant to paragraph (4) by
12 utilizing any unit of such restricted digital asset to
13 participate in a blockchain service (as defined in
14 paragraph (5)(B)(iv)) or a decentralized governance
15 system associated with the restricted digital asset or
16 the blockchain system to which the restricted digital
17 asset relates in any manner other than that which
18 is expressly directed by the customer from which
19 such unit of a restricted digital asset was received.

20 “(g) CAPITAL REQUIREMENTS.—

21 “(1) IN GENERAL.—Each registered digital
22 asset broker and registered digital asset dealer shall
23 meet such minimum capital requirements as the
24 Commission may prescribe to ensure that the digital
25 asset broker or digital asset dealer is able to—

1 “(A) conduct an orderly wind-down of the
2 activities of the digital asset broker or digital
3 asset dealer; and

4 “(B) fulfill the customer obligations of the
5 digital asset broker or digital asset dealer.

6 “(2) CALCULATION.—For purposes of any
7 Commission rule or order adopted under this section
8 or any interpretation thereof regulating a digital
9 asset broker or digital asset dealer’s financial re-
10 sponsibility obligations and capital requirements, a
11 registered digital asset broker or digital asset dealer
12 that maintains control of customer digital assets in
13 a manner that satisfies the rules issued by the Com-
14 mission under subsection (f)(2) shall not be required
15 to include the custodial obligation with respect to
16 such digital assets as liabilities or such digital assets
17 as assets of the digital asset broker or digital asset
18 dealer.

19 “(h) REPORTING AND RECORDKEEPING.—Each reg-
20 istered digital asset broker and digital asset dealer—

21 “(1) shall make such reports as are required by
22 the Commission by rule or regulation regarding the
23 transactions, positions, and financial condition of the
24 digital asset broker or digital asset dealer;

“(2) shall keep books and records in such form
and manner and for such period as may be pre-
scribed by the Commission by rule or regulation; and

4 “(3) shall keep the books and records open to
5 inspection and examination by any representative of
6 the Commission.

7 “(i) TREATMENT UNDER THE BANK SECRECY
8 ACT.—A digital asset broker and a digital asset dealer
9 shall be treated as a financial institution for purposes of
10 the Bank Secrecy Act.”.

(b) DEFINITION OF CLEARING AGENCY.—Section 3(a)(23)(B) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(23)(B)) is amended by inserting “digital asset broker, digital asset dealer,” after “broker, dealer,” each place such term appears.

16 SEC. 407. RULES RELATED TO CONFLICTS OF INTEREST.

The Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by inserting after section 10D the following:

20 “SEC. 10E. CONFLICTS OF INTEREST RELATED TO DIGITAL
21 ASSETS.

22 “Each registered digital asset trading system, reg-
23 istered digital asset broker, registered digital asset dealer,
24 and notice-registered digital asset clearing agency shall es-
25 tablish, maintain, and enforce written policies and proce-

1 dures reasonably designed, taking into consideration the
2 nature of such person’s business, to mitigate any conflicts
3 of interest and transactions or arrangements with affili-
4 ates.”.

5 **SEC. 408. TREATMENT OF CERTAIN DIGITAL ASSETS IN**
6 **CONNECTION WITH FEDERALLY REGULATED**
7 **INTERMEDIARIES.**

8 Section 18(b) of the Securities Act of 1933 (15
9 U.S.C. 77r(b)) is amended by adding at the end the fol-
10 lowing:

11 “(5) EXEMPTION FOR CERTAIN DIGITAL ASSETS
12 IN CONNECTION WITH FEDERALLY REGULATED
13 INTERMEDIARIES.—A restricted digital asset is
14 treated as a covered security with respect to a trans-
15 action that is exempt from registration under this
16 Act when it is—

17 “(A) brokered, traded, custodied, or
18 cleared by a digital asset broker or digital asset
19 dealer registered under section 15H of the Se-
20 curities Exchange Act of 1934; or

21 “(B) traded through a digital asset trading
22 system.”.

1 **SEC. 409. EXCLUSION FOR DECENTRALIZED FINANCE AC-**
2 **TIVITIES.**

3 The Securities Exchange Act of 1934 (15 U.S.C. 78a
4 et seq.), as amended by section 405, is further amended
5 by inserting after section 15H the following:

6 **“SEC. 15I. DECENTRALIZED FINANCE ACTIVITIES NOT SUB-**
7 **JECT TO THIS ACT.**

8 “(a) IN GENERAL.—Notwithstanding any other pro-
9 vision of this Act, a person shall not be subject to this
10 Act and the regulations thereunder based on the person
11 directly or indirectly engaging in any of the following ac-
12 tivities, whether singly or in combination thereof, in rela-
13 tion to the operation of a blockchain system or in relation
14 to decentralized finance (as defined in section 605(d) of
15 the Financial Innovation and Technology for the 21st
16 Century Act):

17 “(1) Compiling network transactions, operating
18 or participating in a liquidity pool, relaying, search-
19 ing, sequencing, validating, or acting in a similar ca-
20 pacity with respect to a digital asset.

21 “(2) Providing computational work, operating a
22 node, or procuring, offering, or utilizing network
23 bandwidth, or other similar incidental services with
24 respect to a digital asset.

25 “(3) Providing a user-interface that enables a
26 user to read and access data about a blockchain sys-

1 tem, send messages, or otherwise interact with a
2 blockchain system.

3 “(4) Developing, publishing, constituting, ad-
4 ministering, maintaining, or otherwise distributing a
5 blockchain system.

6 “(5) Developing, publishing, constituting, ad-
7 ministering, maintaining, or otherwise distributing
8 software or systems that create or deploy a hard-
9 ware or software wallet or other system facilitating
10 an individual user’s own personal ability to keep,
11 safeguard, or custody such user’s digital assets or
12 related private keys.

13 “(b) EXCEPTIONS.—Subsection (a) shall not be con-
14 strued to apply to the anti-fraud and anti-manipulation
15 authorities of the Commission.”.

16 **SEC. 410. REGISTRATION AND REQUIREMENTS FOR NO-**
17 **TICE-REGISTERED DIGITAL ASSET CLEARING**
18 **AGENCIES.**

19 Section 17A(b) of the Securities Exchange Act of
20 1934 (15 U.S.C. 78q-1(b)) is amended—

21 (1) in subsection (1), by inserting after the first
22 sentence the following: “The previous sentence shall
23 not apply to a notice-registered digital asset clearing
24 agency with respect to a restricted digital asset.”;
25 and

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

2 “(9) REGISTRATION AND REQUIREMENTS FOR
3 NOTICE-REGISTERED DIGITAL ASSET CLEARING
4 AGENCY.—

5 “(A) ELIGIBILITY.—A person may register
6 with the Commission as a notice-registered dig-
7 ital asset clearing agency if the person—

8 “(i) is otherwise registered as a digital
9 asset broker or digital asset dealer with the
10 Commission and is engaging in a business
11 involving restricted digital assets, in com-
12 pliance with Commission rules pursuant to
13 section 15H(f);

14 “(ii) is a bank; or

15 “(iii) is a clearing agency already reg-
16 istered with the Commission pursuant to
17 this section.

18 “(B) REGISTRATION.—A person may reg-
19 ister with the Commission as a notice-registered
20 digital asset clearing agency by filing with the
21 Commission a notice of the activities of the per-
22 son or planned activities in such form as the
23 Commission determines appropriate.

24 “(C) EFFECTIVENESS OF REGISTRA-
25 TION.—

1 “(i) IN GENERAL.—The registration
2 of a person filing a notice described under
3 subparagraph (B) as a notice-registered
4 digital asset clearing agency shall be effective
5 upon publication by the Commission of
6 such notice, which shall occur no later than
7 14 days after the date of such filing.

8 “(ii) INITIAL REGISTRATIONS.—

9 “(I) IN GENERAL.—A person
10 registered as a notice-registered digital
11 asset clearing agency before the
12 date on which the Commission adopts
13 rules under subparagraph (D) shall,
14 after such rules are adopted, renew
15 the person’s registration pursuant to
16 such rules.

17 “(II) EXCEPTION.—Notwithstanding
18 subclause (I), a person registered
19 as a notice-registered digital
20 asset clearing agency before the end
21 of the 2-year period beginning on the
22 date of the enactment of this section
23 shall have such registration remain in
24 effect until the end of such 2-year period.
25

1 “(D) RULEMAKING.—The Commission
2 may adopt rules, which may not take effect
3 until at least 360 days following the date of en-
4 actment of this paragraph, with regard to the
5 activities of notice-registered digital asset clear-
6 ing agencies, taking into account the nature of
7 restricted digital assets.”.

8 **SEC. 411. TREATMENT OF CUSTODY ACTIVITIES BY BANK-**
9 **ING INSTITUTIONS.**

10 (a) TREATMENT OF CUSTODY ACTIVITIES.—The ap-
11 propriate Federal banking agency (as defined under sec-
12 tion 3 of the Federal Deposit Insurance Act (12 U.S.C.
13 1813)), the National Credit Union Administration (in the
14 case of a credit union), and the Securities and Exchange
15 Commission may not require, or take supervisory action
16 that would cause, a depository institution, national bank,
17 Federal credit union, State credit union, or trust company,
18 or any affiliate (as such term is defined under section 2
19 of the Bank Holding Company Act of 1956) thereof—

20 (1) to include assets held in custody or safe-
21 keeping, or the assets associated with a cryp-
22 tographic key held in custody or safekeeping, as a li-
23 ability on such institution’s financial statement or
24 balance sheet, except that cash held for a third party
25 by such institution that is commingled with the gen-

1 eral assets of such institution may be reflected as a
2 liability on a financial statement or balance sheet;

3 (2) to hold additional regulatory capital against
4 assets in custody or safekeeping, or the assets asso-
5 ciated with a cryptographic key held in custody or
6 safekeeping, except as necessary to mitigate against
7 operational risks inherent with the custody or safe-
8 keeping services, as determined by—

9 (A) the appropriate Federal banking agen-
10 cy;

11 (B) the National Credit Union Administra-
12 tion (in the case of a credit union);

13 (C) a State bank supervisor (as defined
14 under section 3 of the Federal Deposit Insur-
15 ance Act (12 U.S.C. 1813)); or

16 (D) a State credit union supervisor (as de-
17 fined under section 6003 of the Anti-Money
18 Laundering Act of 2020);

19 (3) to recognize a liability for any obligations
20 related to activities or services performed for digital
21 assets with respect to which such institution does
22 not have beneficial ownership if that liability would
23 exceed the expense recognized in the income state-
24 ment as a result of the corresponding obligation.

25 (b) DEFINITIONS.—In this section:

1 (1) DEPOSITORY INSTITUTION.—The term “de-
2 pository institution” has the meaning given that
3 term under section 3 of the Federal Deposit Insur-
4 ance Act.

5 (2) CREDIT UNION TERMS.—The terms “Fed-
6 eral credit union” and “State credit union” have the
7 meaning given those terms, respectively, under sec-
8 tion 101 of the Federal Credit Union Act.

9 **SEC. 412. EFFECTIVE DATE; ADMINISTRATION.**

10 Except as otherwise provided under this title, this
11 title and the amendments made by this title shall take ef-
12 fect 360 days after the date of enactment of this Act, ex-
13 cept that, to the extent a provision of this title requires
14 a rulemaking, the provision shall take effect on the later
15 of—

16 (1) 360 days after the date of enactment of this
17 Act; or

18 (2) 60 days after the publication in the Federal
19 Register of the final rule implementing the provision.

20 **SEC. 413. DISCRETIONARY SURPLUS FUND.**

21 (a) IN GENERAL.—The dollar amount specified
22 under section 7(a)(3)(A) of the Federal Reserve Act (12
23 U.S.C. 289(a)(3)(A)) is reduced by \$15,000,000.

24 (b) EFFECTIVE DATE.—The amendment made by
25 subsection (a) shall take effect on September 30, 2034.

1 **TITLE V—REGISTRATION FOR**
2 **DIGITAL ASSET INTER-**
3 **MEDIARIES AT THE COM-**
4 **MODITY FUTURES TRADING**
5 **COMMISSION**

6 **SEC. 501. COMMISSION JURISDICTION OVER DIGITAL COM-**
7 **MODITY TRANSACTIONS.**

8 (a) SAVINGS CLAUSE.—Section 2(a)(1) of the Com-
9 modity Exchange Act (7 U.S.C. 2(a)(1)) is amended by
10 adding at the end the following:

11 “(J) Except as expressly provided in this
12 Act, nothing in the Financial Innovation and
13 Technology for the 21st Century Act shall af-
14 fect or apply to, or be interpreted to affect or
15 apply to—

16 “(i) any agreement, contract, or
17 transaction that is subject to this Act as—

18 “(I) a contract of sale of a com-
19 modity for future delivery or an op-
20 tion on such a contract;

21 “(II) a swap;

22 “(III) a security futures product;

23 “(IV) an option authorized under
24 section 4c of this Act;

1 “(V) an agreement, contract, or
2 transaction described in subparagraph
3 (C)(i) or (D)(i) of subsection (c)(2) of
4 this section; or

5 “(VI) a leverage transaction au-
6 thorized under section 19 of this Act;
7 or

8 “(ii) the activities of any person with
9 respect to any such an agreement, con-
10 tract, or transaction.”.

11 (b) LIMITATION ON AUTHORITY OVER PERMITTED
12 PAYMENT STABLECOINS.—Section 2(c)(1) of the Com-
13modity Exchange Act (7 U.S.C. 2(c)(1)) is amended—

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

16 (2) in subparagraph (G), by striking the period
17 and inserting “; or”; and

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

19 “(H) permitted payment stablecoins.”.

20 (c) COMMISSION JURISDICTION OVER DIGITAL
21 ASSET TRANSACTIONS.—Section 2(c)(2) of the Com-
22modity Exchange Act (7 U.S.C. 2(c)(2)) is amended—

23 (1) in subparagraph (D)—

24 (A) in clause (ii)—

1 (i) in subclause (I) by inserting
2 “(other than an agreement, contract, or
3 transaction in a permitted payment
4 stablecoin)” after “paragraph (1)”;

5 (ii) in subclause (III)—

6 (I) in the matter that precedes
7 item (aa), by inserting “of a com-
8 modity, other than a digital com-
9 modity or a permitted payment
10 stablecoin,” before “that”; and

11 (II) in item (bb), by striking
12 “or” at the end; and

13 (iii) by redesignating subclauses (IV)
14 and (V) as subclauses (VI) and (VII) and
15 inserting after subclause (III) the fol-
16 lowing:

17 “(IV) a contract of sale of a dig-
18 ital commodity or a permitted pay-
19 ment stablecoin that results in actual
20 delivery, as the Commission shall by
21 rule determine, within 2 days or such
22 other period as the Commission may
23 determine by rule or regulation based
24 upon the typical commercial practice

1 in cash or spot markets for the digital
2 commodity involved;

3 “(V) a contract of sale of a dig-
4 ital commodity or a permitted pay-
5 ment stablecoin that—

6 “(aa) is executed with a reg-
7 istered digital commodity deal-
8 er—

9 “(AA) directly;

10 “(BB) through a reg-
11 istered digital commodity
12 broker; or

13 “(CC) on or subject to
14 the rules of a registered dig-
15 ital commodity exchange;
16 and

17 “(bb) is not a contract of
18 sale of—

19 “(AA) a digital com-
20 modity or a permitted pay-
21 ment stablecoin that ref-
22 erences, represents an inter-
23 est in, or is functionally
24 equivalent to an agricultural
25 commodity, an excluded

1 commodity, or an exempt
2 commodity, other than the
3 digital commodity itself, as
4 shall be further defined by
5 the Commission; or

6 “(BB) a digital com-
7 modity or a permitted pay-
8 ment stablecoin to which the
9 Commission determines, by
10 rule or regulation, it is not
11 in the public interest for this
12 section to apply;” and

13 (B) by redesignating clause (iv) as clause
14 (v) and inserting after clause (iii) the following:

15 “(iv) The Commission shall adopt
16 rules and regulations applicable to digital
17 commodity dealers and digital commodity
18 brokers in connection with the agreements,
19 contracts or transactions in digital com-
20 modities or permitted payment stablecoins
21 described in clause (ii)(V) of this subpara-
22 graph, which shall set forth minimum re-
23 quirements related to disclosure, record-
24 keeping, margin and financing arrange-
25 ments, capital, reporting, business conduct,

1 documentation, and supervision of employ-
2 ees and agents. Except as prohibited in
3 subparagraph (G)(iii), the Commission
4 may also make, promulgate, and enforce
5 such rules and regulations as, in the judg-
6 ment of the Commission, are reasonably
7 necessary to effectuate any of the provi-
8 sions of, or to accomplish any of the pur-
9 poses of, this Act in connection with agree-
10 ments, contracts, or transactions described
11 in such clause (ii)(V), which may include,
12 without limitation, requirements regarding
13 registration with the Commission and
14 membership in a registered futures asso-
15 ciation.”; and

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

17 “(F) COMMISSION JURISDICTION WITH RESPECT TO
18 DIGITAL COMMODITY TRANSACTIONS.—

19 “(i) IN GENERAL.—Subject to sections 6d and
20 12(e), the Commission shall have exclusive jurisdic-
21 tion with respect to any account, agreement, con-
22 tract, or transaction involving a contract of sale of
23 a digital commodity in interstate commerce, includ-
24 ing in a digital commodity cash or spot market, that

1 is offered, solicited, traded, facilitated, executed,
2 cleared, reported, or otherwise dealt in—

3 “(I) on or subject to the rules of a reg-
4 istered entity or an entity that is required to be
5 registered as a registered entity; or

6 “(II) by any other entity registered, or re-
7 quired to be registered, with the Commission.

