H. R. 4741

To provide for the regulation of digital assets, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 28, 2021

Mr. BEYER introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committees on Agriculture, and Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide for the regulation of digital assets, and for other purposes.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Digital Asset Market

5 Structure and Investor Protection Act”.

6 SEC. 2. TABLE OF CONTENTS.

7 The table of contents for this Act is as follows:

Sec. 1. Short title.
Sec. 2. Table of contents.

TITLE I—DIGITAL ASSET SECURITIES UNDER THE FEDERAL SECURITIES LAWS
Subtitle A—Securities Exchange Act of 1934

Sec. 101. Definition of digital asset security.
Sec. 102. Delayed registration for digital asset securities.
Sec. 103. Desecuritization of digital asset securities.
Sec. 104. Joint SEC and CFTC rulemaking on major digital asset classification.
Sec. 105. Conforming amendments.

Subtitle B—Other Securities Laws

Sec. 111. Securities Act of 1933.
Sec. 112. Investment Advisers Act of 1940.
Sec. 113. Investment Company Act of 1940.

TITLE II—TREATMENT OF DIGITAL ASSETS UNDER THE COMMODITY EXCHANGE ACT

Sec. 201. Definitions.
Sec. 203. Optional Federal charter for digital asset trading and clearing.
Sec. 204. Reporting requirements.
Sec. 205. CTA and CPOs: Commodity Interests.
Sec. 206. Swap data repositories and digital asset trade repositories.

TITLE III—DIGITAL FEDERAL RESERVE NOTES, LEGAL TENDER STATUS, THE REGULATION OF DIGITAL ASSET FIAT-BASED STABLECOINS, AND FEDERAL DEPOSIT AND SHARE INSURANCE FOR DIGITAL ASSETS

Subtitle A—Digital Federal Reserve Notes

Sec. 301. In general.
Sec. 302. Digital asset legal tender status.

Subtitle B—Regulation of Digital Asset Fiat-Based Stablecoins

Sec. 311. Department of Treasury regulation of digital asset fiat-based stablecoins.
Sec. 312. Conforming amendment.

Subtitle C—Federal Deposit and Share Insurance for Digital Assets

Sec. 321. Digital asset not deposits for Federal deposit and share insurance.
Sec. 322. Directed rulemaking FDIC and NCUA website disclosure on digital assets and insurance noncoverage.

TITLE IV—BANK SECRECY ACT

Sec. 401. Bank Secrecy Act.
Sec. 402. Anonymizing services, money mule, and anonymity-enhanced convertible virtual currencies.
Sec. 403. Digital asset transaction actual delivery reporting.
Sec. 404. Virtual digital asset service providers.

TITLE V—VARIOUS DIGITAL ASSET REPORTS

Sec. 501. IRS report on digital asset ownership/taxes.
TITLE I—DIGITAL ASSET SECURITIES UNDER THE FEDERAL SECURITIES LAWS

Subtitle A—Securities Exchange Act of 1934

SEC. 101. DEFINITION OF DIGITAL ASSET SECURITY.

(1) by inserting “digital asset security,” after “investment contract,”; and

(2) by striking “; but shall not include currency” and inserting “; but shall not include any fiat currency, commodity, digital asset,”.

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

(1) by transferring paragraph (79) so as to appear after paragraph (78);

(2) by redesignating the second paragraph (80) as paragraph (81); and

(3) by adding at the end the following:
“(82) Digital asset security.—

“(A) In general.—The term ‘digital asset security’ means a digital asset that:

“(i) Provides the holder of the digital asset with any of the following rights:

“(I) Equity or debt interest in the issuer.

“(II) Right to profits, interest, or dividend payments from the issuer.

“(III) Voting rights in the major corporate actions (which shall not include new block creations, hardforks, or protocol changes related to the digital asset) of the issuer.

“(IV) Liquidation rights in the event of the issuer’s liquidation.

“(ii) In the case of an issuer with a service, goods, or platform that is not wholly operational at the time of issuing such digital asset, with respect to any fundraising or capital formation activity (including initial coin offerings) which is accomplished through the issuance of such a digital asset, issues such digital asset to a holder in return for money (including
other digital assets) to fund the development of the proposed service, goods, or platform of the issuer.

“(B) RULE RELATING TO DIGITAL ASSETS.—The term ‘digital asset security’ does not include any digital asset other than the digital assets described in subparagraph (A). Any digital asset not described in subparagraph (A) shall be considered to be, and regulated as, a commodity under the Commodity Exchange Act (7 U.S.C. 1a et seq.).”.

SEC. 102. DELAYED REGISTRATION FOR DIGITAL ASSET SECURITIES.

Section 12(g)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(g)(1)) is amended—

(1) in subparagraph (A)(ii), by striking “and” at the end;

(2) in subparagraph (B), by inserting “and” after “persons,”; and

(3) by inserting after subparagraph (B) the following:

“(C) in the case of an issuer of a digital asset security, not later than 120 days after the last day of the third fiscal year on which the issuer first has total assets exceeding $10,000,000 and a class of eq-
uity security (other than an exempted security) held of record by 2,000 or more persons,”.

SEC. 103. DESECURITIZATION OF DIGITAL ASSET SECURITIES.

Section 12(g) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(g)) is amended by adding at the end the following:

“(7) DESECURITIZATION OF DIGITAL ASSET SECURITIES.—Registration of any class of digital asset security pursuant to this subsection or status as a security (or both) shall be terminated ninety days, or such shorter period as the Commission may determine, after the issuer files a desecuritization certification with the Commission. The desecuritization certification shall demonstrate that the issuer’s service, goods, or platform are fully operational and that the digital asset does not provide holders of such digital assets with any of the rights specified in subclauses (I) through (IV) of section 3(a)(82)(A). The Commission shall after notice and opportunity for hearing deny termination of registration or change in status as a security (or both) if it finds that the desecuritization certification is untrue. Termi-
nation of registration or change in status (or both) shall be deferred pending final determination on the question of denial. A digital asset security so desecuritized shall be considered to be, and regulated as, a commodity under the Commodity Exchange Act (7 U.S.C. 1a et seq.).”.

SEC. 104. JOINT SEC AND CFTC RULEMAKING ON MAJOR DIGITAL ASSET CLASSIFICATION.

