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2D SESSION

H. R. 4763

IN THE SENATE OF THE UNITED STATES

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Received; read twice and referred to the Committee on Banking, Housing, and
Urban Affairs

AN ACT

To provide for a system of regulation of digital assets by
the Commodity Futures Trading Commission and the
Securities and Exchange Commission, and for other pur-
poses.

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

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.

Sec. 112. Application of the Bank Secrecy Act.

**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.
- Sec. 414. Studies on foreign adversary participation.

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.
- Sec. 512. Sense of the Congress.

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:

1 “(20) AFFILIATED PERSON.—

2 “(A) IN GENERAL.—The term ‘affiliated
3 person’ means a person (including a related
4 person) that—

5 “(i) with respect to a digital asset
6 issuer—

7 “(I) directly, or indirectly
8 through one or more intermediaries,
9 controls, or is controlled by, or is
10 under common control with, such dig-
11 ital asset issuer; or

12 “(II) was described under clause
13 (i) at any point in the previous 3-
14 month period; or

15 “(ii) with respect to any digital
16 asset—

17 “(I) beneficially owns 5 percent
18 or more of the units of such digital
19 asset that are then outstanding; or

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

23 “(B) BENEFICIAL OWNERSHIP DISCLO-
24 SURE.—The Commission shall issue rules to re-
25 quire a person that beneficially owns 5 percent

1 or more of the units of a digital asset that are
2 then outstanding to file with the Commission a
3 report at such time as the Commission deter-
4 mines appropriate.

5 “(21) BLOCKCHAIN.—The term ‘blockchain’
6 means any technology—

7 “(A) where data is—

8 “(i) shared across a network to create
9 a public ledger of verified transactions or
10 information among network participants;

11 “(ii) linked using cryptography to
12 maintain the integrity of the public ledger
13 and to execute other functions; and

14 “(iii) distributed among network par-
15 ticipants in an automated fashion to con-
16 currently update network participants on
17 the state of the public ledger and any other
18 functions; and

19 “(B) composed of source code that is pub-
20 licly available.

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

1 “(23) BLOCKCHAIN SYSTEM.—The term
2 ‘blockchain system’ means any blockchain or
3 blockchain protocol.

4 “(24) DECENTRALIZED GOVERNANCE SYS-
5 TEM.—

6 “(A) IN GENERAL.—The term ‘decentral-
7 ized governance system’ means, with respect to
8 a blockchain system, any rules-based system
9 permitting persons using the blockchain system
10 or the digital assets related to such blockchain
11 system to form consensus or reach agreement
12 in the development, provision, publication, man-
13 agement, or administration of such blockchain
14 system.

15 “(B) RELATIONSHIP OF PERSONS TO DE-
16 CENTRALIZED GOVERNANCE SYSTEMS.—Per-
17 sons acting through a decentralized governance
18 system shall be treated as separate persons un-
19 less such persons are under common control.

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

23 “(i) a person or group of persons
24 under common control have the ability
25 to—

1 “(I) unilaterally alter the rules of
2 consensus or agreement for the
3 blockchain system; or

4 “(II) determine the final outcome
5 of decisions related to the develop-
6 ment, provision, publication, manage-
7 ment, or administration of such
8 blockchain system;

9 “(ii) a person or group of persons is
10 directly engaging in an activity that re-
11 quires registration with the Commission or
12 the Commodity Futures Trading Commis-
13 sion other than—

14 “(I) developing, providing, pub-
15 lishing, managing, or administering a
16 blockchain system; or

17 “(II) an activity with respect to
18 which the organization is exempt from
19 such registration; or

20 “(iii) a person or group of persons
21 seeking to knowingly evade the require-
22 ments imposed on a digital asset issuer, a
23 related person, an affiliated person, or any
24 other person registered (or required to be
25 registered) under the securities laws, the

1 Financial Innovation and Technology for
2 the 21st Century Act, or the Commodity
3 Exchange Act.

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

8 “(A) During the previous 12-month period,
9 no person—

10 “(i) had the unilateral authority, di-
11 rectly or indirectly, through any contract,
12 arrangement, understanding, relationship,
13 or otherwise, to control or materially alter
14 the functionality or operation of the
15 blockchain system; or