8 “(ii) LIMITATIONS.—Clause (i) shall not apply
9 with respect to custodial or depository activities for
10 a digital commodity, or custodial or depository ac-
11 tivities for any promise or right to a future digital
12 commodity, of an entity regulated by an appropriate
13 Federal banking agency or a State bank supervisor
14 (within the meaning of section 3 of the Federal De-
15 posit Insurance Act).

16 “(iii) MIXED DIGITAL ASSET TRANSACTIONS.—

17 “(I) IN GENERAL.—Clause (i) shall not
18 apply to a mixed digital asset transaction.

19 “(II) REPORTS ON MIXED DIGITAL ASSET
20 TRANSACTIONS.—A digital asset issuer, related
21 person, affiliated person, or other person reg-
22 istered with the Securities and Exchange Com-
23 mission that engages in a mixed digital asset
24 transaction, shall, on request, open to inspec-
25 tion and examination by the Commodity Fu-

1 tures Trading Commission all books and
2 records relating to the mixed digital asset
3 transaction, subject to the confidentiality and
4 disclosure requirements of section 8.

5 “(G) AGREEMENTS, CONTRACTS, AND TRANS-
6 ACTIONS IN STABLECOINS.—

7 “(i) TREATMENT OF PERMITTED PAYMENT
8 STABLECOINS ON COMMISSION-REGISTERED ENTI-
9 TIES.—Subject to clauses (ii) and (iii), the Commis-
10 sion shall have jurisdiction over a cash or spot
11 agreement, contract, or transaction in a permitted
12 payment stablecoin that is offered, offered to enter
13 into, entered into, executed, confirmed the execution
14 of, solicited, or accepted—

15 “(I) on or subject to the rules of a reg-
16 istered entity; or

17 “(II) by any other entity registered with
18 the Commission.

19 “(ii) PERMITTED PAYMENT STABLECOIN
20 TRANSACTION RULES.—This Act shall apply to a
21 transaction described in clause (i) only for the pur-
22 pose of regulating the offer, execution, solicitation,
23 or acceptance of a cash or spot permitted payment
24 stablecoin transaction on a registered entity or by
25 any other entity registered with the Commission, as

1 if the permitted payment stablecoin were a digital
2 commodity.

3 “(iii) NO AUTHORITY OVER PERMITTED PAY-
4 MENT STABLECOINS.—Notwithstanding clauses (i)
5 and (ii), the Commission shall not make a rule or
6 regulation, impose a requirement or obligation on a
7 registered entity or other entity registered with the
8 Commission, or impose a requirement or obligation
9 on a permitted payment stablecoin issuer, regarding
10 the operation of a permitted payment stablecoin
11 issuer or a permitted payment stablecoin.”.

12 (d) CONFORMING AMENDMENT.—Section 2(a)(1)(A)
13 of such Act (7 U.S.C. 2(a)(1)(A)) is amended in the 1st
14 sentence by inserting “subparagraphs (F) and (G) of sub-
15 section (c)(2) of this section or” before “section 19”.

16 **SEC. 502. REQUIRING FUTURES COMMISSION MERCHANTS**
17 **TO USE QUALIFIED DIGITAL COMMODITY**
18 **CUSTODIANS.**

19 Section 4d of the Commodity Exchange Act (7 U.S.C.
20 6d) is amended—

21 (1) in subsection (a)(2)—

22 (A) in the 1st proviso, by striking “any
23 bank or trust company” and inserting “any
24 bank, trust company, or qualified digital com-
25 modity custodian”; and

1 (B) by inserting “: *Provided further*, That
2 any such property that is a digital commodity
3 shall be held in a qualified digital commodity
4 custodian” before the period at the end; and
5 (2) in subsection (f)(3)(A)(i), by striking “any
6 bank or trust company” and inserting “any bank,
7 trust company, or qualified digital commodity custo-
8 dian”.

9 **SEC. 503. TRADING CERTIFICATION AND APPROVAL FOR**
10 **DIGITAL COMMODITIES.**

11 Section 5c of the Commodity Exchange Act (7 U.S.C.
12 7a–2) is amended—

13 (1) in subsection (a), by striking “5(d) and
14 5b(c)(2)” and inserting “5(d), 5b(c)(2), and 5i(c)”;
15 (2) in subsection (b)—

16 (A) in each of paragraphs (1) and (2), by
17 inserting “digital commodity exchange,” before
18 “derivatives”; and

19 (B) in paragraph (3), by inserting “digital
20 commodity exchange,” before “derivatives” each
21 place it appears;

22 (3) in subsection (c)—

23 (A) in paragraph (2), by inserting “or par-
24 ticipants” before “(in”;

1 (B) in paragraph (4)(B), by striking
2 “1a(10)” and inserting “1a(9)”; and

3 (C) in paragraph (5), by adding at the end
4 the following:

5 “(D) SPECIAL RULES FOR DIGITAL COM-
6 MODITY CONTRACTS.—In certifying any new
7 rule or rule amendment, or listing any new con-
8 tract or instrument, in connection with a con-
9 tract of sale of a commodity for future delivery,
10 option, swap, or other agreement, contract, or
11 transaction, that is based on or references a
12 digital commodity, a registered entity shall
13 make or rely on a certification under subsection
14 (d) for the digital commodity.”; and

15 (4) by inserting after subsection (c) the fol-
16 lowing:

17 “(d) CERTIFICATIONS FOR DIGITAL COMMODITY
18 TRADING.—

19 “(1) IN GENERAL.—Notwithstanding subsection
20 (c), for the purposes of listing or offering a digital
21 commodity for trading in a digital commodity cash
22 or spot market, an eligible entity shall issue a writ-
23 ten certification that the digital commodity meets
24 the requirements of this Act (including the regula-
25 tions prescribed under this Act).

1 “(2) CONTENTS OF THE CERTIFICATION.—

2 “(A) IN GENERAL.—In making a written
3 certification under this paragraph, the eligible
4 entity shall furnish to the Commission—

5 “(i) an analysis of how the digital
6 commodity meets the requirements of sec-
7 tion 5i(c)(3);

8 “(ii) information about the digital
9 commodity regarding—

10 “(I) its purpose and use;

11 “(II) its unit creation or release
12 process;

13 “(III) its consensus mechanism;

14 “(IV) its governance structure;

15 “(V) its participation and dis-
16 tribution; and

17 “(VI) its current and proposed
18 functionality; and

19 “(iii) any other information, analysis,
20 or documentation the Commission may, by
21 rule, require.

22 “(B) RELIANCE ON PRIOR DISCLO-
23 SURES.—In making a certification under this
24 subsection, an eligible entity may rely on the
25 records and disclosures of any relevant person

1 registered with the Securities and Exchange
2 Commission or other State or Federal agency.

3 “(3) MODIFICATIONS.—

4 “(A) IN GENERAL.—An eligible entity shall
5 modify a certification made under paragraph
6 (1) to—

7 “(i) account for significant changes in
8 any information provided to the Commis-
9 sion under paragraph (2)(A)(ii); or

10 “(ii) permit or restrict trading in
11 units of a digital commodity held by a re-
12 lated person or an affiliated person.

13 “(B) RECERTIFICATION.—Modifications
14 required by this subsection shall be subject to
15 the same disapproval and review process as a
16 new certification under paragraphs (4) and (5).

17 “(4) DISAPPROVAL.—

18 “(A) IN GENERAL.—The written certifi-
19 cation described in paragraph (1) shall become
20 effective unless the Commission finds that the
21 digital asset does not meet the requirements of
22 this Act or the rules and regulations there-
23 under.

24 “(B) ANALYSIS REQUIRED.—The Commis-
25 sion shall include, with any findings referred to

1 in subparagraph (A), a detailed analysis of the
2 factors on which the decision was based.

3 “(C) PUBLIC FINDINGS.—The Commission
4 shall make public any disapproval decision, and
5 any related findings and analysis, made under
6 this paragraph.

7 “(5) REVIEW.—

8 “(A) IN GENERAL.—Unless the Commis-
9 sion makes a disapproval decision under para-
10 graph (4), the written certification described in
11 paragraph (1) shall become effective, pursuant
12 to the certification by the eligible entity and no-
13 tice of the certification to the public (in a man-
14 ner determined by the Commission) on the date
15 that is—

16 “(i) 20 business days after the date
17 the Commission receives the certification
18 (or such shorter period as determined by
19 the Commission by rule or regulation), in
20 the case of a digital commodity that has
21 not been certified under this section or for
22 which a certification is being modified
23 under paragraph (3); or

24 “(ii) 2 business days after the date
25 the Commission receives the certification

1 (or such shorter period as determined by
2 the Commission by rule or regulation) for
3 any digital commodity that has been cer-
4 tified under this section.

5 “(B) EXTENSIONS.—The time for consid-
6 eration under subparagraph (A) may be ex-
7 tended through notice to the eligible entity that
8 there are novel or complex issues that require
9 additional time to analyze, that the explanation
10 by the submitting eligible entity is inadequate,
11 or of a potential inconsistency with this Act—

12 “(i) once, for 30 business days,
13 through written notice to the eligible entity
14 by the Chairman; and

15 “(ii) once, for an additional 30 busi-
16 ness days, through written notice to the
17 digital commodity exchange from the Com-
18 mission that includes a description of any
19 deficiencies with the certification, including
20 any—

21 “(I) novel or complex issues
22 which require additional time to ana-
23 lyze;

24 “(II) missing information or in-
25 adequate explanations; or

1 “(III) potential inconsistencies
2 with this Act.

3 “(6) CERTIFICATION REQUIRED.—Notwith-
4 standing any other provision of this Act, a registered
5 entity or other entity registered with the Commis-
6 sion shall not list for trading, accept for clearing,
7 offer to enter into, enter into, execute, confirm the
8 execution of, or conduct any office or business any-
9 where in the United States, its territories or posses-
10 sions, for the purpose of soliciting, or accepting any
11 order for, or otherwise dealing in, any transaction
12 in, or in connection with, a digital commodity, unless
13 a certification has been made under this section for
14 the digital commodity.

15 “(7) PRIOR APPROVAL BEFORE REGISTRA-
16 TION.—

17 “(A) IN GENERAL.—A person applying for
18 registration with the Commission for the pur-
19 poses of listing or offering a digital commodity
20 for trading in a digital commodity cash or spot
21 market may request that the Commission grant
22 prior approval for the person to list or offer the
23 digital commodity on being registered with the
24 Commission.

1 “(B) REQUEST FOR PRIOR APPROVAL.—A
2 person seeking prior approval under subpara-
3 graph (A) shall furnish the Commission with a
4 written certification that the digital commodity
5 meets the requirements of this Act (including
6 the regulations prescribed under this Act) and
7 the information described in paragraph (2).

8 “(C) DEADLINE.—The Commission shall
9 take final action on a request for prior approval
10 not later than 90 business days after submis-
11 sion of the request, unless the person submit-
12 ting the request agrees to an extension of the
13 time limitation established under this subpara-
14 graph.

15 “(D) DISAPPROVAL.—

16 “(i) IN GENERAL.—The Commission
17 shall approve a new contract or other in-
18 strument unless the Commission finds that
19 the new contract or other instrument
20 would violate this Act (including a regula-
21 tions prescribed under this Act).

22 “(ii) ANALYSIS REQUIRED.—The
23 Commission shall include, with any find-
24 ings made under clause (i), a detailed anal-

1 ysis of the factors on which the decision is
2 based.

3 “(iii) PUBLIC FINDINGS.—The Com-
4 mission shall make public any disapproval
5 decision, and any related findings and
6 analysis, made under this paragraph.

7 “(8) ELIGIBLE ENTITY DEFINED.—In this sub-
8 section, the term ‘eligible entity’ means a registered
9 entity or group of registered entities acting jointly.”.

10 **SEC. 504. REGISTRATION OF DIGITAL COMMODITY EX-**
11 **CHANGES.**

12 The Commodity Exchange Act (7 U.S.C. 1 et seq.)
13 is amended by inserting after section 5h the following:

14 **“SEC. 5i. REGISTRATION OF DIGITAL COMMODITY EX-**
15 **CHANGES.**

16 “(a) IN GENERAL.—

17 “(1) REGISTRATION.—

18 “(A) IN GENERAL.—A trading facility that
19 offers or seeks to offer a cash or spot market
20 in at least 1 digital commodity shall register
21 with the Commission as a digital commodity ex-
22 change.

23 “(B) APPLICATION.—A person desiring to
24 register as a digital commodity exchange shall
25 submit to the Commission an application in

1 such form and containing such information as
2 the Commission may require for the purpose of
3 making the determinations required for ap-
4 proval.

5 “(C) EXEMPTIONS.—A trading facility
6 that offers or seeks to offer a cash or spot mar-
7 ket in at least 1 digital commodity shall not be
8 required to register under this section if the
9 trading facility—

10 “(i) permits no more than a de mini-
11 mis amount of trading activity in a digital
12 commodity; or

13 “(ii) serves only customers in a single
14 State or territory.

15 “(2) ADDITIONAL REGISTRATIONS.—

16 “(A) WITH THE COMMISSION.—

17 “(i) IN GENERAL.—A registered dig-
18 ital commodity exchange may also register
19 as—

20 “(I) a designated contract mar-
21 ket; or

22 “(II) a swap execution facility.

23 “(ii) RULES.—For an entity with
24 multiple registrations under clause (i), the
25 Commission—

1 “(I) shall prescribe rules to ex-
2 empt the entity from duplicative, con-
3 flicting, or unduly burdensome provi-
4 sions of this Act and the rules under
5 this Act, to the extent such an exemp-
6 tion would foster the development of
7 fair and orderly cash or spot markets
8 in digital commodities, be necessary or
9 appropriate in the public interest, and
10 be consistent with the protection of
11 customers; and

12 “(II) may, after an analysis of
13 the risks and benefits, prescribe rules
14 to provide for portfolio margining, as
15 may be necessary to protect market
16 participants, promote fair and equi-
17 table trading in digital commodity
18 markets, and promote responsible eco-
19 nomic or financial innovation.

20 “(B) WITH THE SECURITIES AND EX-
21 CHANGE COMMISSION.—A registered digital
22 commodity exchange may register with the Se-
23 curities and Exchange Commission as a digital
24 asset trading system to list or trade contracts
25 of sale for restricted digital assets.

1 “(C) WITH A REGISTERED FUTURES ASSO-
2 CIATION.—

3 “(i) IN GENERAL.—A registered dig-
4 ital commodity exchange shall also be a
5 member of a registered futures association
6 and comply with rules related to such ac-
7 tivity, if the registered digital commodity
8 exchange accepts customer funds required
9 to be segregated under subsection (d).

10 “(ii) RULEMAKING REQUIRED.—The
11 Commission shall require any registered
12 futures association with a digital com-
13 modity exchange as a member to provide
14 such rules as may be necessary to further
15 compliance with subsection (d), protect
16 customers, and promote the public interest.

17 “(D) REGISTRATION REQUIRED.—A per-
18 son required to be registered as a digital com-
19 modity exchange under this section shall reg-
20 ister with the Commission as such regardless of
21 whether the person is registered with another
22 State or Federal regulator.

23 “(b) TRADING.—

24 “(1) PROHIBITION ON CERTAIN TRADING PRAC-
25 TICES.—

1 “(A) Section 4b shall apply to any agree-
2 ment, contract, or transaction in a digital com-
3 modity as if the agreement, contract, or trans-
4 action were a contract of sale of a commodity
5 for future delivery.

6 “(B) Section 4c shall apply to any agree-
7 ment, contract, or transaction in a digital com-
8 modity as if the agreement, contract, or trans-
9 action were a transaction involving the purchase
10 or sale of a commodity for future delivery.

11 “(C) Section 4b-1 shall apply to any agree-
12 ment, contract, or transaction in a digital com-
13 modity as if the agreement, contract, or trans-
14 action were a contract of sale of a commodity
15 for future delivery.

16 “(2) PROHIBITION ON ACTING AS A
17 COUNTERPARTY.—

18 “(A) IN GENERAL.—A digital commodity
19 exchange or any affiliate of such an exchange
20 shall not trade on or subject to the rules of the
21 digital commodity exchange for its own account.

22 “(B) EXCEPTIONS.—The Commission
23 shall, by rule, permit a digital commodity ex-
24 change or any affiliate of a digital commodity
25 exchange to engage in trading on an affiliated

1 exchange so long as the trading is not solely for
2 the purpose of the profit of the exchange, in-
3 cluding the following:

4 “(i) CUSTOMER DIRECTION.—A trans-
5 action for, or entered into at the direction
6 of, or for the benefit of, an unaffiliated
7 customer.

8 “(ii) RISK MANAGEMENT.—A trans-
9 action to manage the risks associated with
10 the digital commodity business of the ex-
11 change.