The Securities Exchange Act of 1934 is amended by adding at the end the following:

“SEC. 105. JOINT SEC AND CFTC RULEMAKING ON MAJOR DIGITAL ASSET CLASSIFICATION.

“(a) In General.—Not later than 150 days after the date of the enactment of this section, the Commission and the Commodity Futures Trading Commission shall jointly publish, for purposes of a 60-day public comment period, a proposed rulemaking that classifies each of the major digital assets by (i) highest market capitalization and (ii) highest daily trading volume as either—

“(1) a digital asset; or

“(2) a digital asset security.

“(b) Final Rule.—Not later than 270 days after the date of the enactment of this Act, the Commission and the Commodity Futures Trading Commission shall jointly
publish a final rule that classifies each of the major digital
assets by (i) highest market capitalization and (ii) highest
daily average trading volume as—
“(1) a digital asset; or
“(2) a digital asset security.
“(c) MAJOR DIGITAL ASSETS DEFINED.—In this
subsection, the term ‘major digital assets’ means the top
25 digital assets (including digital asset securities) by (i)
the highest market capitalization and (ii) the highest daily
trading volume as of the date of the enactment of the Dig-
ital Asset Market Structure and Investor Protection Act
as reported on an appropriate publicly available website
(as jointly determined by the Commission and the Com-
modity Futures Trading Commission) that publishes such
information, such as CoinMarketCap.”.

SEC. 105. CONFORMING AMENDMENTS.

(a) DEFINITION OF BROKER.—Section 3(a)(4)(A) of
is amended by inserting “including a digital asset security,
but not digital assets,” after “security”.

(b) SECURITIES EXCHANGE ACT DEFINITIONS.—
Section 3(a) of the Securities Exchange Act of 1934 (15
U.S.C. 78c(a)), as amended by section 101, is further
amended by adding at the end the following:
“(83) Commodity Exchange Act Terms.—

The terms, ‘commodity’, ‘digital asset’, ‘digital asset trade repository’, and ‘virtual currency’ have the meanings given such terms, respectively, in section 1a of the Commodity Exchange Act (7 U.S.C. 1a).”.

Subtitle B—Other Securities Laws

SEC. 111. SECURITIES ACT OF 1933.

(a) Definition of Security.—Section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1)) is amended—

(1) by inserting “digital asset security,” after “investment contract,”; and

(2) by striking the period at the end and inserting “; but does not include any fiat currency, commodity, digital asset, or any note, draft, bill of exchange, or banker’s acceptance which has a maturity at the time of issuance of not exceeding nine months exclusive of days of grace or any renewal thereof the maturity of which is likewise limited.”.

(b) Other Definitions.—Section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)) is amended by adding the following:

“(20) The terms ‘commodity’, ‘digital asset’, ‘digital asset trade repository’, and ‘virtual currency’ have the meanings given such terms, respectively, in
section 1a of the Commodity Exchange Act (7 U.S.C. 1a).

“(21) The term ‘digital asset security’ has the meaning given such term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).”.

SEC. 112. INVESTMENT ADVISERS ACT OF 1940.


(1) by inserting “digital asset security,” after “investment contract,”; and

(2) by striking the period at the end and inserting “; but does not include any fiat currency, commodity, digital asset, or any note, draft, bill of exchange, or banker’s acceptance which has a maturity at the time of issuance of not exceeding nine months exclusive of days of grace or any renewal thereof the maturity of which is likewise limited.”.

(b) Definition of Digital Asset Security.—

Section 202(a) of the Investment Advisers Act of (15 U.S.C. 80b–2(a)) is amended by adding at the end the following:

“(31) The term ‘digital asset security’ has the meaning given such term section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).”.

•HR 4741 IH
(c) **OTHER DEFINITIONS.**—The second paragraph (29) of section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(29)) is amended by inserting ‘‘‘commodity’, ‘digital asset’, ‘digital asset trade repository’, ‘virtual currency’’’, after ‘‘‘commodity trading advisor’,’’.

**SEC. 113. INVESTMENT COMPANY ACT OF 1940.**

(a) **DEFINITION OF SECURITY.**—Section 2(a)(36) of the Investment Company Act of 1940 (15 U.S.C. 80b–2(a)(36)) is amended—

(1) by inserting “digital asset security,” after “investment contract,”; and

(2) by striking the period at the end and inserting “; but does not include any fiat currency, commodity, digital asset, or any note, draft, bill of exchange, or banker’s acceptance which has a maturity at the time of issuance of not exceeding nine months exclusive of days of grace or any renewal thereof the maturity of which is likewise limited.”.

(b) **COMMODITY EXCHANGE ACT TERMS.**—Section 2(a)(54) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)) is amended by striking “and ‘swap execution facility’” and inserting “‘swap execution facility’, ‘commodity’, ‘digital asset’, ‘digital asset trade repository’, and ‘virtual currency’”.

•HR 4741 IH
(c) Definition of Digital Asset Security.—Section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)) is amended by adding at the end the following:

“(55) The term ‘digital asset security’ has the meaning given such term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).”.

SEC. 114. SECURITIES INVESTOR PROTECTION ACT OF 1970.

(a) In General.—


(A) by inserting “, digital asset security,” after “investment contract”;  

(B) by inserting “, digital asset security,” after “if such investment contract”; and  

(C) in the last sentence, by inserting “digital asset,” after “commodity,”.

(2) Other Definitions.—Section 16 of the Securities Investor Protection Act of 1970 (15 U.S.C. 78lll) is amended by adding the following:

“(15) Commodity Exchange Act Terms.—The terms ‘commodity’, ‘digital asset’, ‘digital asset trade repository’, and ‘virtual currency’ have the
meanings given such terms, respectively, in section 1a of the Commodity Exchange Act (7 U.S.C. 1a).

“(16) DIGITAL ASSET SECURITY.—The term ‘digital asset security’ has the meaning given such term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).”.

(b) SIPC NOTICE.—Not later than 90 days after the date of the enactment of this Act, the Securities Investor Protection Corporation shall make publicly available on the website of the Corporation a notice—

(1) regarding the status of digital assets and digital asset securities and how such status impacts Securities Investor Protector Corporation insurance coverage; and

(2) that digital assets are not deposits and digital asset securities are in almost all cases not securities and neither would be covered by Securities Investor Protection Corporation insurance, regardless of whether—

(A) an insured bank, savings association, or credit union holds the digital assets or digital asset securities; or

(B) a broker or dealer (as defined in section 3(a) of the Securities Exchange Act of
1934 (15 U.S.C. 78c(a))) holds the digital assets or digital asset securities.