16 “(ii) had the unilateral authority to
17 restrict or prohibit any person who is not
18 a digital asset issuer, related person, or an
19 affiliated person from—

20 “(I) using, earning, or transmit-
21 ting the digital asset;

22 “(II) deploying software that
23 uses or integrates with the blockchain
24 system;

1 “(III) participating in a decen-
2 tralized governance system with re-
3 spect to the blockchain system; or

4 “(IV) operating a node, validator,
5 or other form of computational infra-
6 structure with respect to the
7 blockchain system.

8 “(B) During the previous 12-month pe-
9 riod—

10 “(i) no digital asset issuer or affiliated
11 person beneficially owned, in the aggre-
12 gate, 20 percent or more of the total
13 amount of units of such digital asset
14 that—

15 “(I) can be created, issued, or
16 distributed in such blockchain system;
17 and

18 “(II) were freely transferrable or
19 otherwise used or available to be used
20 for the purposes of such blockchain
21 system;

22 “(ii) no digital asset issuer or affili-
23 ated person had the unilateral authority to
24 direct the voting, in the aggregate, of 20
25 percent or more of the outstanding voting

1 power of such digital asset or related de-
2 centralized governance system; or

3 “(iii) the digital asset did not include
4 voting power with respect to any decentral-
5 ized governance system of the blockchain
6 system.

7 “(C) During the previous 3-month period,
8 the digital asset issuer, any affiliated person, or
9 any related person has not implemented or con-
10 tributed any intellectual property to the source
11 code of the blockchain system that materially
12 alters the functionality or operation of the
13 blockchain system, unless such implementation
14 or contribution to the source code—

15 “(i) addressed vulnerabilities, errors,
16 regular maintenance, cybersecurity risks,
17 or other technical changes to the
18 blockchain system; or

19 “(ii) were adopted through the con-
20 sensus or agreement of a decentralized
21 governance system.

22 “(D) During the previous 3-month period,
23 neither any digital asset issuer nor any affili-
24 ated person described under paragraph (20)(A)

1 has marketed to the public the digital assets as
2 an investment.

3 “(E) During the previous 12-month period,
4 all issuances of units of such digital asset
5 through the programmatic functioning of the
6 blockchain system were end user distributions.
7 For purposes of the previous sentence, any
8 units of such digital asset that are made avail-
9 able over time and were created in the initial
10 block of the blockchain system shall be consid-
11 ered issued at the point in time of creation.

12 “(26) DIGITAL ASSET.—

13 “(A) IN GENERAL.—The term ‘digital
14 asset’ means any fungible digital representation
15 of value that can be exclusively possessed and
16 transferred, person to person, without necessary
17 reliance on an intermediary, and is recorded on
18 a cryptographically secured public distributed
19 ledger.

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

22 “(i) any note, stock, treasury stock,
23 security future, security-based swap, bond,
24 debenture, evidence of indebtedness, cer-
25 tificate of interest or participation in any

1 profit-sharing agreement, collateral-trust
2 certificate, preorganization certificate or
3 subscription, transferable share, voting-
4 trust certificate, certificate of deposit for a
5 security, fractional undivided interest in
6 oil, gas, or other mineral rights, any put,
7 call, straddle, option, privilege on any secu-
8 rity, certificate of deposit, or group or
9 index of securities (including any interest
10 therein or based on the value thereof); or

11 “(ii) any asset which, based on its
12 terms and other characteristics, is, rep-
13 resents, or is functionally equivalent to an
14 agreement, contract, or transaction that
15 is—

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

20 “(II) a security futures product;

21 “(III) a swap;

22 “(IV) an agreement, contract, or
23 transaction described in section
24 2(c)(2)(C)(i) or 2(c)(2)(D)(i) of the
25 Commodity Exchange Act;

1 “(V) a commodity option author-
2 ized under section 4c of the Com-
3 modity Exchange Act; or

4 “(VI) a leverage transaction au-
5 thorized under section 19 of the Com-
6 modity Exchange Act.