12 “(iii) FUNCTIONAL USE.—A trans-
13 action related to the functional operation
14 of a blockchain network.

15 “(C) NOTICE REQUIREMENT.—In order for
16 a digital commodity exchange or any affiliate of
17 a digital commodity exchange to engage in trad-
18 ing on the affiliated exchange pursuant to sub-
19 section (B), notice must be given to the Com-
20 mission that shall enumerate how any proposed
21 activity is consistent with the exceptions in sub-
22 section (B) and the principles of the Act.

23 “(D) DELEGATION.—The Commission
24 may, by rule, delegate authority to the Director
25 of the Division of Market Oversight, or such

1 other employee or employees as the Director of
2 the Division of Market Oversight may designate
3 from time to time, to carry out these provisions.

4 “(3) TRADING SECURITIES.—A registered dig-
5 ital commodity exchange that is also registered with
6 the Securities and Exchange Commission may offer
7 a contract of sale of a restricted digital asset.

8 “(4) RULES FOR CERTAIN DIGITAL ASSET
9 SALES.—The digital commodity exchange shall have
10 in place such rules as may be necessary to reason-
11 ably ensure the orderly sale of any unit of a digital
12 commodity sold by a related person or an affiliated
13 person.

14 “(c) CORE PRINCIPLES FOR DIGITAL COMMODITY
15 EXCHANGES.—

16 “(1) COMPLIANCE WITH CORE PRINCIPLES.—

17 “(A) IN GENERAL.—To be registered, and
18 maintain registration, as a digital commodity
19 exchange, a digital commodity exchange shall
20 comply with—

21 “(i) the core principles described in
22 this subsection; and

23 “(ii) any requirement that the Com-
24 mission may impose by rule or regulation
25 pursuant to section 8a(5).

1 “(B) REASONABLE DISCRETION OF A DIG-
2 ITAL COMMODITY EXCHANGE.—Unless other-
3 wise determined by the Commission by rule or
4 regulation, a digital commodity exchange de-
5 scribed in subparagraph (A) shall have reason-
6 able discretion in establishing the manner in
7 which the digital commodity exchange complies
8 with the core principles described in this sub-
9 section.

10 “(2) COMPLIANCE WITH RULES.—A digital
11 commodity exchange shall—

12 “(A) establish and enforce compliance with
13 any rule of the digital commodity exchange, in-
14 cluding—

15 “(i) the terms and conditions of the
16 trades traded or processed on or through
17 the digital commodity exchange; and

18 “(ii) any limitation on access to the
19 digital commodity exchange;

20 “(B) establish and enforce trading, trade
21 processing, and participation rules that will
22 deter abuses and have the capacity to detect,
23 investigate, and enforce those rules, including
24 means—

1 “(i) to provide market participants
2 with impartial access to the market; and

3 “(ii) to capture information that may
4 be used in establishing whether rule viola-
5 tions have occurred; and

6 “(C) establish rules governing the oper-
7 ation of the exchange, including rules specifying
8 trading procedures to be used in entering and
9 executing orders traded or posted on the facil-
10 ity.

11 “(3) LISTING STANDARDS FOR DIGITAL COM-
12 MODITIES.—

13 “(A) IN GENERAL.—A digital commodity
14 exchange shall permit trading only in a digital
15 commodity that is not readily susceptible to ma-
16 nipulation.

17 “(B) PUBLIC INFORMATION REQUIRE-
18 MENTS.—

19 “(i) IN GENERAL.—A digital com-
20 modity exchange shall permit trading only
21 in a digital commodity if the information
22 required in clause (ii) is correct, current,
23 and available to the public.

24 “(ii) REQUIRED INFORMATION.—

25 With respect to a digital commodity and

1 each blockchain system to which the digital
2 commodity relates for which the digital
3 commodity exchange will make the digital
4 commodity available to the customers of
5 the digital commodity exchange, the infor-
6 mation required in this clause is as follows:

7 “(I) SOURCE CODE.—The source
8 code for any blockchain system to
9 which the digital commodity relates.

10 “(II) TRANSACTION HISTORY.—A
11 narrative description of the steps nec-
12 essary to independently access, search,
13 and verify the transaction history of
14 any blockchain system to which the
15 digital commodity relates.

16 “(III) DIGITAL ASSET ECONOM-
17 ICS.—A narrative description of the
18 purpose of any blockchain system to
19 which the digital asset relates and the
20 operation of any such blockchain sys-
21 tem, including—

22 “(aa) information explaining
23 the launch and supply process,
24 including the number of digital
25 assets to be issued in an initial

1 allocation, the total number of
2 digital assets to be created, the
3 release schedule for the digital
4 assets, and the total number of
5 digital assets then outstanding;

6 “(bb) information detailing
7 any applicable consensus mecha-
8 nism or process for validating
9 transactions, method of gener-
10 ating or mining digital assets,
11 and any process for burning or
12 destroying digital assets on the
13 blockchain system;

14 “(cc) an explanation of gov-
15 ernance mechanisms for imple-
16 menting changes to the
17 blockchain system or forming
18 consensus among holders of the
19 digital assets; and

20 “(dd) sufficient information
21 for a third party to create a tool
22 for verifying the transaction his-
23 tory of the digital asset.

24 “(IV) TRADING VOLUME AND
25 VOLATILITY.—The trading volume

1 and volatility of the digital com-
2 modity.

3 “(V) ADDITIONAL INFORMA-
4 TION.—Such additional information
5 as the Commission may, by rule, de-
6 termine to be necessary for a cus-
7 tomer to understand the financial and
8 operational risks of a digital com-
9 modity, and to be in the public inter-
10 est or in furtherance of the require-
11 ments of this Act.

12 “(iii) FORMAT.—The Commission
13 shall prescribe rules and regulations for
14 the standardization and simplification of
15 disclosures under clause (ii), including re-
16 quiring that disclosures—

17 “(I) be conspicuous;

18 “(II) use plain language com-
19 prehensible to customers; and

20 “(III) succinctly explain the in-
21 formation that is required to be com-
22 municated to the customer.

23 “(C) ADDITIONAL LISTING CONSIDER-
24 ATIONS.—In addition to the requirements of

1 subparagraphs (A) and (B), a digital com-
2 modity exchange shall consider—

3 “(i) if a sufficient percentage of the
4 units of the digital asset are units of a dig-
5 ital commodity to permit robust price dis-
6 covery;

7 “(ii) if it is reasonably unlikely that
8 the transaction history can be fraudulently
9 altered by any person or group of persons
10 acting collectively;

11 “(iii) if the operating structure and
12 system of the digital commodity is secure
13 from cybersecurity threats;

14 “(iv) if the functionality of the digital
15 commodity will protect holders from oper-
16 ational failures;

17 “(v) if sufficient public information
18 about the operation, functionality, and use
19 of the digital commodity is available; and

20 “(vi) any other factor which the Com-
21 mission has, by rule, determined to be in
22 the public interest or in furtherance of the
23 requirements of this Act.

24 “(D) RESTRICTED DIGITAL ASSETS.—A
25 digital commodity exchange shall not permit the

1 trading of a unit of a digital asset that is a re-
2 stricted digital asset.

3 “(4) TREATMENT OF CUSTOMER ASSETS.—A
4 digital commodity exchange shall establish standards
5 and procedures that are designed to protect and en-
6 sure the safety of customer money, assets, and prop-
7 erty.

8 “(5) MONITORING OF TRADING AND TRADE
9 PROCESSING.—

10 “(A) IN GENERAL.—A digital commodity
11 exchange shall provide a competitive, open, and
12 efficient market and mechanism for executing
13 transactions that protects the price discovery
14 process of trading on the exchange.

15 “(B) PROTECTION OF MARKETS AND MAR-
16 KET PARTICIPANTS.—A digital commodity ex-
17 change shall establish and enforce rules—

18 “(i) to protect markets and market
19 participants from abusive practices com-
20 mitted by any party, including abusive
21 practices committed by a party acting as
22 an agent for a participant; and

23 “(ii) to promote fair and equitable
24 trading on the exchange.

1 “(C) TRADING PROCEDURES.—A digital
2 commodity exchange shall—

3 “(i) establish and enforce rules or
4 terms and conditions defining, or specifica-
5 tions detailing—

6 “(I) trading procedures to be
7 used in entering and executing orders
8 traded on or through the facilities of
9 the digital commodity exchange; and

10 “(II) procedures for trade proc-
11 essing of digital commodities on or
12 through the facilities of the digital
13 commodity exchange; and

14 “(ii) monitor trading in digital com-
15 modities to prevent manipulation, price
16 distortion, and disruptions of the delivery
17 or cash settlement process through surveil-
18 lance, compliance, and disciplinary prac-
19 tices and procedures, including methods
20 for conducting real-time monitoring of
21 trading and comprehensive and accurate
22 trade reconstructions.

23 “(6) ABILITY TO OBTAIN INFORMATION.—A
24 digital commodity exchange shall—

1 “(A) establish and enforce rules that will
2 allow the facility to obtain any necessary infor-
3 mation to perform any of the functions de-
4 scribed in this section;

5 “(B) provide the information to the Com-
6 mission on request; and

7 “(C) have the capacity to carry out such
8 international information-sharing agreements as
9 the Commission may require.

10 “(7) EMERGENCY AUTHORITY.—A digital com-
11 modity exchange shall adopt rules to provide for the
12 exercise of emergency authority, in consultation or
13 cooperation with the Commission or a registered en-
14 tity, as is necessary and appropriate, including the
15 authority to facilitate the liquidation or transfer of
16 open positions in any digital commodity or to sus-
17 pend or curtail trading in a digital commodity.

18 “(8) TIMELY PUBLICATION OF TRADING INFOR-
19 MATION.—

20 “(A) IN GENERAL.—A digital commodity
21 exchange shall make public timely information
22 on price, trading volume, and other trading
23 data on digital commodities to the extent pre-
24 scribed by the Commission.

1 “(B) CAPACITY OF DIGITAL COMMODITY
2 EXCHANGE.—A digital commodity exchange
3 shall have the capacity to electronically capture
4 and transmit trade information with respect to
5 transactions executed on the exchange.

6 “(9) RECORDKEEPING AND REPORTING.—

7 “(A) IN GENERAL.—A digital commodity
8 exchange shall—

9 “(i) maintain records of all activities
10 relating to the business of the facility, in-
11 cluding a complete audit trail, in a form
12 and manner acceptable to the Commission
13 for a period of 5 years;

14 “(ii) report to the Commission, in a
15 form and manner acceptable to the Com-
16 mission, such information as the Commis-
17 sion determines to be necessary or appro-
18 priate for the Commission to perform the
19 duties of the Commission under this Act;
20 and

21 “(iii) keep any such records of digital
22 commodities which relate to a security
23 open to inspection and examination by the
24 Securities and Exchange Commission.

1 “(B) INFORMATION-SHARING.—Subject to
2 section 8, and on request, the Commission shall
3 share information collected under subparagraph
4 (A) with—

5 “(i) the Board;

6 “(ii) the Securities and Exchange
7 Commission;

8 “(iii) each appropriate Federal bank-
9 ing agency;

10 “(iv) each appropriate State bank su-
11 pervisor (within the meaning of section 3
12 of the Federal Deposit Insurance Act);

13 “(v) the Financial Stability Oversight
14 Council;

15 “(vi) the Department of Justice; and

16 “(vii) any other person that the Com-
17 mission determines to be appropriate, in-
18 cluding—

19 “(I) foreign financial supervisors
20 (including foreign futures authorities);

21 “(II) foreign central banks; and

22 “(III) foreign ministries.

23 “(C) CONFIDENTIALITY AGREEMENT.—Be-
24 fore the Commission may share information
25 with any entity described in subparagraph (B),

1 the Commission shall receive a written agree-
2 ment from the entity stating that the entity
3 shall abide by the confidentiality requirements
4 described in section 8 relating to the informa-
5 tion on digital commodities that is provided.

6 “(D) PROVIDING INFORMATION.—A digital
7 commodity exchange shall provide to the Com-
8 mission (including any designee of the Commis-
9 sion) information under subparagraph (A) in
10 such form and at such frequency as is required
11 by the Commission.

12 “(10) ANTITRUST CONSIDERATIONS.—Unless
13 necessary or appropriate to achieve the purposes of
14 this Act, a digital commodity exchange shall not—

15 “(A) adopt any rules or take any actions
16 that result in any unreasonable restraint of
17 trade; or

18 “(B) impose any material anticompetitive
19 burden on trading.

20 “(11) CONFLICTS OF INTEREST.—A registered
21 digital commodity exchange shall implement conflict-
22 of-interest systems and procedures that—

23 “(A) establish structural and institutional
24 safeguards—

1 “(i) to minimize conflicts of interest
2 that might potentially bias the judgment or
3 supervision of the digital commodity ex-
4 change and contravene the principles of
5 fair and equitable trading and the business
6 conduct standards described in this Act,
7 including conflicts arising out of trans-
8 actions or arrangements with affiliates (in-
9 cluding affiliates engaging in digital com-
10 modity activities) or between self-regu-
11 latory obligations and commercial inter-
12 ests, which may include information parti-
13 tions, restrictions on employees and direc-
14 tors, and the legal separation of different
15 persons or entities involved in digital com-
16 modity activities; and

17 “(ii) to ensure that the activities of
18 any person within the digital commodity
19 exchange or any affiliated entity relating to
20 research or analysis of the price or market
21 for any digital commodity or acting in a
22 role of providing dealing, brokering, or ad-
23 vising activities are separated by appro-
24 priate informational partitions within the
25 digital commodity exchange or any affili-

1 ated entity from the review, pressure, or
2 oversight of persons whose involvement in
3 pricing, trading, exchange, or clearing ac-
4 tivities might potentially bias their judg-
5 ment or supervision and contravene the
6 core principles of open access and the busi-
7 ness conduct standards described in this
8 Act; and

9 “(B) address such other issues as the
10 Commission determines to be appropriate.

11 “(12) FINANCIAL RESOURCES.—

12 “(A) IN GENERAL.—A digital commodity
13 exchange shall have adequate financial, oper-
14 ational, and managerial resources, as deter-
15 mined by the Commission, to discharge each re-
16 sponsibility of the digital commodity exchange.

17 “(B) MINIMUM AMOUNT OF FINANCIAL RE-
18 SOURCES.—A digital commodity exchange shall
19 possess financial resources that, at a minimum,
20 exceed the greater of—

21 “(i) the total amount that would en-
22 able the digital commodity exchange to
23 conduct an orderly wind-down of its activi-
24 ties or

1 “(ii) the total amount that would en-
2 able the digital commodity exchange to
3 cover the operating costs of the digital
4 commodity exchange for a 1-year period,
5 as calculated on a rolling basis.

6 “(13) DISCIPLINARY PROCEDURES.—A digital
7 commodity exchange shall establish and enforce dis-
8 ciplinary procedures that authorize the digital com-
9 modity exchange to discipline, suspend, or expel
10 members or market participants that violate the
11 rules of the digital commodity exchange, or similar
12 methods for performing the same functions, includ-
13 ing delegation of the functions to third parties.

14 “(14) GOVERNANCE FITNESS STANDARDS.—

15 “(A) GOVERNANCE ARRANGEMENTS.—A
16 digital commodity exchange shall establish gov-
17 ernance arrangements that are transparent to
18 fulfill public interest requirements.

19 “(B) FITNESS STANDARDS.—A digital
20 commodity exchange shall establish and enforce
21 appropriate fitness standards for—

22 “(i) directors; and

23 “(ii) any individual or entity with di-
24 rect access to, or control of, customer as-
25 sets.

1 “(15) SYSTEM SAFEGUARDS.—A digital com-
2 modity exchange shall—

3 “(A) establish and maintain a program of
4 risk analysis and oversight to identify and mini-
5 mize sources of operational and security risks,
6 through the development of appropriate controls
7 and procedures, and automated systems, that—

8 “(i) are reliable and secure; and

9 “(ii) have adequate scalable capacity;

10 “(B) establish and maintain emergency
11 procedures, backup facilities, and a plan for dis-
12 aster recovery that allow for—

13 “(i) the timely recovery and resump-
14 tion of operations; and

15 “(ii) the fulfillment of the responsibil-
16 ities and obligations of the digital com-
17 modity exchange; and

18 “(C) periodically conduct tests to verify
19 that the backup resources of the digital com-
20 modity exchange are sufficient to ensure contin-
21 ued—

22 “(i) order processing and trade
23 matching;

24 “(ii) price reporting;

25 “(iii) market surveillance; and

1 “(iv) maintenance of a comprehensive
2 and accurate audit trail.

3 “(d) HOLDING OF CUSTOMER ASSETS.—

4 “(1) IN GENERAL.—A digital commodity ex-
5 change shall hold customer money, assets, and prop-
6 erty in a manner to minimize the risk of loss to the
7 customer or unreasonable delay in the access to the
8 money, assets, and property of the customer.

9 “(A) SEGREGATION OF FUNDS.—

10 “(i) IN GENERAL.—A digital com-
11 modity exchange shall treat and deal with
12 all money, assets, and property that is re-
13 ceived by the digital commodity exchange,
14 or accrues to a customer as the result of
15 trading in digital commodities, as belong-
16 ing to the customer.