**TITLE II—TREATMENT OF DIGITAL ASSETS UNDER THE COMMODITY EXCHANGE ACT**

**SEC. 201. DEFINITIONS.**

(a) **DEFINITION OF COMMODITY.**—Section 1a(9) of the Commodity Exchange Act (7 U.S.C. 1a(9)) is amended by adding “digital asset (including Bitcoin, Ether, and their hardforks),” after “livestock products,”.

(b) **OTHER DEFINITIONS RELATING TO DIGITAL ASSETS.**—Section 1a of the Commodity Exchange Act (7 U.S.C 1a) is amended by adding at the end the following:

“(52) **DIGITAL ASSET.**—The term ‘digital asset’—

“(A) means an asset—

“(i) that is created electronically or digitally through software code;

“(ii) that is programmed with rules that—

“(I) govern the creation, supply, ownership, use, and transfer of such digital asset; and

“(II) are designed to resist modification or tampering by any single
person or persons under common control;

“(iii) that has a transaction history that—

“(I) is recorded on a—

“(aa) distributed digital ledger; or

“(bb) digital data structure in which consensus is achieved through a mathematically verifiable process;

“(II) is updated as soon as possible in accordance with the digital asset programming rules related to transactions and ownership; and

“(III) after consensus is reached, is designed to prevent modification or tampering with the ownership or transaction history by any single person or persons under common control;

“(iv) that is capable of being transferred between persons through a decentralized method without an intermediate custodian; and
“(B) is a broad term which includes several other terms used to describe digital assets by market participants and regulators such as ‘virtual asset’, ‘virtual currency’, and ‘convertible virtual currency’ among others.

“(53) Digital asset security.—The term ‘digital asset security’ has the meaning given the term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).

“(54) Digital asset trade repository.—The term ‘digital asset trade repository’ means any person that collects and maintains information or records with respect to transactions or positions in, or the terms and conditions of, contracts of sale of digital assets in interstate commerce entered into by third parties (both on chain public distributed ledger transactions as well as off chain transactions) for the purpose of providing a centralized recordkeeping facility for any digital asset, but does not include a private or public distributed ledger or the operator of either such ledger unless such private or public distributed ledger or operator seeks to aggregate/ include ‘off chain’ transactions as well.

“(55) Distributed ledger technology.—The term ‘distributed ledger technology,’ means a
decentralized peer-to-peer network of computers that
operate on open-source software which validate and
irrevocably log digital asset ownership and trans-
actions on a permanent public distributed ledger
which is visible to the entire network.

“(56) VIRTUAL CURRENCY.—The term ‘virtual
currency’ means a digital asset which is a digital
representation of value that does not have legal ten-
der status and that functions as a medium of ex-
change, a unit of account, or a store of value.”.

(c) DEFINITION OF COMMODITY TRADING ADVI-
SOR.—Section 1(a)(12)(A)(i) of the Commodity Exchange
Act (7 U.S.C. 1(a)(12)(A)(i) is amended by adding “com-
modity interests, including any—” after “advisability of
trading in”.

(d) DEFINITION OF FUTURES COMMISSION MER-
CHANT.—Section 1a(28)(A)(i)(I)(aa) Commodity Ex-
change Act (7 U.S.C. 1a(9)) is amended—

(1) in subitem (EE), by striking “or” at the end; and

(2) by adding at the end the following:

“(GG) any contract of
sale of a digital asset in
interstate commerce, but not
a digital asset security; or”.

•HR 4741 IH
(e) Definition of Introducing Broker.—Section 1a(31)(A)(i)(I) of the Commodity Exchange Act (7 U.S.C. 1a(31)) is amended—

(1) in item (cc) by striking “or” at the end;

(2) in item (dd), by striking “and” at the end and inserting “or”; and

(3) by adding at the end the following:

“(ee) any contract of sale of a digital asset in interstate commerce, but not a digital asset security; and”.

SEC. 202. ACTUAL DELIVERY OF DIGITAL ASSETS.

Section 2(c)(2)(D)(ii)(III) of the Commodity Exchange Act (7 U.S.C. 2(c)(2)(D)(ii)(III)) is amended—

(1) in item (aa)—

(A) by striking “other longer” and inserting “shorter”; and

(B) by striking “; or” and inserting a semicolon; and

(2) by adding at the end the following:

“(cc) with respect to digital assets, results in actual delivery (including transfer of control over private keys) not later than 24 hours after the transaction is
entered into and such delivery is
accomplished by either—

“(AA) recording the
transaction on the public
distributed ledger for the
digital asset; or

“(BB) with respect to
digital asset transactions
which are not recorded on a
public distributed ledger for
the digital asset, reporting
the transaction to a CFTC
registered digital asset trade
repository; or”.

SEC. 203. OPTIONAL FEDERAL CHARTER FOR DIGITAL
ASSET TRADING AND CLEARING.

Section 2(a)(1) of the Commodity Exchange Act (7
U.S.C. 2(a)(1)) is amended by adding at the end the fol-
lowing:

“(J) OPTIONAL FEDERAL CHARTER FOR
DIGITAL ASSET TRADING AND CLEARING.—Not-
withstanding any other provision of law, a reg-
istered entity may list, trade, or clear a contract
of sale of a commodity in interstate commerce
(including digital assets). The registered entity
shall apply all the core principles and related regulations, including Bank Secrecy Act, anti-money laundering and know your customer requirements, to such contracts. The Commission shall have exclusive jurisdiction under this paragraph over any agreement, contract, or transaction involving a contract of sale of a commodity in interstate commerce (including any digital asset) which is listed, traded, or cleared on or through a registered entity and, provided further, such contracts shall be treated for regulatory and enforcement purposes as if they were contracts of sale of a commodity for future delivery.”.

SEC. 204. REPORTING REQUIREMENTS.

Section 2(a)(13) of the Commodity Exchange Act is amended—

(1) by amending the paragraph heading to read as follows: “REPORTING AND PUBLIC AVAILABILITY OF SWAP AND DIGITAL ASSET TRANSACTION DATA”;

and

(2) by adding at the end the following:

“(H) REPORTING OF DIGITAL ASSET TRANSACTIONS.—With respect to contracts of sale of a digital asset in interstate commerce
transactions, actual delivery (including transfer
of control over private keys) shall occur not
later than 24 hours after the transaction has
been entered into and such delivery shall be ac-
complished by either—

“(i) recording the transaction on the
public distributed ledger for the digital
asset; or

“(ii) with respect to digital asset
transactions which are not recorded on the
public distributed ledger for the digital
asset, reporting the transaction to a CFTC
registered digital asset trade repository.”.