17 “(ii) COMMINGLING PROHIBITED.—
18 Money, assets, and property of a customer
19 described in clause (i) shall be separately
20 accounted for and shall not be commingled
21 with the funds of the digital commodity ex-
22 change or be used to margin, secure, or
23 guarantee any trades or accounts of any
24 customer or person other than the person
25 for whom the same are held.

1 “(B) EXCEPTIONS.—

2 “(i) USE OF FUNDS.—

3 “(I) IN GENERAL.—Notwith-
4 standing subparagraph (A), money,
5 assets, and property of customers of a
6 digital commodity exchange described
7 in subparagraph (A) may, for conven-
8 ience, be commingled and deposited in
9 the same account or accounts with
10 any bank, trust company, derivatives
11 clearing organization, or qualified dig-
12 ital commodity custodian.

13 “(II) WITHDRAWAL.—Notwith-
14 standing subparagraph (A), such
15 share of the money, assets, and prop-
16 erty described in item (aa) as in the
17 normal course of business shall be
18 necessary to margin, guarantee, se-
19 cure, transfer, adjust, or settle a con-
20 tract of sale of a digital commodity
21 with a registered entity may be with-
22 drawn and applied to such purposes,
23 including the payment of commis-
24 sions, brokerage, interest, taxes, stor-
25 age, and other charges, lawfully ac-

1 cruing in connection with the contract
2 of sale of a digital commodity.

3 “(ii) COMMISSION ACTION.—Notwith-
4 standing subparagraph (A), in accordance
5 with such terms and conditions as the
6 Commission may prescribe by rule, regula-
7 tion, or order, any money, assets, or prop-
8 erty of the customers of a digital com-
9 modity exchange described in subpara-
10 graph (A) may be commingled and depos-
11 ited in customer accounts with any other
12 money, assets, or property received by the
13 digital commodity exchange and required
14 by the Commission to be separately ac-
15 counted for and treated and dealt with as
16 belonging to the customer of the digital
17 commodity exchange.

18 “(2) PERMITTED INVESTMENTS.—Money de-
19 scribed in subparagraph (A) may be invested in obli-
20 gations of the United States, in general obligations
21 of any State or of any political subdivision of a
22 State, and in obligations fully guaranteed as to prin-
23 cipal and interest by the United States, or in any
24 other investment that the Commission may by rule
25 or regulation prescribe, and such investments shall

1 be made in accordance with such rules and regula-
2 tions and subject to such conditions as the Commis-
3 sion may prescribe.

4 “(3) CUSTOMER PROTECTION DURING BANK-
5 RUPTCY.—

6 “(A) CUSTOMER PROPERTY.—All assets
7 held on behalf of a customer by a digital com-
8 modity exchange, and all money, assets, and
9 property of any customer received by a digital
10 commodity exchange for trading or custody, or
11 to facilitate, margin, guarantee, or secure con-
12 tracts of sale of a digital commodity (including
13 money, assets, or property accruing to the cus-
14 tomer as the result of the transactions), shall
15 be considered customer property for purposes of
16 section 761 of title 11, United States Code.

17 “(B) TRANSACTIONS.—A transaction in-
18 volving a unit of a digital commodity occurring
19 on or subject to the rules of a digital com-
20 modity exchange shall be considered a ‘contract
21 for the purchase or sale of a commodity for fu-
22 ture delivery, on or subject to the rules of, a
23 contract market or board of trade’ for the pur-
24 poses of the definition of a ‘commodity con-

1 tract’ in section 761 of title 11, United States
2 Code.

3 “(C) EXCHANGES.—A digital commodity
4 exchange shall be considered a futures commis-
5 sion merchant for purposes of section 761 of
6 title 11, United States Code.

7 “(D) ASSETS REMOVED FROM SEGREGA-
8 TION.—Assets removed from segregation due to
9 a customer election under paragraph (5) shall
10 not be considered customer property for pur-
11 poses of section 761 of title 11, United States
12 Code.

13 “(4) MISUSE OF CUSTOMER PROPERTY.—

14 “(A) IN GENERAL.—It shall be unlawful—

15 “(i) for any digital commodity ex-
16 change that has received any customer
17 money, assets, or property for custody to
18 dispose of, or use any such money, assets,
19 or property as belonging to the digital
20 commodity exchange or any person other
21 than a customer of the digital commodity
22 exchange; or

23 “(ii) for any other person, including
24 any depository, other digital commodity ex-
25 change, or digital commodity custodian

1 that has received any customer money, as-
2 sets, or property for deposit, to hold, dis-
3 pose of, or use any such money, assets, or
4 property, or property, as belonging to the
5 depositing digital commodity exchange or
6 any person other than the customers of the
7 digital commodity exchange.

8 “(B) USE FURTHER DEFINED.—For pur-
9 poses of this section, ‘use’ of a digital com-
10 modity includes utilizing any unit of a digital
11 asset to participate in a blockchain service de-
12 fined in paragraph (5) or a decentralized gov-
13 ernance system associated with the digital com-
14 modity or the blockchain system to which the
15 digital commodity relates in any manner other
16 than that expressly directed by the customer
17 from whom the unit of a digital commodity was
18 received.

19 “(5) PARTICIPATION IN BLOCKCHAIN SERV-
20 ICES.—

21 “(A) IN GENERAL.—A customer shall have
22 the right to waive the restrictions in paragraph
23 (1) for any unit of a digital commodity to be
24 used under subparagraph (B), by affirmatively

1 electing, in writing to the digital commodity ex-
2 change, to waive the restrictions.

3 “(B) USE OF FUNDS.—Customer digital
4 commodities removed from segregation under
5 subparagraph (A) may be pooled and used by
6 the digital commodity exchange or its designee
7 to provide a blockchain service for a blockchain
8 system to which the unit of the digital asset re-
9 moved from segregation in subparagraph (A)
10 relates.

11 “(C) LIMITATIONS.—

12 “(i) IN GENERAL.—The Commission
13 may, by rule, establish notice and disclo-
14 sure requirements, and any other limita-
15 tions and rules related to the waiving of
16 any restrictions under this paragraph that
17 are reasonably necessary to protect cus-
18 tomers, including eligible contract partici-
19 pants, non-eligible contract participants, or
20 any other class of customers.

21 “(ii) CUSTOMER CHOICE.—A digital
22 commodity exchange may not require a
23 waiver from a customer described in sub-
24 paragraph (A) as a condition of doing
25 business on the exchange.

1 “(D) BLOCKCHAIN SERVICE DEFINED.—In
2 this subparagraph, the term ‘blockchain service’
3 means any activity relating to validating trans-
4 actions on a blockchain system, providing secu-
5 rity for a blockchain system, or other similar
6 activity required for the ongoing operation of a
7 blockchain system.

8 “(e) MARKET ACCESS REQUIREMENTS.—

9 “(1) IN GENERAL.—A digital commodity ex-
10 change shall require any person who is not an eligi-
11 ble contract participant to access trading on the ex-
12 change through a digital commodity broker.

13 “(2) AFFILIATED COMMODITY BROKERS.—A
14 registered digital commodity exchange may permit
15 an affiliated digital commodity broker to facilitate
16 access to the digital commodity exchange.

17 “(3) DIRECT ACCESS FOR ELIGIBLE CONTRACT
18 PARTICIPANTS.—Nothing in this section shall pro-
19 hibit a digital commodity exchange in compliance
20 with this section from permitting direct access for
21 eligible contract participants.

22 “(4) ADDITIONAL REQUIREMENTS.—The Com-
23 mission may, by rule, impose any additional require-
24 ments related to the operations and activities of the
25 digital commodity exchange and an affiliated digital

1 commodity broker necessary to protect market par-
2 ticipants, promote fair and equitable trading on the
3 digital commodity exchange, and promote respon-
4 sible economic or financial innovation.

5 “(f) DESIGNATION OF CHIEF COMPLIANCE OFFI-
6 CER.—

7 “(1) IN GENERAL.—A digital commodity ex-
8 change shall designate an individual to serve as a
9 chief compliance officer.

10 “(2) DUTIES.—The chief compliance officer
11 shall—

12 “(A) report directly to the board or to the
13 senior officer of the exchange;

14 “(B) review compliance with the core prin-
15 ciples in this subsection;

16 “(C) in consultation with the board of the
17 exchange, a body performing a function similar
18 to that of a board, or the senior officer of the
19 exchange, resolve any conflicts of interest that
20 may arise;

21 “(D) establish and administer the policies
22 and procedures required to be established pur-
23 suant to this section;

24 “(E) ensure compliance with this Act and
25 the rules and regulations issued under this Act,

1 including rules prescribed by the Commission
2 pursuant to this section; and

3 “(F) establish procedures for the remedi-
4 ation of noncompliance issues found during
5 compliance office reviews, look backs, internal
6 or external audit findings, self-reported errors,
7 or through validated complaints.

8 “(3) REQUIREMENTS FOR PROCEDURES.—In
9 establishing procedures under paragraph (2)(F), the
10 chief compliance officer shall design the procedures
11 to establish the handling, management response, re-
12 mediation, retesting, and closing of noncompliance
13 issues.

14 “(4) ANNUAL REPORTS.—

15 “(A) IN GENERAL.—In accordance with
16 rules prescribed by the Commission, the chief
17 compliance officer shall annually prepare and
18 sign a report that contains a description of—

19 “(i) the compliance of the digital com-
20 modity exchange with this Act; and

21 “(ii) the policies and procedures, in-
22 cluding the code of ethics and conflict of
23 interest policies, of the digital commodity
24 exchange.

1 “(B) REQUIREMENTS.—The chief compli-
2 ance officer shall—

3 “(i) submit each report described in
4 subparagraph (A) with the appropriate fi-
5 nancial report of the digital commodity ex-
6 change that is required to be submitted to
7 the Commission pursuant to this section;
8 and

9 “(ii) include in the report a certifi-
10 cation that, under penalty of law, the re-
11 port is accurate and complete.

12 “(g) APPOINTMENT OF TRUSTEE.—

13 “(1) IN GENERAL.—If a proceeding under sec-
14 tion 5e results in the suspension or revocation of the
15 registration of a digital commodity exchange, or if a
16 digital commodity exchange withdraws from registra-
17 tion, the Commission, on notice to the digital com-
18 modity exchange, may apply to the appropriate
19 United States district court where the digital com-
20 modity exchange is located for the appointment of a
21 trustee.

22 “(2) ASSUMPTION OF JURISDICTION.—If the
23 Commission applies for appointment of a trustee
24 under paragraph (1)—

1 “(A) the court may take exclusive jurisdic-
2 tion over the digital commodity exchange and
3 the records and assets of the digital commodity
4 exchange, wherever located; and

5 “(B) if the court takes jurisdiction under
6 subparagraph (A), the court shall appoint the
7 Commission, or a person designated by the
8 Commission, as trustee with power to take pos-
9 session and continue to operate or terminate
10 the operations of the digital commodity ex-
11 change in an orderly manner for the protection
12 of customers subject to such terms and condi-
13 tions as the court may prescribe.

14 “(h) QUALIFIED DIGITAL COMMODITY CUSTO-
15 DIAN.—A digital commodity exchange shall hold in a
16 qualified digital commodity custodian each unit of a digital
17 commodity that is—

18 “(1) the property of a customer of the digital
19 commodity exchange;

20 “(2) required to be held by the digital com-
21 modity exchange under subsection (c)(12) of this
22 section; or

23 “(3) otherwise so required by the Commission
24 to reasonably protect customers or promote the pub-
25 lic interest.

1 “(i) EXEMPTIONS.—

2 “(1) In order to promote responsible economic
3 or financial innovation and fair competition, or pro-
4 tect customers, the Commission may (on its own ini-
5 tiative or on application of the registered digital
6 commodity exchange) exempt, either unconditionally
7 or on stated terms or conditions or for stated peri-
8 ods and either retroactively or prospectively, or both,
9 a registered digital commodity exchange from the re-
10 quirements of this section, if the Commission deter-
11 mines that—

12 “(A) the exemption would be consistent
13 with the public interest and the purposes of this
14 Act; and

15 “(B) the exemption will not have a mate-
16 rial adverse effect on the ability of the Commis-
17 sion or the digital commodity exchange to dis-
18 charge regulatory or self-regulatory duties
19 under this Act.

20 “(2) The Commission may exempt, condi-
21 tionally or unconditionally, a digital commodity ex-
22 change from registration under this section if the
23 Commission finds that the digital commodity ex-
24 change is subject to comparable, comprehensive su-
25 pervision and regulation on a consolidated basis by

1 the appropriate governmental authorities in the
2 home country of the facility.

3 “(j) CUSTOMER DEFINED.—In this section, the term
4 ‘customer’ means any person that maintains an account
5 for the trading of digital commodities directly with a dig-
6 ital commodity exchange (other than a person that is
7 owned or controlled, directly or indirectly, by the digital
8 commodity exchange) for its own behalf or on behalf of
9 any other person.

10 “(k) FEDERAL PREEMPTION.—Notwithstanding any
11 other provision of law, the Commission shall have exclusive
12 jurisdiction over any digital commodity exchange reg-
13 istered under this section.

14 “(l) TREATMENT UNDER THE BANK SECRECY
15 ACT.—A digital commodity exchange shall be treated as
16 a financial institution for purposes of the Bank Secrecy
17 Act.

18 “(m) WITHDRAWAL OF CERTIFICATION OF A
19 BLOCKCHAIN SYSTEM.—

20 “(1) IN GENERAL.—

21 “(A) DETERMINATION BY A DIGITAL COM-
22 MODITY EXCHANGE.—With respect to a certifi-
23 cation of a blockchain system that becomes ef-
24 fective pursuant to section 44(f) of the Securi-
25 ties Exchange Act of 1934, if a digital com-

1 modity exchange determines that the blockchain
2 system may not be a decentralized system, the
3 digital commodity exchange shall notify the
4 Commission of such determination.

5 “(B) WITHDRAWAL PROCESS.—With re-
6 spect to each notification received under sub-
7 paragraph (A), the Commission shall initiate a
8 withdrawal process under which the Commis-
9 sion shall—

10 “(i) publish a notice announcing the
11 proposed withdrawal;

12 “(ii) provide a 30 day comment period
13 with respect to the proposed withdrawal;
14 and

15 “(iii) after the end of the 30-day com-
16 ment required under clause (ii), publish ei-
17 ther—

18 “(I) a notification of withdrawal
19 of the applicable certification; or

20 “(II) a notice that the Commis-
21 sion is not withdrawing the certifi-
22 cation.

23 “(C) DETAILED ANALYSIS REQUIRED.—
24 The Commission shall include, with each publi-
25 cation of a notification of withdrawal described

1 under subparagraph (B)(iii)(I), a detailed anal-
2 ysis of the factors on which the decision was
3 based.

4 “(2) RECERTIFICATION.—With respect to a
5 blockchain system for which a certification has been
6 withdrawn under this subsection, no person may
7 make a certification under section 44(a) of the Secu-
8 rities Exchange Act of 1934 with respect to such
9 blockchain system during the 90-day period begin-
10 ning on the date of such withdrawal.

11 “(3) APPEAL OF WITHDRAWAL.—

12 “(A) IN GENERAL.—If a certification is
13 withdrawn under this subsection, a person mak-
14 ing may appeal the decision to the United
15 States Court of Appeals for the District of Co-
16 lumbia, not later than 60 days after the notice
17 of withdrawal is made.

18 “(B) REVIEW.—In an appeal under sub-
19 paragraph (A), the court shall have de novo re-
20 view of the determination to withdraw the cer-
21 tification.”.

22 **SEC. 505. QUALIFIED DIGITAL COMMODITY CUSTODIANS.**

23 The Commodity Exchange Act (7 U.S.C. 1 et seq.),
24 as amended by the preceding provisions of this Act, is
25 amended by inserting after section 5i the following:

1 **“SEC. 5j. QUALIFIED DIGITAL COMMODITY CUSTODIANS.**

2 “(a) IN GENERAL.—A digital commodity custodian
3 is a qualified digital commodity custodian if the digital
4 commodity custodian complies with the requirements of
5 this section.

6 “(b) SUPERVISION REQUIREMENT.—A digital com-
7 modity custodian that is not subject to supervision and
8 examination by an appropriate Federal banking agency,
9 the National Credit Union Administration, the Commis-
10 sion, or the Securities and Exchange Commission shall be
11 subject to adequate supervision and appropriate regulation
12 by—

13 “(1) a State bank supervisor (within the mean-
14 ing of section 3 of the Federal Deposit Insurance
15 Act);

16 “(2) a State credit union supervisor, as defined
17 under section 6003 of the Anti-Money Laundering
18 Act of 2020; or

19 “(3) an appropriate foreign governmental au-
20 thority in the home country of the digital commodity
21 custodian.

22 **“(c) OTHER REQUIREMENTS.—**

23 “(1) NOT OTHERWISE PROHIBITED.—The dig-
24 ital commodity custodian has not been prohibited by
25 a supervisor of the digital commodity custodian from

1 engaging in an activity with respect to the custody
2 and safekeeping of digital commodities.