SEC. 205. CTA AND CPOS: COMMODITY INTERESTS.

Section 4m (3)(C) of the Commodity Exchange Act
(7 U.S.C. 6m(3)(C)) is amended by replacing the word
“paragraph” with “Act” and striking the word “physical”.

SEC. 206. SWAP DATA REPOSITORIES AND DIGITAL ASSET
TRADE REPOSITORIES.

Section 21 of the Commodity Exchange Act (7 U.S.C.
24a) is amended to read as follows:

“(a) Registration Requirement.—
“(1) Requirement; authority of derivatives clearing organization.—

“(A) In general.—It shall be unlawful for any person, unless registered with the Commission, directly or indirectly to make use of the mails or any means or instrumentality of interstate commerce to perform the functions of a swap data repository or a digital asset trade repository.

“(B) Registration of derivatives clearing organizations.—A derivatives clearing organization may register as a swap data repository.

“(2) Inspection and examination.—Each registered swap data repository and digital asset trade repository shall be subject to inspection and examination by any representative of the Commission.

“(3) Compliance with core principles.—

“(A) In general.—To be registered, and maintain registration, as a swap data repository or a digital asset trade repository, the swap data repository or digital asset trade repository shall comply with—
“(i) the requirements and core principles described in this section; and

“(ii) any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5).

“(B) REASONABLE DISCRETION OF REPOSITORY.—Unless otherwise determined by the Commission by rule or regulation, a swap data repository or a digital asset trade repository described in subparagraph (A) shall have reasonable discretion in establishing the manner in which the swap data repository or the digital asset trade repository complies with the core principles described in this section.

“(b) STANDARD SETTING.—

“(1) DATA IDENTIFICATION.—

“(A) IN GENERAL.—In accordance with subparagraph (B), the Commission shall prescribe standards that specify the data elements for each swap or digital asset that shall be collected and maintained by each registered swap data repository or digital asset trade repository, respectively.

“(B) REQUIREMENT.—In carrying out subparagraph (A), the Commission shall pre-
scribe consistent data element standards applicable to registered entities and reporting counterparties.

“(2) DATA COLLECTION AND MAINTENANCE.—
The Commission shall prescribe data collection and data maintenance standards for swap data repositories and digital asset trade repositories.

“(3) COMPARABILITY.—The standards prescribed by the Commission under this subsection shall be comparable to the data standards imposed by the Commission on derivatives clearing organizations in connection with the clearing of swaps or digital assets, as appropriate.

“(c) DUTIES.—A swap data repository or a digital asset trade repository shall—

“(1) accept data prescribed by the Commission for each swap or digital asset transaction under subsection (b), respectively;

“(2) confirm with both counterparties to the swap or the digital asset transaction the accuracy of the data that was submitted;

“(3) maintain the data described in paragraph (1) in such form, in such manner, and for such period as may be required by the Commission;
“(4)(A) provide direct electronic access to the Commission (or any designee of the Commission, including another registered entity); and

“(B) provide the information described in paragraph (1) in such form and at such frequency as the Commission may require to comply with the public reporting requirements contained in section 2(a)(13);

“(5) at the direction of the Commission, establish automated systems for monitoring, screening, and analyzing swap or digital asset data, including compliance and frequency of end user clearing exemption claims by individual and affiliated entities;

“(6) maintain the privacy of any and all swap or digital asset transaction information that the swap data repository or digital asset trade repository, respectively, receives from a swap dealer, counterparty, or any other registered entity;

“(7) on a confidential basis pursuant to section 8, upon request, and after notifying the Commission of the request, make available swap or digital asset data obtained by the swap data repository or digital asset trade repository, respectively, including individual counterparty trade and position data, to—

“(A) each appropriate prudential regulator;
“(B) the Financial Stability Oversight Council;

“(C) the Securities and Exchange Commission;

“(D) the Department of Justice; and

“(E) any other person that the Commission determines to be appropriate, including—

“(i) foreign financial supervisors (including foreign futures authorities);

“(ii) foreign central banks;

“(iii) foreign ministries; and

“(iv) other foreign authorities; and

“(8) establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allows timely recovery and resumption of operations and the fulfillment of the responsibilities and obligations of the organization.

“(d) CONFIDENTIALITY AGREEMENT.—Before the swap data repository or digital asset trade repository may share information with any entity described in subsection (c)(7), the swap data repository or digital asset trade repository shall receive a written agreement from each entity stating that the entity shall abide by the confidentiality requirements described in section 12 of this title relating
to information on swap or digital asset transactions, respectively, that is provided.

“(e) Designation of Chief Compliance Officer.—

“(1) In General.—Each swap data repository or digital asset trade repository shall designate an individual to serve as a chief compliance officer.

“(2) Duties.—The chief compliance officer shall—

“(A) report directly to the board or to the senior officer of the swap data repository or digital asset trade repository;

“(B) review the compliance of the swap data repository or digital asset trade repository with respect to requirements and core principles described in this section;

“(C) in consultation with the board of the swap data repository or digital asset trade repository, a body performing a function similar to the board of the swap data repository or digital asset trade repository, or senior officer of the swap data repository or digital asset trade repository resolve any conflicts of interest that may arise;
“(D) be responsible for administering each policy and procedure that is required to be established pursuant to this section;

“(E) ensure compliance with this Act (including regulations) relating to agreements, contracts, or transactions, including each rule prescribed by the Commission under this section;

“(F) establish procedures for the remediation of noncompliance issues identified by the chief compliance officer through any—

“(i) compliance office review;

“(ii) look-back;

“(iii) internal or external audit finding;

“(iv) self-reported error; or

“(v) validated complaint; and

“(G) establish and follow appropriate procedures for handling, management response, remediation, retesting, and closing of noncompliance issues.

“(3) ANNUAL REPORTS.—

“(A) IN GENERAL.—In accordance with rules prescribed by the Commission, the chief
compliance officer shall annually prepare and sign a report that contains a description of—

“(i) the compliance of the swap data repository or the digital asset trade repository, as appropriate, of the chief compliance office with respect to this Act (including regulations); and

“(ii) each policy and procedure of the swap data repository or the digital asset trade repository, as appropriate, of the chief compliance officer (including the code of ethics and conflict of interest policies of the swap data repository or the digital asset trade repository, as appropriate).

“(B) REQUIREMENTS.—A compliance report under subparagraph (A) shall—

“(i) accompany each appropriate financial report of the swap data repository or digital asset trade repository that is required to be furnished to the Commission pursuant to this section; and

“(ii) include a certification that, under penalty of law, the compliance report is accurate and complete.
“(f) Core Principles Applicable to Swap Data Repositories and Digital Asset Trade Repositories.—

“(1) Antitrust Considerations.—Unless necessary or appropriate to achieve the purposes of this Act, a swap data repository or digital asset trade repository shall not—

“(A) adopt any rule or take any actions that result in any unreasonable restraint of trade; or

“(B) impose any material anticompetitive burden on the trading, clearing, or reporting of transactions.

“(2) Governance Arrangements.—Each swap data repository or digital asset trade repository shall establish governance arrangements that are transparent—

“(A) to fulfill public interest requirements; and

“(B) to support the objectives of the Federal Government, owners, and participants.

“(3) Conflicts of Interest.—Each swap data repository or digital asset trade repository shall—
“(A) establish and enforce rules to minimize conflicts of interest in the decision making process of the swap data repository or the digital asset trade repository; and

“(B) establish a process for resolving conflicts of interest described in subparagraph (A).

“(4) ADDITIONAL DUTIES DEVELOPED BY THE COMMISSION.—

“(A) IN GENERAL.—The Commission may develop 1 or more additional duties applicable to swap data repositories or digital asset trade repositories.

“(B) CONSIDERATION OF EVOLVING STANDARDS.—In developing additional duties under subparagraph (A), the Commission may take into consideration any evolving standard of the United States or the international community.

“(C) ADDITIONAL DUTIES FOR COMMISSION DESIGNEES.—The Commission shall establish additional duties for any registered swap data repository or digital asset trade repository in order to minimize conflicts of interest, protect data, ensure compliance, and guarantee
safety and security of the swap data repository
or digital asset trade repository.

“(g) Required Registration of Swap Data Repositories and Digital Asset Trade Repositories.—Any person that is required to be registered as a swap data repository or a digital asset trade repository under this section shall register with the Commission regardless of whether that person is also licensed as a bank, trust company, money services business, or registered with the Securities and Exchange Commission as a security-based swap data repository, broker-dealer, qualified custodian, or transfer agent.

“(h) Rules.—The Commission shall adopt rules governing persons that are registered under this section.”.
TITLE III—DIGITAL FEDERAL RESERVE NOTES, LEGAL TENDER STATUS, THE REGULATION OF DIGITAL ASSET FIAT-BASED STABLECOINS, AND FEDERAL DEPOSIT AND SHARE INSURANCE FOR DIGITAL ASSETS

Subtitle A—Digital Federal Reserve Notes

SEC. 301. IN GENERAL.

(a) Supervising and Regulating Issue and Retirement of Federal Reserve Notes.—Section 11(d) of the Federal Reserve Act (12 U.S.C. 248(d)) is amended to read as follows:

“(d) To supervise and regulate through the Secretary of the Treasury the issue and retirement of Federal Reserve notes (both physical and digital), except for the cancellation and destruction, and accounting with respect to such cancellation and destruction, of notes unfit for circulation, and to prescribe rules and regulations (including appropriate technology) under which such notes may be delivered by the Secretary of the Treasury to the Federal Reserve agents applying therefor.”.
(b) Issuance to Reserve Banks; Nature of Obligation; Redemption.—Section 16 of the Federal Reserve Act (12 U.S.C. 411) is amended by striking the first two sentences and inserting: “Federal reserve notes, to be issued at the discretion of the Board of Governors of the Federal Reserve System for the purpose of making advances to Federal reserve banks through the Federal reserve agents as hereinafter set forth and for no other purpose, are authorized. Notwithstanding any other provision of law, the Board of Governors of the Federal Reserve System is authorized to issue digital versions of Federal reserve notes in addition to current physical Federal reserve notes. Further, the Board of Governors of the Federal Reserve System, after consultation with the Secretary of the Treasury, is authorized to use distributed ledger technology for the creation, distribution and recordation of all transactions involving digital Federal reserve notes. The said notes shall be obligations of the United States and shall be considered legal tender and shall be receivable by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues. They shall be redeemed in lawful money on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or at any Federal Reserve bank.”
SEC. 302. DIGITAL ASSET LEGAL TENDER STATUS.

Section 5103 of title 31, United States Code, is amended to read as follows:

“§ 5103. Legal tender.

“United States coins and currency (including Federal reserve notes and circulating notes of Federal reserve banks and national banks) are legal tender for all debts, public charges, taxes, and dues. Foreign fiat currencies, digital assets, digital asset securities and foreign gold and silver coins are not legal tender.”

Subtitle B—Regulation of Digital Asset Fiat-Based Stablecoins

SEC. 311. DEPARTMENT OF TREASURY REGULATION OF DIGITAL ASSET FIAT-BASED STABLECOINS.

Subchapter I of chapter 51 of subtitle IV of title 31, United States Code is amended by adding at the end the following:

“§ 5104. Department of Treasury regulation of digital asset fiat-based stablecoins

“(a) IN GENERAL.—Beginning on the date of the enactment of this section, no person may issue, use, or permit to be used a digital asset fiat-based stablecoin that is not approved by the Secretary of the Treasury under subsection (b).

“(b) APPLICATIONS.—
“(1) IN GENERAL.—Not later than 90 days after the date of the enactment of this section, the Secretary of the Treasury shall establish an application process under which the Secretary may approve or disapprove a person wishing to issue a digital asset fiat-based stablecoin, under such terms and conditions as the Secretary determines necessary and appropriate.

“(2) CONSULTATION.—In carrying out paragraph (1), the Secretary of the Treasury shall, in considering applications for digital asset fiat-based stablecoins, consult with—

“(A) the Board of Governors of the Federal Reserve System;

“(B) the Securities and Exchange Commission;

“(C) the Commodity Futures Trading Commission; and

“(D) such other foreign central banks or foreign treasury departments or agencies as the Secretary of the Treasury determines appropriate.