3 “(2) INFORMATION SHARING.—

4 “(A) IN GENERAL.—A digital commodity
5 custodian shall share information with the
6 Commission on request and comply with such
7 requirements for periodic sharing of informa-
8 tion regarding customer accounts that the dig-
9 ital commodity custodian holds on behalf of an
10 entity registered with the Commission as the
11 Commission determines by rule are reasonably
12 necessary to effectuate any of the provisions, or
13 to accomplish any of the purposes, of this Act.

14 “(B) PROVISION OF INFORMATION.—Any
15 entity that is subject to regulation and exam-
16 ination by an appropriate Federal banking
17 agency may satisfy any information request de-
18 scribed in subparagraph (A) by providing the
19 Commission with a detailed listing, in writing,
20 of the digital commodities of a customer within
21 the custody or use of the entity.

22 “(d) ADEQUATE SUPERVISION AND APPROPRIATE
23 REGULATION.—

24 “(1) IN GENERAL.—For purposes of subsection
25 (b), the terms ‘adequate supervision’ and ‘appro-

1 piate regulation’ mean such minimum standards for
2 supervision and regulation as are reasonably nec-
3 essary to protect the digital commodities of cus-
4 tomers of an entity registered with the Commission,
5 including standards relating to the licensing, exam-
6 ination, and supervisory processes that require the
7 digital commodity custodian to, at a minimum—

8 “(A) receive a review and evaluation of
9 ownership, character and fitness, conflicts of in-
10 terest, business model, financial statements,
11 funding resources, and policies and procedures
12 of the digital commodity custodian;

13 “(B) hold capital sufficient for the finan-
14 cial integrity of the digital commodity custo-
15 dian;

16 “(C) protect customer assets;

17 “(D) establish and maintain books and
18 records regarding the business of the digital
19 commodity custodian;

20 “(E) submit financial statements and au-
21 dited financial statements to the applicable su-
22 pervisor described in subsection (b);

23 “(F) provide disclosures to the applicable
24 supervisor described in subsection (b) regarding

1 actions, proceedings, and other items as deter-
2 mined by the supervisor;

3 “(G) maintain and enforce policies and
4 procedures for compliance with applicable State
5 and Federal laws, including those related to
6 anti-money laundering and cybersecurity;

7 “(H) establish a business continuity plan
8 to ensure functionality in cases of disruption;
9 and

10 “(I) establish policies and procedures to re-
11 solve complaints.

12 “(2) RULEMAKING WITH RESPECT TO DEFINI-
13 TIONS.—

14 “(A) IN GENERAL.—For purposes of this
15 section, the Commission may, by rule, further
16 define the terms ‘adequate supervision’ and ‘ap-
17 propriate regulation’ as necessary in the public
18 interest, as appropriate for the protection of in-
19 vestors, and consistent with the purposes of this
20 Act.

21 “(B) CONDITIONAL TREATMENT OF CER-
22 TAIN CUSTODIANS BEFORE RULEMAKING.—Be-
23 fore the effective date of a rulemaking under
24 subparagraph (A), a trust company is deemed

1 subject to adequate supervision and appropriate
2 regulation if—

3 “(i) the trust company is expressly
4 permitted by a State bank supervisor to
5 engage in the custody and safekeeping of
6 digital commodities;

7 “(ii) the State bank supervisor has es-
8 tablished licensing, examination, and su-
9 pervisory processes that require the trust
10 company to, at a minimum, meet the con-
11 ditions described in subparagraphs (A)
12 through (I) of paragraph (1); and

13 “(iii) the trust company is in good
14 standing with its State bank supervisor.

15 “(C) TRANSITION PERIOD FOR CERTAIN
16 CUSTODIANS.—In implementing the rulemaking
17 under subparagraph (A), the Commission shall
18 provide a transition period of not less than 2
19 years for any trust company that is deemed
20 subject to adequate supervision and appropriate
21 regulation under subparagraph (B) on the ef-
22 fective date of the rulemaking.

23 “(e) AUTHORITY TO TEMPORARILY SUSPEND STAND-
24 ARDS.—The Commission may, by rule or order, tempo-
25 rarily suspend, in whole or in part, any requirement im-

1 posed under, or any standard referred to in, this section
2 if the Commission determines that the suspension would
3 be consistent with the public interest and the purposes of
4 this Act.”.

5 **SEC. 506. REGISTRATION AND REGULATION OF DIGITAL**
6 **COMMODITY BROKERS AND DEALERS.**

7 The Commodity Exchange Act (7 U.S.C. 1 et seq.),
8 as amended by the preceding provisions of this Act, is
9 amended by inserting after section 4t the following:

10 **“SEC. 4u. REGISTRATION AND REGULATION OF DIGITAL**
11 **COMMODITY BROKERS AND DEALERS.**

12 “(a) REGISTRATION.—It shall be unlawful for any
13 person to act as a digital commodity broker or digital com-
14 modity dealer unless the person is registered as such with
15 the Commission.

16 “(b) REQUIREMENTS.—

17 “(1) IN GENERAL.—A person shall register as
18 a digital commodity broker or digital commodity
19 dealer by filing a registration application with the
20 Commission.

21 “(2) CONTENTS.—

22 “(A) IN GENERAL.—The application shall
23 be made in such form and manner as is pre-
24 scribed by the Commission, and shall contain
25 such information as the Commission considers

1 necessary concerning the business in which the
2 applicant is or will be engaged.

3 “(B) CONTINUAL REPORTING.—A person
4 that is registered as a digital commodity broker
5 or digital commodity dealer shall continue to
6 submit to the Commission reports that contain
7 such information pertaining to the business of
8 the person as the Commission may require.

9 “(3) STATUTORY DISQUALIFICATION.—Except
10 to the extent otherwise specifically provided by rule,
11 regulation, or order, it shall be unlawful for a digital
12 commodity broker or digital commodity dealer to
13 permit any person who is associated with a digital
14 commodity broker or a digital commodity dealer and
15 who is subject to a statutory disqualification to ef-
16 fect or be involved in effecting a contract of sale of
17 a digital commodity on behalf of the digital com-
18 modity broker or the digital commodity dealer, re-
19 spectively, if the digital commodity broker or digital
20 commodity dealer, respectively, knew, or in the exer-
21 cise of reasonable care should have known, of the
22 statutory disqualification.

23 “(4) LIMITATIONS ON CERTAIN ASSETS.—A
24 digital commodity broker or digital commodity deal-
25 er shall not offer, offer to enter into, enter into, or

1 facilitate any contract of sale of a digital commodity
2 that has not been certified under section 5c(d).

3 “(c) ADDITIONAL REGISTRATIONS.—

4 “(1) WITH THE COMMISSION.—Any person re-
5 quired to be registered as a digital commodity
6 broker or digital commodity dealer may also be reg-
7 istered as a futures commission merchant, intro-
8 ducing broker, or swap dealer.

9 “(2) WITH THE SECURITIES AND EXCHANGE
10 COMMISSION.—Any person required to be registered
11 as a digital commodity broker or digital commodity
12 dealer under this section may register with the Secu-
13 rities and Exchange Commission as a digital asset
14 broker or digital asset dealer, pursuant to section
15 15(b) of the Securities Exchange Act of 1934.

16 “(3) WITH MEMBERSHIP IN A REGISTERED FU-
17 TURES ASSOCIATION.—Any person required to be
18 registered as a digital commodity broker or digital
19 commodity dealer under this section shall be a mem-
20 ber of a registered futures association.

21 “(4) REGISTRATION REQUIRED.—Any person
22 required to be registered as a digital commodity
23 broker or digital commodity dealer under this sec-
24 tion shall register with the Commission as such re-

1 regardless of whether the person is registered with an-
2 other State or Federal regulator.

3 “(d) RULEMAKING.—

4 “(1) IN GENERAL.—The Commission shall pre-
5 scribe such rules applicable to registered digital com-
6 modity brokers and registered digital commodity
7 dealers as are appropriate to carry out this section,
8 including rules in the public interest that limit the
9 activities of digital commodity brokers and digital
10 commodity dealers.

11 “(2) MULTIPLE REGISTRANTS.—The Commis-
12 sion shall prescribe rules or regulations permitting,
13 or may otherwise authorize, exemptions or additional
14 requirements applicable to persons with multiple reg-
15 istrations under this Act, including as futures com-
16 mission merchants, introducing brokers, digital com-
17 modity brokers, digital commodity dealers, or swap
18 dealers, as may be in the public interest to reduce
19 compliance costs and promote customer protection.

20 “(e) CAPITAL REQUIREMENTS.—

21 “(1) IN GENERAL.—Each digital commodity
22 broker and digital commodity dealer shall meet such
23 minimum capital requirements as the Commission
24 may prescribe to address the risks associated with
25 digital commodity trading and to ensure that the

1 digital commodity broker or digital commodity deal-
2 er, respectively, is able to—

3 “(A) meet, and continue to meet, at all
4 times, the obligations of such a registrant; and

5 “(B) in the case of a digital commodity
6 dealer, fulfill the counterparty obligations of the
7 digital commodity dealer for any margined, le-
8 veraged, or financed transactions.

9 “(2) RULE OF CONSTRUCTION.—Nothing in
10 this section shall limit, or be construed to limit, the
11 authority of the Securities and Exchange Commis-
12 sion to set financial responsibility rules for a broker
13 or dealer registered pursuant to section 15(b) of the
14 Securities Exchange Act of 1934 (15 U.S.C. 78o(b))
15 (except for section 15(b)(11) of such Act (15 U.S.C.
16 78o(b)(11)) in accordance with section 15(c)(3) of
17 such Act (15 U.S.C. 78o(c)(3)).

18 “(3) FUTURES COMMISSION MERCHANTS AND
19 OTHER DEALERS.—Each futures commission mer-
20 chant, introducing broker, digital commodity broker,
21 digital commodity dealer, broker, and dealer shall
22 maintain sufficient capital to comply with the strict-
23 er of any applicable capital requirements to which
24 the futures commission merchant, introducing
25 broker, digital commodity broker, digital commodity

1 dealer, broker, or dealer, respectively, is subject
2 under this Act or the Securities Exchange Act of
3 1934 (15 U.S.C. 78a et seq.).

4 “(f) REPORTING AND RECORDKEEPING.—Each dig-
5 ital commodity broker and digital commodity dealer—

6 “(1) shall make such reports as are required by
7 the Commission by rule or regulation regarding the
8 transactions, positions, and financial condition of the
9 digital commodity broker or digital commodity deal-
10 er, respectively;

11 “(2) shall keep books and records in such form
12 and manner and for such period as may be pre-
13 scribed by the Commission by rule or regulation; and

14 “(3) shall keep the books and records open to
15 inspection and examination by any representative of
16 the Commission.

17 “(g) DAILY TRADING RECORDS.—

18 “(1) IN GENERAL.—Each digital commodity
19 broker and digital commodity dealer shall maintain
20 daily trading records of the transactions of the dig-
21 ital commodity broker or digital commodity dealer,
22 respectively, and all related records (including re-
23 lated forward or derivatives transactions) and re-
24 corded communications, including electronic mail, in-
25 stant messages, and recordings of telephone calls,

1 for such period as the Commission may require by
2 rule or regulation.

3 “(2) INFORMATION REQUIREMENTS.—The daily
4 trading records shall include such information as the
5 Commission shall require by rule or regulation.

6 “(3) COUNTERPARTY RECORDS.—Each digital
7 commodity broker and digital commodity dealer shall
8 maintain daily trading records for each customer or
9 counterparty in a manner and form that is identifi-
10 able with each digital commodity transaction.

11 “(4) AUDIT TRAIL.—Each digital commodity
12 broker and digital commodity dealer shall maintain
13 a complete audit trail for conducting comprehensive
14 and accurate trade reconstructions.

15 “(h) BUSINESS CONDUCT STANDARDS.—

16 “(1) IN GENERAL.—Each digital commodity
17 broker and digital commodity dealer shall conform
18 with such business conduct standards as the Com-
19 mission, by rule or regulation, prescribes related
20 to—

21 “(A) fraud, manipulation, and other abu-
22 sive practices involving spot or margined, lever-
23 aged, or financed digital commodity trans-
24 actions (including transactions that are offered
25 but not entered into);

1 “(B) diligent supervision of the business of
2 the registered digital commodity broker or dig-
3 ital commodity dealer, respectively; and

4 “(C) such other matters as the Commis-
5 sion deems appropriate.

6 “(2) BUSINESS CONDUCT REQUIREMENTS.—

7 The Commission shall, by rule, prescribe business
8 conduct requirements which—

9 “(A) require disclosure by a registered dig-
10 ital commodity broker and registered digital
11 commodity dealer to any counterparty to the
12 transaction (other than an eligible contract par-
13 ticipant) of—

14 “(i) information about the material
15 risks and characteristics of the digital com-
16 modity;

17 “(ii) information about the material
18 risks and characteristics of the transaction;

19 “(B) establish a duty for such a digital
20 commodity broker and such a digital commodity
21 dealer to communicate in a fair and balanced
22 manner based on principles of fair dealing and
23 good faith;

24 “(C) establish standards governing digital
25 commodity broker and digital commodity dealer

1 marketing and advertising, including
2 testimonials and endorsements; and

3 “(D) establish such other standards and
4 requirements as the Commission may determine
5 are—

6 “(i) in the public interest;

7 “(ii) appropriate for the protection of
8 customers; or

9 “(iii) otherwise in furtherance of the
10 purposes of this Act.

11 “(3) PROHIBITION ON FRAUDULENT PRAC-
12 TICES.—It shall be unlawful for a digital commodity
13 broker or digital commodity dealer to—

14 “(A) employ any device, scheme, or artifice
15 to defraud any customer or counterparty;

16 “(B) engage in any transaction, practice,
17 or course of business that operates as a fraud
18 or deceit on any customer or counterparty; or

19 “(C) engage in any act, practice, or course
20 of business that is fraudulent, deceptive, or ma-
21 nipulative.

22 “(i) DUTIES.—

23 “(1) RISK MANAGEMENT PROCEDURES.—Each
24 digital commodity broker and digital commodity
25 dealer shall establish robust and professional risk

1 management systems adequate for managing the
2 day-to-day business of the digital commodity broker
3 or digital commodity dealer, respectively.

4 “(2) DISCLOSURE OF GENERAL INFORMA-
5 TION.—Each digital commodity broker and digital
6 commodity dealer shall disclose to the Commission
7 information concerning—

8 “(A) the terms and conditions of the trans-
9 actions of the digital commodity broker or dig-
10 ital commodity dealer, respectively;

11 “(B) the trading operations, mechanisms,
12 and practices of the digital commodity broker
13 or digital commodity dealer, respectively;

14 “(C) financial integrity protections relating
15 to the activities of the digital commodity broker
16 or digital commodity dealer, respectively; and

17 “(D) other information relevant to trading
18 in digital commodities by the digital commodity
19 broker or digital commodity dealer, respectively.

20 “(3) ABILITY TO OBTAIN INFORMATION.—Each
21 digital commodity broker and digital commodity
22 dealer shall—

23 “(A) establish and enforce internal systems
24 and procedures to obtain any necessary infor-

1 mation to perform any of the functions de-
2 scribed in this section; and

3 “(B) provide the information to the Com-
4 mission, on request.

5 “(4) CONFLICTS OF INTEREST.—Each digital
6 commodity broker and digital commodity dealer shall
7 implement conflict-of-interest systems and proce-
8 dures that—

9 “(A) establish structural and institutional
10 safeguards—

11 “(i) to minimize conflicts of interest
12 that might potentially bias the judgment or
13 supervision of the digital commodity broker
14 or digital commodity dealer, respectively,
15 and contravene the principles of fair and
16 equitable trading and the business conduct
17 standards described in this Act, including
18 conflicts arising out of transactions or ar-
19 rangements with affiliates (including affili-
20 ates acting as digital asset issuers, digital
21 commodity dealers, or qualified digital
22 commodity custodians), which may include
23 information partitions and the legal sepa-
24 ration of different persons involved in dig-
25 ital commodity activities; and

1 “(ii) to ensure that the activities of
2 any person within the digital commodity
3 broker or digital commodity dealer relating
4 to research or analysis of the price or mar-
5 ket for any digital commodity or acting in
6 a role of providing exchange activities or
7 making determinations as to accepting ex-
8 change customers are separated by appro-
9 priate informational partitions within the
10 digital commodity broker or digital com-
11 modity dealer from the review, pressure, or
12 oversight of persons whose involvement in
13 pricing, trading, exchange, or clearing ac-
14 tivities might potentially bias their judg-
15 ment or supervision and contravene the
16 core principles of open access and the busi-
17 ness conduct standards described in this
18 Act; and

19 “(B) address such other issues as the
20 Commission determines to be appropriate.

21 “(5) ANTITRUST CONSIDERATIONS.—Unless
22 necessary or appropriate to achieve the purposes of
23 this Act, a digital commodity broker or digital com-
24 modity dealer shall not—

1 “(A) adopt any process or take any action
2 that results in any unreasonable restraint of
3 trade; or

4 “(B) impose any material anticompetitive
5 burden on trading or clearing.

6 “(j) DESIGNATION OF CHIEF COMPLIANCE OFFI-
7 CER.—

8 “(1) IN GENERAL.—Each digital commodity
9 broker and digital commodity dealer shall designate
10 an individual to serve as a chief compliance officer.