“(3) APPROVAL OR DISAPPROVAL; TERMS AND CONDITIONS CHANGES; TERMINATION.—
“(A) IN GENERAL.—Subject to subparagraph (B), the Secretary of the Treasury may approve or disapprove an application by an issuer of a digital asset fiat-based stablecoin or may withdraw an approval or modify the terms and conditions of an approval previously issued under paragraph (1).

“(B) TIMING.—With respect to a withdrawal or modification of an approval under subparagraph (A), the Secretary of the Treasury shall notify the issuer at least 60 days before such approval is so withdrawn or modified.

“(4) NO GRANDFATHERING OF EXISTING DIGITAL ASSET FIAT-BASED STABLECOINS.—The Secretary of the Treasury shall not grandfather the use of any digital asset fiat-based stablecoin. All digital asset fiat-based stablecoins, including digital asset fiat-based stablecoins existing on the date of the enactment of this section, shall apply to the Secretary of the Treasury under this section.

“(c) DIGITAL ASSET FIAT-BASED STABLECOIN DEFINED.—In this section, the term ‘digital asset fiat-based stablecoin’ means a digital asset (as defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a)) that is,
as determined by the Secretary of the Treasury, tied, pegged to, or collateralized substantially by—

“(1) the United States dollar or;

“(2) one or more fiat currencies.”.

SEC. 312. CONFORMING AMENDMENT.

The table of contents for subchapter I of chapter 51 of subtitle IV of title 31, United States Code is amended by adding at the end the following:

“5104. Department of Treasury regulation of digital asset fiat-based stablecoins.”.

Subtitle C—Federal Deposit and Share Insurance for Digital Assets

SEC. 321. DIGITAL ASSET NOT DEPOSITS FOR FEDERAL DEPOSIT AND SHARE INSURANCE.

(a) FEDERAL DEPOSIT INSURANCE ACT.—Section 3(l)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1813(l)(5)) is amended—

(1) in subparagraph (B), by striking “; and” and inserting a semicolon;

(2) in subparagraph (C), by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following:

“(D) any—

“(i) digital asset (as defined in section 1a of the Commodity Exchange Act (7 U.S.C 1a)); or
“(ii) digital asset security (as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))).”.

(b) Federal Credit Union Act.—Section 101(5) of the Federal Credit Union Act (12 U.S.C. 1752(5)) is amended by striking “State law” and inserting “State law: Provided further: That in no case may such terms include a digital asset (as defined in section 1a of the Commodity Exchange Act (7 U.S.C 1a)) or digital asset security (as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)))”.

SEC. 322. DIRECTED RULEMAKING FDIC AND NCUA WEBSITE DISCLOSURE ON DIGITAL ASSETS AND INSURANCE NONCOVERAGE.

(a) FDIC and NCUA Notices.—Not later than 90 days after the date of the enactment of this Act, the Federal Deposit Insurance Corporation and the National Credit Union Administration shall each make publicly available on the website of such entity a notice—

(1) regarding the treatment of digital assets and digital asset securities;

(2) that digital assets and digital asset securities are not “deposits” or “shares” and are not covered by Federal deposit insurance (FDIC or NCUA), regardless of whether an insured bank, sav-
ings association, or credit union holds the digital assets or digital assets securities; and

(3) such notice shall specifically address whether the FDIC Nondeposit Investment Product (NDIP) Policy Statement and related disclosure obligations or similar NCUA requirements apply to digital assets and digital asset securities.

(b) DIGITAL ASSET.—In this section, the term “digital asset” has the meaning given the term in section 1a of the Commodity Exchange Act (7 U.S.C. 1a).

(c) DIGITAL ASSET SECURITY.—In this section, the term “digital asset security” has the meaning given the term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. Sec. 78c(a)).

TITLE IV—BANK SECRECY ACT

SEC. 401. BANK SECRECY ACT.

(a) DEFINITION OF MONETARY INSTRUMENTS.—Section 5312(a)(3)(B) of title 31, United States Code, is amended—

(1) by inserting “digital assets,” after “coins and currency of a foreign country,”; and

(2) by inserting after “passed on delivery”, the following: “, digital asset security as such term is defined in section 3(a) of the Securities Exchange Act of 1934”.

•HR 4741 IH
(b) Definition of Digital Asset and Virtual Asset.—Section 5312(a) of title 31, United States Code, is amended by adding after paragraph (6) the following:

“(7) Digital asset.—The term ‘digital asset’ has the meaning given the term in section 1a of the Commodity Exchange Act (7 U.S.C. 1a).

“(8) Virtual asset.—The term ‘virtual asset’ means—

“(A) a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes; and

“(B) a digital asset.”.

(e) Definition of Virtual Asset Service Provider.—Section 5312(a) of title 31, United States Code, is further amended by adding at the end the following:

“(9) Virtual asset service provider.—The term ‘virtual asset service provider’—

“(A) means a person who—

“(i) exchanges between digital asset and fiat currencies;

“(ii) exchanges between digital assets;

“(iii) transfers of digital assets;

“(iv) is responsible for the custody, safekeeping of a digital asset or an instru-
ment that enables control over a digital asset;

“(v) issues or has the authority to redeem a digital asset; and

“(vi) provides financial services related to the offer or sale of a digital asset by a person who issues such digital asset; and

“(B) does not include any person who—

“(i) obtains a digital asset to purchase goods or services for themself;

“(ii) provides communication service or network access services used by a money transmitter; or

“(iii) develops, creates, or disseminates software designed to be used to issue a digital asset or facilitate financial activities associated with a digital asset.”.

(d) ADDITIONAL DEFINITIONS.—Section 5312(c)(1) of title 31, United States Code, is amended—

(1) in subparagraph (A), by striking the period at the end and inserting a semicolon; and

(2) by adding after subparagraph (A), the following:
“(B) any virtual asset service provider that—

“(i) exchanges between digital assets and fiat currencies;

“(ii) exchanges between digital assets;

“(iii) transfers digital assets;

“(iv) is responsible for the custody, safekeeping or administration of digital assets or instruments enabling control over digital assets; or

“(v) provides financial services related to the offer or sale of a digital asset by an issuer.”.

SEC. 402. ANONYMIZING SERVICES, MONEY MULE, AND ANONYMITY-ENHANCED CONVERTIBLE VIRTUAL CURRENCIES.