11 “(2) DUTIES.—The chief compliance officer
12 shall—

13 “(A) report directly to the board or to the
14 senior officer of the registered digital com-
15 modity broker or registered digital commodity
16 dealer;

17 “(B) review the compliance of the reg-
18 istered digital commodity broker or registered
19 digital commodity dealer with respect to the
20 registered digital commodity broker and reg-
21 istered digital commodity dealer requirements
22 described in this section;

23 “(C) in consultation with the board of di-
24 rectors, a body performing a function similar to
25 the board, or the senior officer of the organiza-

1 tion, resolve any conflicts of interest that may
2 arise;

3 “(D) be responsible for administering each
4 policy and procedure that is required to be es-
5 tablished pursuant to this section;

6 “(E) ensure compliance with this Act (in-
7 cluding regulations), including each rule pre-
8 scribed by the Commission under this section;

9 “(F) establish procedures for the remedi-
10 ation of noncompliance issues identified by the
11 chief compliance officer through any—

12 “(i) compliance office review;

13 “(ii) look-back;

14 “(iii) internal or external audit find-
15 ing;

16 “(iv) self-reported error; or

17 “(v) validated complaint; and

18 “(G) establish and follow appropriate pro-
19 cedures for the handling, management response,
20 remediation, retesting, and closing of non-
21 compliance issues.

22 “(3) ANNUAL REPORTS.—

23 “(A) IN GENERAL.—In accordance with
24 rules prescribed by the Commission, the chief

1 compliance officer shall annually prepare and
2 sign a report that contains a description of—

3 “(i) the compliance of the registered
4 digital commodity broker or registered dig-
5 ital commodity dealer with respect to this
6 Act (including regulations); and

7 “(ii) each policy and procedure of the
8 registered digital commodity broker or reg-
9 istered digital commodity dealer of the
10 chief compliance officer (including the code
11 of ethics and conflict of interest policies).

12 “(B) REQUIREMENTS.—The chief compli-
13 ance officer shall ensure that a compliance re-
14 port under subparagraph (A)—

15 “(i) accompanies each appropriate fi-
16 nancial report of the registered digital
17 commodity broker or registered digital
18 commodity dealer that is required to be
19 furnished to the Commission pursuant to
20 this section; and

21 “(ii) includes a certification that,
22 under penalty of law, the compliance re-
23 port is accurate and complete.

24 “(k) SEGREGATION OF DIGITAL COMMODITIES.—

25 “(1) HOLDING OF CUSTOMER ASSETS.—

1 “(A) IN GENERAL.—Each digital com-
2 modity broker and digital commodity dealer
3 shall hold customer money, assets, and property
4 in a manner to minimize the risk of loss to the
5 customer or unreasonable delay in customer ac-
6 cess to the money, assets, and property of the
7 customer.

8 “(B) QUALIFIED DIGITAL COMMODITY
9 CUSTODIAN.—Each digital commodity broker
10 and digital commodity dealer shall hold in a
11 qualified digital commodity custodian each unit
12 of a digital commodity that is—

13 “(i) the property of a customer or
14 counterparty of the digital commodity
15 broker or digital commodity dealer, respec-
16 tively;

17 “(ii) required to be held by the digital
18 commodity broker or digital commodity
19 dealer under subsection (e); or

20 “(iii) otherwise so required by the
21 Commission to reasonably protect cus-
22 tomers or promote the public interest.

23 “(2) SEGREGATION OF FUNDS.—

24 “(A) IN GENERAL.—Each digital com-
25 modity broker and digital commodity dealer

1 shall treat and deal with all money, assets, and
2 property that is received by the digital com-
3 modity broker or digital commodity dealer, or
4 accrues to a customer as the result of trading
5 in digital commodities, as belonging to the cus-
6 tomer.

7 “(B) COMMINGLING PROHIBITED.—

8 “(i) IN GENERAL.—Except as pro-
9 vided in clause (ii), each digital commodity
10 broker and digital commodity dealer shall
11 separately account for money, assets, and
12 property of a digital commodity customer,
13 and shall not commingle any such money,
14 assets, or property with the funds of the
15 digital commodity broker or digital com-
16 modity dealer, respectively, or use any such
17 money, assets, or property to margin, se-
18 cure, or guarantee any trades or accounts
19 of any customer or person other than the
20 person for whom the money, assets, or
21 property are held.

22 “(ii) EXCEPTIONS.—

23 “(I) USE OF FUNDS.—

24 “(aa) IN GENERAL.—A dig-
25 ital commodity broker or digital

1 commodity dealer may, for con-
2 venience, commingle and deposit
3 in the same account or accounts
4 with any bank, trust company,
5 derivatives clearing organization,
6 or qualified digital commodity
7 custodian money, assets, and
8 property of customers.

9 “(bb) WITHDRAWAL.—The
10 share of the money, assets, and
11 property described in item (aa)
12 as in the normal course of busi-
13 ness shall be necessary to mar-
14 gin, guarantee, secure, transfer,
15 adjust, or settle a contract of sale
16 of a digital commodity with a
17 registered entity may be with-
18 drawn and applied to such pur-
19 poses, including the payment of
20 commissions, brokerage, interest,
21 taxes, storage, and other charges,
22 lawfully accruing in connection
23 with the contract.

24 “(II) COMMISSION ACTION.—In
25 accordance with such terms and con-

1 ditions as the Commission may pre-
2 scribe by rule, regulation, or order,
3 any money, assets, or property of the
4 customers of a digital commodity
5 broker or digital commodity dealer
6 may be commingled and deposited in
7 customer accounts with any other
8 money, assets, or property received by
9 the digital commodity broker or dig-
10 ital commodity dealer, respectively,
11 and required by the Commission to be
12 separately accounted for and treated
13 and dealt with as belonging to the
14 customer of the digital commodity
15 broker or digital commodity dealer,
16 respectively.

17 “(3) PERMITTED INVESTMENTS.—Money de-
18 scribed in paragraph (2) may be invested in obliga-
19 tions of the United States, in general obligations of
20 any State or of any political subdivision of a State,
21 in obligations fully guaranteed as to principal and
22 interest by the United States, or in any other invest-
23 ment that the Commission may by rule or regulation
24 allow.

1 “(4) CUSTOMER PROTECTION DURING BANK-
2 RUPTCY.—

3 “(A) CUSTOMER PROPERTY.—All money,
4 assets, or property described in paragraph (2)
5 shall be considered customer property for pur-
6 poses of section 761 of title 11, United States
7 Code.

8 “(B) TRANSACTIONS.—A transaction in-
9 volving a unit of a digital commodity occurring
10 with a digital commodity dealer shall be consid-
11 ered a ‘contract for the purchase or sale of a
12 commodity for future delivery, on or subject to
13 the rules of, a contract market or board of
14 trade’ for purposes of the definition of a ‘com-
15 modity contract’ in section 761 of title 11,
16 United States Code.

17 “(C) BROKERS AND DEALERS.—A digital
18 commodity dealer and a digital commodity
19 broker shall be considered a futures commission
20 merchant for purposes of section 761 of title
21 11, United States Code.

22 “(D) ASSETS REMOVED FROM SEGREGA-
23 TION.—Assets removed from segregation due to
24 a customer election under paragraph (6) shall
25 not be considered customer property for pur-

1 poses of section 761 of title 11, United States
2 Code.

3 “(5) MISUSE OF CUSTOMER PROPERTY.—

4 “(A) IN GENERAL.—It shall be unlawful—

5 “(i) for any digital commodity broker
6 or digital commodity dealer that has re-
7 ceived any customer money, assets, or
8 property for custody to dispose of, or use
9 any such money, assets, or property as be-
10 longing to the digital commodity broker or
11 digital commodity dealer, respectively, or
12 any person other than a customer of the
13 digital commodity broker or digital com-
14 modity dealer, respectively; or

15 “(ii) for any other person, including
16 any depository, digital commodity ex-
17 change, other digital commodity broker,
18 other digital commodity dealer, or digital
19 commodity custodian that has received any
20 customer money, assets, or property for
21 deposit, to hold, dispose of, or use any
22 such money, assets, or property, as belong-
23 ing to the depositing digital commodity
24 broker or digital commodity dealer or any
25 person other than the customers of the

1 digital commodity broker or digital com-
2 modity dealer, respectively.

3 “(B) USE FURTHER DEFINED.—For pur-
4 poses of this section, ‘use’ of a digital com-
5 modity includes utilizing any unit of a digital
6 asset to participate in a blockchain service de-
7 fined in paragraph (6) or a decentralized gov-
8 ernance system associated with the digital com-
9 modity or the blockchain system to which the
10 digital commodity relates in any manner other
11 than that expressly directed by the customer
12 from whom the unit of a digital commodity was
13 received.

14 “(6) PARTICIPATION IN BLOCKCHAIN SERV-
15 ICES.—

16 “(A) IN GENERAL.—A customer shall have
17 the right to waive the restrictions in paragraph
18 (1) for any unit of a digital commodity to be
19 used under subparagraph (B), by affirmatively
20 electing, in writing to the digital commodity
21 broker or digital commodity dealer, to waive the
22 restrictions.

23 “(B) USE OF FUNDS.—Customer digital
24 commodities removed from segregation under
25 subparagraph (A) may be pooled and used by

1 the digital commodity broker or digital com-
2 modity dealer, or one of their designees, to pro-
3 vide a blockchain service for a blockchain sys-
4 tem to which the unit of the digital asset re-
5 moved from segregation in subparagraph (A)
6 relates.

7 “(C) LIMITATIONS.—

8 “(i) IN GENERAL.—The Commission
9 may, by rule, establish notice and disclo-
10 sure requirements, and any other limita-
11 tions and rules related to the waiving of
12 any restrictions under this paragraph that
13 are reasonably necessary to protect cus-
14 tomers, including eligible contract partici-
15 pants, non-eligible contract participants, or
16 any other class of customers.

17 “(ii) CUSTOMER CHOICE.—A digital
18 commodity broker or digital commodity
19 dealer may not require a waiver from a
20 customer described in subparagraph (A) as
21 a condition of doing business with the
22 broker or dealer.

23 “(D) BLOCKCHAIN SERVICE DEFINED.—In
24 this subparagraph, the term ‘blockchain service’
25 means any activity relating to validating trans-

1 actions on a blockchain system, providing secu-
2 rity for a blockchain system, or other similar
3 activity required for the ongoing operation of a
4 blockchain system.

5 “(1) FEDERAL PREEMPTION.—Notwithstanding any
6 other provision of law, the Commission shall have exclusive
7 jurisdiction over any digital commodity broker or digital
8 commodity dealer registered under this section.

9 “(m) EXEMPTIONS.—In order to promote responsible
10 economic or financial innovation and fair competition, or
11 protect customers, the Commission may (on its own initia-
12 tive or on application of the registered digital commodity
13 broker or registered digital commodity dealer) exempt, un-
14 conditionally or on stated terms or conditions, or for stat-
15 ed periods, and retroactively or prospectively, or both, a
16 registered digital commodity broker or registered digital
17 commodity dealer from the requirements of this section,
18 if the Commission determines that—

19 “(1)(A) the exemption would be consistent with
20 the public interest and the purposes of this Act; and

21 “(B) the exemption will not have a material ad-
22 verse effect on the ability of the Commission to dis-
23 charge regulatory duties under this Act; or

24 “(2) the registered digital commodity broker or
25 registered digital commodity dealer is subject to

1 comparable, comprehensive supervision and regula-
2 tion by the appropriate government authorities in
3 the home country of the registered digital commodity
4 broker or registered digital commodity dealer, re-
5 spectively.

6 “(n) TREATMENT UNDER THE BANK SECRECY
7 ACT.—A digital commodity broker and a digital com-
8 modity dealer shall be treated as a financial institution
9 for purposes of the Bank Secrecy Act.”.

10 **SEC. 507. REGISTRATION OF ASSOCIATED PERSONS.**

11 (a) IN GENERAL.—Section 4k of the Commodity Ex-
12 change Act (7 U.S.C. 6k) is amended—

13 (1) by redesignating subsections (4) through
14 (6) as subsections (5) through (7), respectively; and

15 (2) by inserting after subsection (3) the fol-
16 lowing:

17 “(4) It shall be unlawful for any person to act as an
18 associated person of a digital commodity broker or an as-
19 sociated person of a digital commodity dealer unless the
20 person is registered with the Commission under this Act
21 and such registration shall not have expired, been sus-
22 pended (and the period of suspension has not expired),
23 or been revoked. It shall be unlawful for a digital com-
24 modity broker or a digital commodity dealer to permit
25 such a person to become or remain associated with the

1 digital commodity broker or digital commodity dealer if
2 the digital commodity broker or digital commodity dealer
3 knew or should have known that the person was not so
4 registered or that the registration had expired, been sus-
5 pended (and the period of suspension has not expired),
6 or been revoked.”; and

7 (3) in subsection (5) (as so redesignated), by
8 striking “or of a commodity trading advisor” and in-
9 serting “of a commodity trading advisor, of a digital
10 commodity broker, or of a digital commodity deal-
11 er”.

12 (b) CONFORMING AMENDMENTS.—The Commodity
13 Exchange Act (7 U.S.C. 1a et seq.) is amended by striking
14 “section 4k(6)” each place it appears and inserting “sec-
15 tion 4k(7)”.

16 **SEC. 508. REGISTRATION OF COMMODITY POOL OPERA-**
17 **TORS AND COMMODITY TRADING ADVISORS.**

18 (a) IN GENERAL.—Section 4m(3) of the Commodity
19 Exchange Act (7 U.S.C. 6m(3)) is amended—

20 (1) in subparagraph (A)—

21 (A) by striking “any commodity trading
22 advisor” and inserting “a commodity pool oper-
23 ator or commodity trading advisor”; and

24 (B) by striking “acting as a commodity
25 trading advisor” and inserting “acting as a

1 commodity pool operator or commodity trading
2 advisor”; and

3 (2) in subparagraph (C), by inserting “digital
4 commodities,” after “physical commodities,”.

5 (b) EXEMPTIVE AUTHORITY.—Section 4m of such
6 Act (7 U.S.C. 6m) is amended by adding at the end the
7 following:.

8 “(4) EXEMPTIVE AUTHORITY.—The Commission
9 shall promulgate rules to provide appropriate exemptions
10 for commodity pool operators and commodity trading advi-
11 sors, to provide relief from duplicative, conflicting, or un-
12 duly burdensome requirements or to promote responsible
13 innovation, to the extent the exemptions foster the devel-
14 opment of fair and orderly cash or spot digital commodity
15 markets, are necessary or appropriate in the public inter-
16 est, and are consistent with the protection of customers.”.

17 **SEC. 509. EXCLUSION FOR DECENTRALIZED FINANCE AC-**
18 **TIVITIES.**

19 The Commodity Exchange Act (7 U.S.C. 1 et seq.),
20 as amended by the preceding provisions of this Act, is
21 amended by inserting after section 4u the following:

22 **“SEC. 4v. DECENTRALIZED FINANCE ACTIVITIES NOT SUB-**
23 **JECT TO THIS ACT.**

24 “(a) IN GENERAL.—Notwithstanding any other pro-
25 vision of this Act, a person shall not be subject to this

1 Act and the regulations promulgated under this Act based
2 on the person directly or indirectly engaging in any of the
3 following activities, whether singly or in combination, in
4 relation to the operation of a blockchain system or in rela-
5 tion to decentralized finance (as defined in section 605(d)
6 of the Financial Innovation and Technology for the 21st
7 Century Act):

8 “(1) Compiling network transactions, operating
9 or participating in a liquidity pool, relaying, search-
10 ing, sequencing, validating, or acting in a similar ca-
11 pacity with respect to contract of sale of a digital
12 asset.

13 “(2) Providing computational work, operating a
14 node, or procuring, offering, or utilizing network
15 bandwidth, or other similar incidental services with
16 respect to a contract of sale of a digital asset.

17 “(3) Providing a user-interface that enables a
18 user to read, and access data about a blockchain
19 system, send messages, or otherwise interact with a
20 blockchain system.

21 “(4) Developing, publishing, constituting, ad-
22 ministering, maintaining, or otherwise distributing a
23 blockchain system.

24 “(5) Developing, publishing, constituting, ad-
25 ministering, maintaining, or otherwise distributing

1 software or systems that create or deploy hardware
2 or software, including wallets or other systems, fa-
3 cilitating an individual user’s own personal ability to
4 keep, safeguard, or custody the user’s digital com-
5 modities or related private keys.

6 “(b) EXCEPTIONS.—Subsection (a) shall not be inter-
7 preted to apply to the anti-fraud, anti-manipulation, or
8 false reporting enforcement authorities of the Commis-
9 sion.”.

10 **SEC. 510. FUNDING FOR IMPLEMENTATION AND ENFORCE-**
11 **MENT.**

12 (a) COLLECTION OF FEES.—

13 (1) FILING FEE.—

14 (A) IN GENERAL.—The Commodity Fu-
15 tures Trading Commission (in this section re-
16 ferred to as the “Commission”) shall charge
17 and collect a filing fee from each person who
18 files with the Commission a notice of intent to
19 register as a digital commodity exchange, dig-
20 ital commodity broker, or digital commodity
21 dealer pursuant to section 106.