Subchapter II of chapter 53 of subtitle IV of title 31, United States Code is amended by adding at the end the following:

“SEC. 5333. ANONYMIZING SERVICES, MONEY MULE, AND ANONYMITY-ENHANCED CONVERTIBLE VIRTUAL CURRENCIES.

“(a) In General.—Not later than 180 days of the date of the enactment of the Digital Asset Market Structure and Investor Protection Act, the Secretary of the
Treasury, acting through the Financial Crimes Enforcement Network, shall issue a rule that governs—

“(1) anonymizing services;
“(2) money mules; and
“(3) anonymity-enhanced convertible virtual currency transactions.

“(b) PURPOSE.—The purpose of the rule described in subsection (a) shall be to ensure that anonymizing services, money mule, and anonymity-enhanced convertible virtual currencies are not used to prevent association of an individual customer with the movement of a digital asset, digital asset security, or virtual currency of which the customer is the direct or beneficial owner.

“(c) REQUIREMENTS.—The rule described in subsection (a) shall—

“(1) require any financial institution to prohibit any person from engaging in any transactions that involves digital assets or digital asset securities and—

“(A) anonymizing services;
“(B) money mules; or
“(C) anonymity-enhanced convertible virtual currencies;

“(2) prohibit any financial institution from informing persons about—
“(A) the existence of anonymizing services, money mules and anonymity-enhanced convertible virtual currencies;

“(B) the availability of anonymizing services, money mules and anonymity-enhanced convertible virtual currencies; or

“(C) means for identifying anonymizing services, money mules and anonymity-enhanced convertible virtual currencies; and

“(3) require any financial institution to establish written procedures governing the documentation of the persons and amounts associated with any transaction involving—

“(A) an anonymizing service;

“(B) a money mule; or

“(C) anonymity-enhanced convertible virtual currencies.

“(d) DEFINITIONS.—In this section, the term ‘virtual currency’, ‘anonymizing service’, ‘money mule’, and ‘anonymity-enhanced convertible virtual currency’ have the meanings given such terms by the Secretary of the Treasury, acting through the Financial Crimes Enforcement Network.”.
SEC. 403. DIGITAL ASSET TRANSACTION ACTUAL DELIVERY REPORTING.

Not later than 180 days after the date of the enactment of this Act, the Secretary of the Treasury, in consultation with the Commodity Futures Trading Commission, shall issue a rule that requires, for any transaction involving a contract of sale of a digital asset (as defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a)) in interstate commerce—

(1) the transfer of possession and control (including transfer of control over any private keys) by the seller to the purchaser not later than 24 hours after the digital asset transaction is entered into and such delivery is accomplished by either—

(A) the recording of the transaction on the public distributed ledger for the digital asset; or

(B) with respect to digital asset transactions which are not recorded on the public distributed ledger for the digital asset, reporting the transaction to a CFTC registered digital asset trade repository.

SEC. 404. VIRTUAL DIGITAL ASSET SERVICE PROVIDERS.

(a) IN GENERAL.—The Secretary of the Treasury shall, not later than 270 days after the date of the enactment of this Act, issue a rule requiring virtual asset service providers (as defined in section 5312(a) of title 31,
United States Code), which are engaged in services which are available in the United States and to United States persons, even if the provider is located outside the United States, related to digital asset securities and digital assets, that such persons shall be required to—

(1) register with the Securities and Exchange Commission or with the Commodity Futures Trading Commission, as appropriate and in such capacities as are appropriate;

(2) with respect to digital asset securities, meet the customer protection and account custody rules which are applicable to Securities Exchange Commission registered broker-dealers for customer funds and securities; and

(3) with respect to digital assets, meet the customer account custody and segregated funds rules which are applicable to Commodity Futures Trading Commission registered futures commission merchants.

(b) CUSTOMER ACCOUNTS.—The customer accounts custody requirements referenced in subsection (a) shall include, but are not limited to, using registered and qualified custodians, proper customer account labeling and identification, minimum of quarterly account statements being issued to customers by the registered and qualified custo-
ian, annual surprise audit requirements and annual au-
dits by accounting firms which are registered with the
Public Company Accounting Oversight Board.

**TITLE V—VARIOUS DIGITAL ASSET REPORTS**

**SEC. 501. IRS REPORT ON DIGITAL ASSET OWNERSHIP/TAXES.**

(a) **IN GENERAL.**—Not later than 270 days after the
date of the enactment of this Act, the Secretary of the
Treasury, acting through the Internal Revenue Service,
after consulting with other Federal and State regulators
and market participants as appropriate, shall submit a re-
port to the specified committees on the utilization of dig-
ital assets by United States citizens that—

(1) estimates the number and percentage of
United States citizens who own digital assets as of
the date of the enactment of this Act and who have
paid tax on digital assets each year between 2016
and 2020;

(2) compares the number and percentage of
Americans who own stocks and bonds and who have
paid taxes on such assets over the same time period
referenced above;
(3) estimates the number and percentage of Americans who fail to report digital asset holdings and income versus stock and bond holdings;

(4) identifies the major digital asset trading platforms in the United States, the number of customer accounts with each platform, and the annual trading volume of each platform;

(5) estimates the number of United States citizens who use United States registered digital asset trading platforms compared to foreign digital asset trading platforms;

(6) estimates the amount of tax revenue which was not received by the United States Treasury due to under reporting by United States taxpayers each year between 2016 and 2020; and

(7) makes legislative and regulatory recommendations regarding changes which would improve reporting and collection of taxes on digital assets so it would be closer to reporting and collection of taxes on securities holdings.

(b) Specified Committees.—In this section, the term “specified committees” means—

(1) the Ways and Means Committee of the House of Representatives;

(2) the Finance Committee of the Senate;
(3) the Committee on Financial Services of the House of Representatives;

(4) the Committee on Banking, Housing, and Urban Affairs of the Senate;

(5) the Committee on Agriculture of the House of Representatives; and

(6) the Committee on Agriculture, Nutrition, and Forestry of the Senate.

SEC. 502. REPORT ON RANSOMWARE AND DIGITAL ASSETS.