22 (B) AMOUNT.—The amount of the filing
23 fee shall be—

1 (i) \$800,000, in the case of a notice
2 of intent to register as a digital commodity
3 exchange; or

4 (ii) \$400,000, in the case of a notice
5 of intent to register as a digital commodity
6 broker or a digital commodity dealer.

7 (C) TIMING.—The Commission shall
8 charge and collect the filing fee when the per-
9 son files the notice.

10 (2) ANNUAL FEE.—

11 (A) IN GENERAL.—The Commission shall
12 charge and collect an annual fee from each per-
13 son that maintains with the Commission a no-
14 tice referred to in paragraph (1).

15 (B) AMOUNT.—

16 (i) IN GENERAL.—Subject to clause
17 (ii), the amount of the annual fee shall
18 be—

19 (I) \$800,000, in the case of a no-
20 tice of intent to register as a digital
21 commodity exchange; or

22 (II) \$400,000, in the case of a
23 notice of intent to register as a digital
24 commodity broker or a digital com-
25modity dealer.

1 (ii) ANNUAL LIMIT.—The Commission
2 shall increase or decrease the dollar
3 amounts specified in clause (i) to ensure
4 that the total of the amounts collected
5 under this paragraph for a fiscal year does
6 not exceed the lesser of—

7 (I) the total costs of carrying out
8 the functions of the Commission
9 under this Act during the fiscal year,
10 as estimated by the Commission; or

11 (II) \$40,000,000.

12 (C) TIMING.—The Commission shall
13 charge and collect the annual fee from the per-
14 son in each fiscal year that begins after the per-
15 son files the notice.

16 (3) TERMINATION FEE.—

17 (A) IN GENERAL.—The Commission shall
18 charge and collect a termination fee from each
19 person that maintained with the Commission a
20 notice referred to in paragraph (1).

21 (B) AMOUNT.—Subject to clause (ii), the
22 amount of the termination fee shall be—

23 (i) \$1,600,000, in the case of a notice
24 of intent to register as a digital commodity
25 exchange; or

1 (ii) \$800,000, in the case of a notice
2 of intent to register as a digital commodity
3 broker or a digital commodity dealer.

4 (C) TIMING.—The Commission shall
5 charge and collect the termination fee from the
6 person in the fiscal year in which a notice to of
7 intent to register is—

8 (i) terminated by the filer;

9 (ii) revoked by the Commission for
10 noncompliance; or

11 (iii) subsumed by registration.

12 (4) AUTHORITY TO ADJUST FEES.—Notwith-
13 standing the preceding provisions of this subsection,
14 to promote fair competition or innovation, the Com-
15 mission, in its sole discretion, may reduce or elimi-
16 nate any fee otherwise required to be paid by a small
17 or medium filer under this subsection.

18 (b) FEE SCHEDULE.—

19 (1) IN GENERAL.—The Commission shall pub-
20 lish in the Federal Register a schedule of the fees
21 to be charged and collected under this section.

22 (2) CONTENT.—The fee schedule for a fiscal
23 year shall include a written analysis of the estimate
24 of the Commission of the total costs of carrying out

1 the functions of the Commission under this Act dur-
2 ing the fiscal year.

3 (3) SUBMISSION TO CONGRESS.—Before pub-
4 lishing the fee schedule for a fiscal year, the Com-
5 mission shall submit a copy of the fee schedule to
6 the Congress.

7 (4) TIMING.—

8 (A) 1ST FISCAL YEAR.—The Commission
9 shall publish the fee schedule for the fiscal year
10 in which this Act is enacted, within 30 days
11 after the date of the enactment of this Act.

12 (B) SUBSEQUENT FISCAL YEARS.—The
13 Commission shall publish the fee schedule for
14 each subsequent fiscal year, not less than 90
15 days before the due date prescribed by the
16 Commission for payment of the annual fee for
17 the fiscal year.

18 (c) LATE PAYMENT PENALTY.—

19 (1) IN GENERAL.—The Commission may im-
20 pose a penalty against a person that fails to pay an
21 annual fee charged under this section, within 30
22 days after the due date prescribed by the Commis-
23 sion for payment of the fee.

24 (2) AMOUNT.—The amount of the penalty shall
25 be—

1 (A) 5 percent of the amount of the fee due;
2 multiplied by

3 (B) the whole number of consecutive 30-
4 day periods that have elapsed since the due
5 date.

6 (d) REIMBURSEMENT OF EXCESS FEES.—To the ex-
7 tent that the total amount of filing fees and annual fees
8 collected under this section during a fiscal year that begins
9 after the date of the enactment of this Act exceeds the
10 maximum amount determined under subsection
11 (a)(2)(B)(ii) with respect to the fiscal year, the Commis-
12 sion shall reimburse the excess amount to the persons who
13 have timely paid their annual fees, on a pro-rata basis that
14 excludes penalties, and shall do so within 60 days after
15 the end of the fiscal year.

16 (e) DEPOSIT OF FEES INTO THE TREASURY.—

17 (1) FILING AND ANNUAL FEES.—All amounts
18 collected under paragraph (1) or (2) of subsection
19 (a) and not reimbursed under subsection (d) shall be
20 deposited in an account established in the Treasury
21 solely for the receipt of the amounts.

22 (2) TERMINATION FEES.—All amounts collected
23 under subsection (a)(3) or (c), and not reimbursed
24 under subsection (d), shall be deposited in the
25 Treasury as miscellaneous receipts.

1 (f) USE OF FUNDS.—In addition to amounts other-
2 wise made available to the Commission, the Commission
3 may use the amounts in the account established under
4 subsection (e)(1) to cover the costs of carrying out the
5 functions of the Commission under this Act, without fur-
6 ther appropriation.

7 (g) SUNSET.—The authority to charge and collect
8 fees under this section shall expire at the end of the 4th
9 fiscal year that begins after the date of the enactment of
10 this Act.

11 **SEC. 511. EFFECTIVE DATE.**

12 Unless otherwise provided in this title, this title and
13 the amendments made by this title shall take effect 360
14 days after the date of enactment of this Act, except that,
15 to the extent a provision of this title requires a rule-
16 making, the provision shall take effect on the later of—

17 (1) 360 days after the date of enactment of this
18 Act; or

19 (2) 60 days after the publication in the Federal
20 Register of the final rule implementing the provision.

21 **TITLE VI—INNOVATION AND**
22 **TECHNOLOGY IMPROVEMENTS**

23 **SEC. 601. FINDINGS; SENSE OF CONGRESS.**

24 (a) FINDINGS.—Congress finds the following:

1 (1) Entrepreneurs and innovators are building
2 and deploying this next generation of the internet.

3 (2) Digital asset networks represent a new way
4 for people to join together and cooperate with one
5 another to undertake certain activities.

6 (3) Digital assets have the potential to be the
7 foundational building blocks of these networks,
8 aligning the economic incentive for individuals to co-
9 operate with one another to achieve a common pur-
10 pose.

11 (4) The digital asset ecosystem has the poten-
12 tial to grow our economy and improve everyday lives
13 of Americans by facilitating collaboration through
14 the use of technology to manage activities, allocate
15 resources, and facilitate decision making.

16 (5) Blockchain networks and the digital assets
17 they empower provide creator control, enhance
18 transparency, reduce transaction costs, and increase
19 efficiency if proper protections are put in place for
20 investors, consumers, our financial system, and our
21 national security.

22 (6) Blockchain technology facilitates new types
23 of network participation which businesses in the
24 United States may utilize in innovative ways.

1 (7) Other digital asset companies are setting up
2 their operations outside of the United States, where
3 countries are establishing frameworks to embrace
4 the potential of blockchain technology and digital as-
5 sets and provide safeguards for consumers.

6 (8) Digital assets, despite the purported ano-
7 nymity, provide law enforcement with an exceptional
8 tracing tool to identify illicit activity and bring
9 criminals to justice.

10 (9) The Financial Services Committee of the
11 House of Representatives has held multiple hearings
12 highlighting various risks that digital assets can
13 pose to the financial markets, consumers, and inves-
14 tors that must be addressed as we seek to harness
15 the benefits of these innovations.

16 (b) SENSE OF CONGRESS.—It is the sense of Con-
17 gress that—

18 (1) the United States should seek to prioritize
19 understanding the potential opportunities of the next
20 generation of the internet;

21 (2) the United States should seek to foster ad-
22 vances in technology that have robust evidence indi-
23 cating they can improve our financial system and
24 create more fair and equitable access to financial

1 services for everyday Americans while protecting our
2 financial system, investors, and consumers;

3 (3) the United States must support the respon-
4 sible development of digital assets and the under-
5 lying technology in the United States or risk the
6 shifting of the development of such assets and tech-
7 nology outside of the United States, to less regulated
8 countries;

9 (4) Congress should consult with public and
10 private sector stakeholders to understand how to
11 enact a functional framework tailored to the specific
12 risks and unique benefits of different digital asset-
13 related activities, distributed ledger technology, dis-
14 tributed networks, and decentralized systems; and

15 (5) Congress should enact a functional frame-
16 work tailored to the specific risks of different digital
17 asset-related activities and unique benefits of distrib-
18 uted ledger technology, distributed networks, and de-
19 centralized systems; and

20 (6) consumers and market participants will ben-
21 efit from a framework for digital assets consistent
22 with longstanding investor protections in securities
23 and commodities markets, yet tailored to the unique
24 benefits and risks of the digital asset ecosystem.

1 **SEC. 602. CODIFICATION OF THE SEC STRATEGIC HUB FOR**
2 **INNOVATION AND FINANCIAL TECHNOLOGY.**

3 Section 4 of the Securities Exchange Act of 1934 (15
4 U.S.C. 78d) is amended by adding at the end the fol-
5 lowing:

6 “(1) STRATEGIC HUB FOR INNOVATION AND FINAN-
7 CIAL TECHNOLOGY.—

8 “(1) OFFICE ESTABLISHED.—There is estab-
9 lished within the Commission the Strategic Hub for
10 Innovation and Financial Technology (referred to in
11 this section as the ‘FinHub’).

12 “(2) PURPOSES.—The purposes of FinHub are
13 as follows:

14 “(A) To assist in shaping the approach of
15 the Commission to technological advancements.

16 “(B) To examine financial technology inno-
17 vations among market participants.

18 “(C) To coordinate the response of the
19 Commission to emerging technologies in finan-
20 cial, regulatory, and supervisory systems.

21 “(3) DIRECTOR OF FINHUB.—FinHub shall
22 have a Director who shall be appointed by the Com-
23 mission, from among individuals having experience
24 in both emerging technologies and Federal securities
25 laws and serve at the pleasure of the Commission.
26 The Director shall report directly to the Commission

1 and perform such functions and duties as the Com-
2 mission may prescribe.

3 “(4) RESPONSIBILITIES.—FinHub shall—

4 “(A) foster responsible technological inno-
5 vation and fair competition within the Commis-
6 sion, including around financial technology, reg-
7 ulatory technology, and supervisory technology;

8 “(B) provide internal education and train-
9 ing to the Commission regarding financial tech-
10 nology;

11 “(C) advise the Commission regarding fi-
12 nancial technology that would serve the Com-
13 mission’s functions;

14 “(D) analyze technological advancements
15 and the impact of regulatory requirements on
16 financial technology companies;

17 “(E) advise the Commission with respect
18 to rulemakings or other agency or staff action
19 regarding financial technology;

20 “(F) provide businesses working in emerg-
21 ing financial technology fields with information
22 on the Commission, its rules and regulations;
23 and

24 “(G) encourage firms working in emerging
25 technology fields to engage with the Commis-

1 sion and obtain feedback from the Commission
2 on potential regulatory issues.

3 “(5) ACCESS TO DOCUMENTS.—The Commis-
4 sion shall ensure that FinHub has full access to the
5 documents and information of the Commission and
6 any self-regulatory organization, as necessary to
7 carry out the functions of FinHub.

8 “(6) REPORT TO CONGRESS.—

9 “(A) IN GENERAL.—Not later than Octo-
10 ber 31 of each year after 2024, FinHub shall
11 submit to the Committee on Banking, Housing,
12 and Urban Affairs of the Senate and the Com-
13 mittee on Financial Services of the House of
14 Representatives a report on the activities of
15 FinHub during the immediately preceding fiscal
16 year.

17 “(B) CONTENTS.—Each report required
18 under subparagraph (A) shall include—

19 “(i) the total number of persons that
20 met with FinHub;

21 “(ii) the total number of market par-
22 ticipants FinHub met with, including the
23 classification of those participants;

24 “(iii) a summary of general issues dis-
25 cussed during meetings with persons;

1 “(iv) information on steps FinHub
2 has taken to improve Commission services,
3 including responsiveness to the concerns of
4 persons;

5 “(v) recommendations—

6 “(I) with respect to the regula-
7 tions of the Commission and the guid-
8 ance and orders of the Commission;
9 and

10 “(II) for such legislative actions
11 as FinHub determines appropriate;
12 and

13 “(vi) any other information, as deter-
14 mined appropriate by the Director of
15 FinHub.

16 “(C) CONFIDENTIALITY.—A report under
17 subparagraph (A) may not contain confidential
18 information.

19 “(7) SYSTEMS OF RECORDS.—

20 “(A) IN GENERAL.—The Commission shall
21 establish a detailed system of records (as de-
22 fined under section 552a of title 5, United
23 States Code) to assist FinHub in commu-
24 nicating with interested parties.

1 “(B) ENTITIES COVERED BY THE SYS-
2 TEM.—Entities covered by the system required
3 under subparagraph (A) include entities or per-
4 sons submitting requests or inquiries and other
5 information to Commission through FinHub.

6 “(C) SECURITY AND STORAGE OF
7 RECORDS.—FinHub shall store—

8 “(i) electronic records—

9 “(I) in the system required under
10 subparagraph (A); or

11 “(II) on the secure network or
12 other electronic medium, such as
13 encrypted hard drives or back-up
14 media, of the Commission; and

15 “(ii) paper records in secure facilities.

16 “(8) EFFECTIVE DATE.—This subsection shall
17 take effect on the date that is 180 days after the
18 date of the enactment of this subsection.”.

19 **SEC. 603. CODIFICATION OF LABCFTC.**

20 (a) IN GENERAL.—Section 18 of the Commodity Ex-
21 change Act (7 U.S.C. 22) is amended by adding at the
22 end the following:

23 “(c) LABCFTC.—

24 “(1) ESTABLISHMENT.—There is established in
25 the Commission LabCFTC.

1 “(2) PURPOSE.—The purposes of LabCFTC
2 are to—

3 “(A) promote responsible financial tech-
4 nology innovation and fair competition for the
5 benefit of the American public;

6 “(B) serve as an information platform to
7 inform the Commission about new financial
8 technology innovation; and

9 “(C) provide outreach to financial tech-
10 nology innovators to discuss their innovations
11 and the regulatory framework established by
12 this Act and the regulations promulgated there-
13 under.

14 “(3) DIRECTOR.—LabCFTC shall have a Direc-
15 tor, who shall be appointed by the Commission and
16 serve at the pleasure of the Commission. Notwith-
17 standing section 2(a)(6)(A), the Director shall re-
18 port directly to the Commission and perform such
19 functions and duties as the Commission may pre-
20 scribe.

21 “(4) DUTIES.—LabCFTC shall—

22 “(A) advise the Commission with respect
23 to rulemakings or other agency or staff action
24 regarding financial technology;

1 “(B) provide internal education and train-
2 ing to the Commission regarding financial tech-
3 nology;

4 “(C) advise the Commission regarding fi-
5 nancial technology that would bolster the Com-
6 mission’s oversight functions;

7 “(D) engage with academia, students, and
8 professionals on financial technology issues,
9 ideas, and technology relevant to activities
10 under this Act;

11 “(E) provide persons working in emerging
12 technology fields with information on the Com-
13 mission, its rules and regulations, and the role
14 of a registered futures association; and

15 “(F) encourage persons working in emerg-
16 ing technology fields to engage with the Com-
17 mission and obtain feedback from the Commis-
18 sion on potential regulatory issues.

19 “(5) ACCESS TO DOCUMENTS.—The Commis-
20 sion shall ensure that LabCF'TC has full access to
21 the documents and information of the Commission
22 and any self-regulatory organization or registered fu-
23 tures association, as necessary to carry out the func-
24 tions of LabCF'TC.

25 “(6) REPORT TO CONGRESS.—

1 “(A) IN GENERAL.—Not later than Octo-
2 ber 31 of each year after 2024, LabCFTC shall
3 submit to the Committee on Agriculture of the
4 House of Representatives and the Committee
5 on Agriculture, Nutrition, and Forestry of the
6 Senate a report on its activities.

7 “(B) CONTENTS.—Each report required
8 under paragraph (1) shall include—

9 “(i) the total number of persons that
10 met with LabCFTC;

11 “(ii) a summary of general issues dis-
12 cussed during meetings with the person;

13 “(iii) information on steps LabCFTC
14 has taken to improve Commission services,
15 including responsiveness to the concerns of
16 persons;

17 “(iv) recommendations made to the
18 Commission with respect to the regula-
19 tions, guidance, and orders of the Commis-
20 sion and such legislative actions as may be
21 appropriate; and

22 “(v) any other information determined
23 appropriate by the Director of LabCFTC.