(a) REPORT.—Not later than 270 days after the date of enactment of this Act, the Department of Justice, Department of Homeland Security, Department of the Treasury, and Board of Governors of the Federal Reserve System shall jointly submit a report to the appropriate committees that—

(1) summarizes the number and size of recent ransomware attacks in the United States and the world;

(2) discusses the frequency of ransomware hackers requesting payment in digital assets and identifies the most common digital assets which are demanded;

(3) discusses the use of mixing and tumbling services and money mules to help obscure audit trail for the digital assets involved;
(4) identifies the digital asset trading platforms most frequently used in for transactions involving digital asset ransoms; and

(5) makes legislative and regulatory recommendations for addressing the problem of ransomware and digital assets.

(b) APPROPRIATE COMMITTEES.—Appropriate committees include the Committee on the Judiciary, Committee on Homeland Security, Committee on Financial Services, and the Committee on Agriculture of the House of Representatives, and the Committee on the Judiciary, Committee on Homeland Security and Governmental Affairs, Committee on Banking, Housing, and Urban Affairs, Committee on Agriculture, Nutrition, and Forestry of the Senate.

SEC. 503. REPORT ON DECENTRALIZED FINANCE.

Not later than 270 days after the date of the enactment of this Act, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Secretary of the Treasury, the Securities and Exchange Commission, and the Commodity Futures Trading Commission, shall jointly submit a report to the appropriate committees that—

(1) summarizes the use of decentralized finance in the United States;
(2) estimates the number and percentage of Americans using decentralized finance products and services versus the global usage and identifies the major decentralized finance products and services by estimated dollar volume usage;

(3) provides recommendations with respect to the definition of the term “decentralized finance” to be adopted and codified in United States law;

(4) discusses the primary differences between digital asset fiat based stablecoins and central bank digital currencies;

(5) discusses whether there are financial stability risks or concerns posed by decentralized finance;

(6) provides recommendations regarding appropriate regulation and investor protection for decentralized finance in United States banking, securities, and commodities, including with respect to United States jurisdiction and application of United States law; and

(7) discusses the legal obligations of creators, owners, or operators of decentralized finance applications, distributed ledgers, smart contracts, and other applications which are hacked or are used for fraud and manipulation.
SEC. 504. REPORT ON CUSTODY OF DIGITAL ASSETS AND DIGITAL ASSET SECURITIES.

Not later than 270 days after the date of the enactment of this Act, the Securities and Exchange Commission, the Office of the Comptroller of the Currency, the Secretary of the Treasury, and the Commodity Futures Trading Commission, shall jointly submit a report to the appropriate committees that—

(1) provides recommendations on the regulation, licensing, and auditing of digital asset custodians and digital asset security custodians; and

(2) considers each of the following issues:

(A) The custody of digital assets and digital asset securities.

(B) Estimates on digital assets and digital asset securities custody at trading platforms, licensed custodians, self custody in wallets.

(C) FINRA Guidance to Broker Dealers on Digital Asset and Digital Asset Security Custody.

(D) AICPA position on custody of digital assets and digital asset securities.

(E) Custodian markets, banks, trust companies, brokers, dealers, and futures commissions merchants.
(F) The background on major United States and foreign digital asset and digital asset security custodians by size (assets held) and licensing.

SEC. 505. REPORT ON DIGITAL ASSET TRADING PLATFORMS.

Not later than 270 days after the date of the enactment of this section, the Securities and Exchange Commission, the Commodity Futures Trading Commission, the Secretary of the Treasury, and the Financial Crimes Enforcement Network, in consultation with such Federal and State regulators and market participants as the Commission determines appropriate, shall jointly submit to the relevant committees a report that—

(1) identifies the 10 largest digital asset trading platforms in the United States, their registration status, the number of client accounts each platform has, and the annual trading volume on each trading platform over the last 5 years;

(2) summarizes and compares—

(A) the statutory and regulatory requirements applicable to United States digital asset trading platforms (MSBs) which are currently available to United States investors; and
(B) the statutory and regulatory requirements applicable to national securities exchanges, alternative trading systems, designated contract market, and swap execution facility;

(3) identifies and quantifies investor losses related to all known major foreign and domestic unauthorized electronic access or hacks of digital asset trading platforms in the 5-year period preceding the date of the enactment of this Act; and

(4) provides legislative and regulatory recommendations to promote and increase United States investor protection with respect to sale or trading of digital assets and digital asset securities.

The report shall discuss the major differences between money services businesses and securities/commodities exchanges and provide concrete legislative and regulatory recommendations which would help clarify on what entities and under what rules and requirements the trading of digital assets and digital asset securities should take place as distinguished from the entities and the rules which should apply to the transmission of monetary instruments.
SEC. 506. REPORT ON FALSE TRADE REPORTING, WASH TRADING, AND OFF-CHAIN TRANSACTION ON DIGITAL ASSET TRADING PLATFORMS.

Not later than 270 days after the date of the enactment of this section, the Commodity Futures Trading Commission, the Secretary of the Treasury, and the Financial Crimes Enforcement Network, in consultation with such Federal and State regulators and market participants as the Commission determines appropriate, shall jointly submit to the relevant committees a report on false trade reporting, wash trading, and off-chain transactions with respect to contracts of sale of digital assets in interstate commerce that—

(1) with respect to the 5-year period preceding the date of the enactment of this section, examines each public report regarding false trade reporting and wash trading of digital assets on digital asset trading platforms;

(2) identifies the US and foreign digital asset trading platforms which have engaged in significant false trade reporting and wash trading;

(3) quantifies and estimates the amount of false trade reporting and wash trading for each year of the last five years;

(4) discusses the use of omnibus accounts by digital asset trading platforms to hold customer as-
sets and whether internalization of digital asset transactions by digital asset trading platforms creates transparency issues related to the public distributed ledger having an up to date record of all transactions and current ownership of digital assets;

(5) quantifies the amount and average daily trading volume of off-chain digital asset transactions occurring on United States digital asset trading platforms which are not reported to the public distributed ledger for the digital asset for each of the last five years;

(6) identifies the entities which have facilitated false trade reporting; and

(7) provides legislative and regulatory recommendations to promote and increase United States investor protection with respect to digital assets.

SEC. 507. RELEVANT COMMITTEES DEFINED.

The term “relevant committees” means—

(1) the Committee on Financial Services of the House of Representatives;

(2) the Committee on Banking, Housing, and Urban Affairs of the Senate;

(3) the Committee on Agriculture of the House of Representatives; and
(4) the Committee on Agriculture, Nutrition, and Forestry of the Senate.