1 “(C) CONFIDENTIALITY.—A report under
2 paragraph (A) shall abide by the confidentiality
3 requirements in section 8.

4 “(7) SYSTEMS OF RECORDS.—

5 “(A) IN GENERAL.—The Commission shall
6 establish a detailed system of records (as de-
7 fined in section 552a of title 5, United States
8 Code) to assist LabCFTC in communicating
9 with interested parties.

10 “(B) PERSONS COVERED BY THE SYS-
11 TEM.—The persons covered by the system of
12 records shall include persons submitting re-
13 quests or inquiries and other information to the
14 Commission through LabCFTC.

15 “(C) SECURITY AND STORAGE OF
16 RECORDS.—The system of records shall store
17 records electronically or on paper in secure fa-
18 cilities, and shall store electronic records on the
19 secure network of the Commission and on other
20 electronic media, such as encrypted hard drives
21 and back-up media, as needed.”.

22 (b) CONFORMING AMENDMENTS.—Section
23 2(a)(6)(A) of such Act (7 U.S.C. 2(a)(6)(A)) is amend-
24 ed—

1 (1) by striking “paragraph and in” and insert-
2 ing “paragraph,”; and

3 (2) by inserting “and section 18(c)(3),” before
4 “the executive”.

5 (c) **EFFECTIVE DATE.**—The Commodity Futures
6 Trading Commission shall implement the amendments
7 made by this section (including complying with section
8 18(c)(7) of the Commodity Exchange Act) within 180
9 days after the date of the enactment of this Act.

10 **SEC. 604. CFTC-SEC JOINT ADVISORY COMMITTEE ON DIG-**
11 **ITAL ASSETS.**

12 (a) **ESTABLISHMENT.**—The Commodity Futures
13 Trading Commission and the Securities and Exchange
14 Commission (in this section referred to as the “Commis-
15 sions”) shall jointly establish the Joint Advisory Com-
16 mittee on Digital Assets (in this section referred to as the
17 “Committee”).

18 (b) **PURPOSE.**—

19 (1) **IN GENERAL.**—The Committee shall—

20 (A) provide the Commissions with advice
21 on the rules, regulations, and policies of the
22 Commissions related to digital assets;

23 (B) further the regulatory harmonization
24 of digital asset policy between the Commissions;

1 (C) examine and disseminate methods for
2 describing, measuring, and quantifying digital
3 asset—

- 4 (i) decentralization;
- 5 (ii) functionality;
- 6 (iii) information asymmetries; and
- 7 (iv) transaction and network security;

8 (D) examine the potential for digital as-
9 sets, blockchain systems, and distributed ledger
10 technology to improve efficiency in the oper-
11 ation of financial market infrastructure and
12 better protect financial market participants, in-
13 cluding services and systems which provide—

- 14 (i) improved customer protections;
- 15 (ii) public availability of information;
- 16 (iii) greater transparency regarding
17 customer funds;
- 18 (iv) reduced transaction cost; and
- 19 (v) increased access to financial mar-
20 ket services; and

21 (E) discuss the implementation by the
22 Commissions of this Act and the amendments
23 made by this Act.

24 (2) REVIEW BY AGENCIES.—Each Commission
25 shall—

1 (A) review the findings and recommenda-
2 tions of the Committee;

3 (B) promptly issue a public statement each
4 time the Committee submits a finding or rec-
5 ommendation to a Commission—

6 (i) assessing the finding or rec-
7 ommendation of the Committee;

8 (ii) disclosing the action or decision
9 not to take action made by the Commis-
10 sion in response to a finding or rec-
11 ommendation; and

12 (iii) explaining the reasons for the ac-
13 tion or decision not to take action; and

14 (C) each time the Committee submits a
15 finding or recommendation to a Commission,
16 provide the Committee with a formal response
17 to the finding or recommendation not later than
18 3 months after the date of the submission of
19 the finding or recommendation.

20 (c) MEMBERSHIP AND LEADERSHIP.—

21 (1) NON-FEDERAL MEMBERS.—

22 (A) IN GENERAL.—The Commissions shall
23 appoint at least 20 nongovernmental stake-
24 holders who represent a broad spectrum of in-
25 terests, equally divided between the Commis-

1 sions, to serve as members of the Committee.

2 The appointees shall include—

3 (i) digital asset issuers;

4 (ii) persons registered with the Com-
5 missions and engaged in digital asset re-
6 lated activities;

7 (iii) individuals engaged in academic
8 research relating to digital assets; and

9 (iv) digital asset users.

10 (B) MEMBERS NOT COMMISSION EMPLOY-
11 EES.—Members appointed under subparagraph
12 (A) shall not be deemed to be employees or
13 agents of a Commission solely by reason of
14 membership on the Committee.

15 (2) CO-DESIGNATED FEDERAL OFFICERS.—

16 (A) NUMBER; APPOINTMENT.—There shall
17 be 2 co-designated Federal officers of the Com-
18 mittee, as follows:

19 (i) The Director of LabCFTC of the
20 Commodity Futures Trading Commission.

21 (ii) The Director of the Strategic Hub
22 for Innovation and Financial Technology
23 of the Securities and Exchange Commis-
24 sion.

1 (B) DUTIES.—The duties required by
2 chapter 10 of title 5, United States Code, to be
3 carried out by a designated Federal officer with
4 respect to the Committee shall be shared by the
5 co-designated Federal officers of the Com-
6 mittee.

7 (3) COMMITTEE LEADERSHIP.—

8 (A) COMPOSITION; ELECTION.—The Com-
9 mittee members shall elect, from among the
10 Committee members—

- 11 (i) a chair;
- 12 (ii) a vice chair;
- 13 (iii) a secretary; and
- 14 (iv) an assistant secretary.

15 (B) TERM OF OFFICE.—Each member
16 elected under subparagraph (A) in a 2-year pe-
17 riod referred to in section 1013(b)(2) of title 5,
18 United States Code, shall serve in the capacity
19 for which the member was so elected, until the
20 end of the 2-year period.

21 (d) NO COMPENSATION FOR COMMITTEE MEM-
22 BERS.—

23 (1) NON-FEDERAL MEMBERS.—All Committee
24 members appointed under subsection (c)(1) shall—

25 (A) serve without compensation; and

1 (B) while away from the home or regular
2 place of business of the member in the perform-
3 ance of services for the Committee, be allowed
4 travel expenses, including per diem in lieu of
5 subsistence, in the same manner as persons em-
6 ployed intermittently in the Government service
7 are allowed expenses under section 5703(b) of
8 title 5, United States Code.

9 (2) NO COMPENSATION FOR CO-DESIGNATED
10 FEDERAL OFFICERS.—The co-designated Federal of-
11 ficers shall serve without compensation in addition
12 to that received for their services as officers or em-
13 ployees of the United States.

14 (e) FREQUENCY OF MEETINGS.—The Committee
15 shall meet—

16 (1) not less frequently than twice annually; and

17 (2) at such other times as either Commission
18 may request.

19 (f) DURATION.—Section 1013(a)(2) of title 5, United
20 States Code, shall not apply to the Committee.

21 (g) TIME LIMITS.—The Commissions shall—

22 (1) adopt a joint charter for the Committee
23 within 90 days after the date of the enactment of
24 this section;

1 (2) appoint members to the Committee within
2 120 days after such date of enactment; and

3 (3) hold the initial meeting of the Committee
4 within 180 days after such date of enactment.

5 (h) FUNDING.—The Commissions shall jointly fund
6 the Committee.

7 **SEC. 605. STUDY ON DECENTRALIZED FINANCE.**

8 (a) IN GENERAL.—The Commodity Futures Trading
9 Commission and the Securities and Exchange Commission
10 shall jointly carry out a study on decentralized finance
11 that analyzes—

12 (1) the nature, size, role, and use of decentral-
13 ized finance blockchain protocols;

14 (2) the operation of blockchain protocols that
15 comprise decentralized finance;

16 (3) the interoperability of blockchain protocols
17 and blockchain systems;

18 (4) the interoperability of blockchain protocols
19 and software-based systems, including websites and
20 wallets;

21 (5) the decentralized governance systems
22 through which blockchain protocols may be devel-
23 oped, published, constituted, administered, main-
24 tained, or otherwise distributed, including—

1 (A) whether the systems enhance or de-
2 tract from—

3 (i) the decentralization of the decen-
4 tralized finance; and

5 (ii) the inherent benefits and risks of
6 the decentralized governance system; and

7 (B) any procedures, requirements, or best
8 practices that would mitigate the risks identi-
9 fied in subparagraph (A)(ii);

10 (6) the benefits of decentralized finance, includ-
11 ing—

12 (A) operational resilience and availability
13 of blockchain systems;

14 (B) interoperability of blockchain systems;

15 (C) market competition and innovation;

16 (D) transaction efficiency;

17 (E) transparency and traceability of trans-
18 actions; and

19 (F) disintermediation;

20 (7) the risks of decentralized finance, includ-
21 ing—

22 (A) pseudonymity of users and trans-
23 actions;

24 (B) disintermediation; and

25 (C) cybersecurity vulnerabilities;

1 (8) the extent to which decentralized finance
2 has integrated with the traditional financial markets
3 and any potential risks or improvements to the sta-
4 bility of the markets;

5 (9) how the levels of illicit activity in decentral-
6 ized finance compare with the levels of illicit activity
7 in traditional financial markets;

8 (10) methods for addressing illicit activity in
9 decentralized finance and traditional markets that
10 are tailored to the unique attributes of each;

11 (11) how decentralized finance may increase the
12 accessibility of cross-border transactions; and

13 (12) the feasibility of embedding self-executing
14 compliance and risk controls into decentralized fi-
15 nance.

16 (b) CONSULTATION.—In carrying out the study re-
17 quired under subsection (a), the Commodity Futures
18 Trading Commission and the Securities and Exchange
19 Commission shall consult with the Secretary of the Treas-
20 ury on the factors described under paragraphs (7) through
21 (10) of subsection (a).

22 (c) REPORT.—Not later than 1 year after the date
23 of enactment of this Act, the Commodity Futures Trading
24 Commission and the Securities and Exchange Commission
25 shall jointly submit to the relevant congressional commit-

1 tees a report that includes the results of the study re-
2 quired by subsection (a).

3 (d) GAO STUDY.—The Comptroller General of the
4 United States shall—

5 (1) carry out a study on decentralized finance
6 that analyzes the information described under para-
7 graphs (1) through (12) of subsection (a); and

8 (2) not later than 1 year after the date of en-
9 actment of this Act, submit to the relevant congres-
10 sional committees a report that includes the results
11 of the study required by paragraph (1).

12 (e) DEFINITIONS.—In this section:

13 (1) DECENTRALIZED FINANCE.—

14 (A) IN GENERAL.—The term “decentral-
15 ized finance” means blockchain protocols that
16 allow users to engage in financial transactions
17 in a self-directed manner so that a third-party
18 intermediary does not effectuate the trans-
19 actions or take custody of digital assets of a
20 user during any part of the transactions.

21 (B) RELATIONSHIP TO EXCLUDED ACTIVI-
22 TIES.—The term “decentralized finance” shall
23 not be interpreted to limit or exclude any activ-
24 ity from the activities described in section
25 15H(c) of the Securities Exchange Act of 1934

1 or section 4v(c) of the Commodity Exchange
2 Act.

3 (2) RELEVANT CONGRESSIONAL COMMIT-
4 TEES.—The term “relevant congressional commit-
5 tees” means—

6 (A) the Committees on Financial Services
7 and Agriculture of the House of Representa-
8 tives; and

9 (B) the Committees on Banking, Housing,
10 and Urban Affairs and Agriculture, Nutrition,
11 and Forestry of the Senate.

12 **SEC. 606. STUDY ON NON-FUNGIBLE DIGITAL ASSETS.**

13 (a) IN GENERAL.—The Comptroller General of the
14 United States shall carry out a study of non-fungible dig-
15 ital assets that analyzes—

16 (1) the nature, size, role, purpose, and use of
17 non-fungible digital assets;

18 (2) the similarities and differences between non-
19 fungible digital assets and other digital assets, in-
20 cluding digital commodities and payment stablecoins,
21 and how the markets for those digital assets inter-
22 sect with each other;

23 (3) how non-fungible digital assets are minted
24 by issuers and subsequently administered to pur-
25 chasers;

- 1 (4) how non-fungible digital assets are stored
- 2 after being purchased by a consumer;
- 3 (5) the interoperability of non-fungible digital
- 4 assets between different blockchain systems;
- 5 (6) the scalability of different non-fungible dig-
- 6 ital asset marketplaces;
- 7 (7) the benefits of non-fungible digital assets,
- 8 including verifiable digital ownership;
- 9 (8) the risks of non-fungible tokens, including—
- 10 (A) intellectual property rights;
- 11 (B) cybersecurity risks; and
- 12 (C) market risks;
- 13 (9) whether and how non-fungible digital assets
- 14 have integrated with traditional marketplaces, in-
- 15 cluding those for music, real estate, gaming, events,
- 16 and travel;
- 17 (10) whether non-fungible tokens can be used
- 18 to facilitate commerce or other activities through the
- 19 representation of documents, identification, con-
- 20 tracts, licenses, and other commercial, government,
- 21 or personal records;
- 22 (11) any potential risks to traditional markets
- 23 from such integration; and
- 24 (12) the levels and types of illicit activity in
- 25 non-fungible digital asset markets.

1 (b) REPORT.—Not later than 1 year after the date
2 of the enactment of this Act, the Comptroller General,
3 shall make publicly available a report that includes the re-
4 sults of the study required by subsection (a).

5 **SEC. 607. STUDY ON EXPANDING FINANCIAL LITERACY**
6 **AMONGST DIGITAL ASSET HOLDERS.**

7 (a) IN GENERAL.— The Commodity Futures Trading
8 Commission with the Securities and Exchange Commis-
9 sion shall jointly conduct a study to identify—

10 (1) the existing level of financial literacy among
11 retail digital asset holders, including subgroups of
12 investors identified by the Commodity Futures Trad-
13 ing Commission with the Securities and Exchange
14 Commission;

15 (2) methods to improve the timing, content, and
16 format of financial literacy materials regarding dig-
17 ital assets provided by the Commodity Futures
18 Trading Commission and the Securities and Ex-
19 change Commission;

20 (3) methods to improve coordination between
21 the Securities and Exchange Commission and the
22 Commodity Futures Trading Commission with other
23 agencies, including the Financial Literacy and Edu-
24 cation Commission as well as nonprofit organizations

1 and State and local jurisdictions, to better dissemi-
2 nate financial literacy materials;

3 (4) the efficacy of current financial literacy ef-
4 forts with a focus on rural communities and commu-
5 nities with majority minority populations;

6 (5) the most useful and understandable relevant
7 information that retail digital asset holders need to
8 make informed financial decisions before engaging
9 with or purchasing a digital asset or service that is
10 typically sold to retail investors of digital assets;

11 (6) the most effective public-private partner-
12 ships in providing financial literacy regarding digital
13 assets to consumers;

14 (7) the most relevant metrics to measure suc-
15 cessful improvement of the financial literacy of an
16 individual after engaging with financial literacy ef-
17 forts; and

18 (8) in consultation with the Financial Literacy
19 and Education Commission, a strategy (including to
20 the extent practicable, measurable goals and objec-
21 tives) to increase financial literacy of investors re-
22 garding digital assets.

23 (b) REPORT.—Not later than 1 year after the date
24 of the enactment of this Act, the Commodity Futures
25 Trading Commission and the Securities and Exchange

1 Commission shall jointly submit a written report on the
2 study required by subsection (a) to the Committees on Fi-
3 nancial Services and on Agriculture of the House of Rep-
4 resentatives and the Committees on Banking, Housing,
5 and Urban Affairs and on Agriculture, Nutrition, and
6 Forestry of the Senate.

7 **SEC. 608. STUDY ON FINANCIAL MARKET INFRASTRUCTURE**
8 **IMPROVEMENTS.**

9 (a) IN GENERAL.—The Commodity Futures Trading
10 Commission and the Securities and Exchange Commission
11 shall jointly conduct a study to assess whether additional
12 guidance or rules are necessary to facilitate the develop-
13 ment of tokenized securities and derivatives products, and
14 to the extent such guidance or rules would foster the devel-
15 opment of fair and orderly financial markets, be necessary
16 or appropriate in the public interest, and be consistent
17 with the protection of investors and customers.

18 (b) REPORT.—

19 (1) TIME LIMIT.—Not later than 1 year after
20 the date of enactment of this Act, the Commodity
21 Futures Trading Commission and the Securities and
22 Exchange Commission shall jointly submit to the rel-
23 evant congressional committees a report that in-
24 cludes the results of the study required by sub-
25 section (a).

1 (2) RELEVANT CONGRESSIONAL COMMITTEES
2 DEFINED.—In this section, the term “relevant con-
3 gressional committees” means—

4 (A) the Committees on Financial Services
5 and on Agriculture of the House of Representa-
6 tives; and

7 (B) the Committees on Banking, Housing,
8 and Urban Affairs and on Agriculture, Nutri-
9 tion, and Forestry of the Senate.