7 “(C) RULE OF CONSTRUCTION.—Nothing
8 in this paragraph shall be construed to create
9 a presumption that a digital asset is a represen-
10 tation of any type of security not excluded from
11 the definition of digital asset.

12 “(D) RELATIONSHIP TO A BLOCKCHAIN
13 SYSTEM.—A digital asset is considered to relate
14 to a blockchain system if the digital asset is in-
15 trinsically linked to the blockchain system, in-
16 cluding—

17 “(i) where the digital asset’s value is
18 reasonably expected to be generated by the
19 programmatic functioning of the
20 blockchain system;

21 “(ii) where the digital asset has voting
22 rights with respect to the decentralized
23 governance system of the blockchain sys-
24 tem; or

1 “(iii) where the digital asset is issued
2 through the programmatic functioning of
3 the blockchain system.

4 “(E) TREATMENT OF CERTAIN DIGITAL
5 ASSETS SOLD PURSUANT TO AN INVESTMENT
6 CONTRACT.—A digital asset offered or sold or
7 intended to be offered or sold pursuant to an
8 investment contract is not and does not become
9 a security as a result of being sold or otherwise
10 transferred pursuant to that investment con-
11 tract.

12 “(27) DIGITAL ASSET ISSUER.—

13 “(A) IN GENERAL.—With respect to a dig-
14 ital asset, the term ‘digital asset issuer’ means
15 any person that, in exchange for any consider-
16 ation—

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

19 “(ii) offers or sells a right to a future
20 issuance of a unit of such digital asset to
21 a person.

22 “(B) EXCLUSION.—The term ‘digital asset
23 issuer’ does not include any person solely be-
24 cause such person deploys source code that cre-

1 ates or issues units of a digital asset that are
2 only distributed in end user distributions.

3 “(C) PROHIBITION ON EVASION.—It shall
4 be unlawful for any person to knowingly evade
5 classification as a ‘digital asset issuer’ and fa-
6 cilitate an arrangement for the primary purpose
7 of effecting a sale, distribution, or other
8 issuance of a digital asset.

9 “(28) DIGITAL ASSET MATURITY DATE.—The
10 term ‘digital asset maturity date’ means, with re-
11 spect to any digital asset, the first date on which 20
12 percent or more of the total units of such digital
13 asset that are then outstanding as of such date
14 are—

15 “(A) digital commodities; or

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

18 “(29) DIGITAL COMMODITY.—The term ‘digital
19 commodity’ has the meaning given that term under
20 section 1a of the Commodity Exchange Act (7
21 U.S.C. 1a).

22 “(30) END USER DISTRIBUTION.—

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

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

4 “(ii) is distributed in a broad, equi-
5 table, and non-discretionary manner based
6 on conditions capable of being satisfied by
7 any participant in the blockchain system,
8 including, as incentive-based rewards—

9 “(I) to users of the digital asset
10 or any blockchain system to which the
11 digital asset relates;

12 “(II) for activities directly related
13 to the operation of the blockchain sys-
14 tem, such as mining, validating, stak-
15 ing, or other activity directly tied to
16 the operation of the blockchain sys-
17 tem; or

18 “(III) to the existing holders of
19 another digital asset, in proportion to
20 the total units of such other digital
21 asset as are held by each person.

22 “(B) PROHIBITION ON EVASION.—It shall
23 be unlawful for any person to facilitate an end
24 user distribution to knowingly evade classifica-
25 tion as a digital asset issuer, related person, or

1 an affiliated person, or the requirements related
2 to a digital asset issuance.

3 “(31) FUNCTIONAL SYSTEM.—With respect to a
4 blockchain system to which a digital asset relates,
5 the term ‘functional system’ means the network al-
6 lows network participants to use such digital asset
7 for—

8 “(A) the transmission and storage of value
9 on the blockchain system;

10 “(B) the participation in services provided
11 by or an application running on the blockchain
12 system; or

13 “(C) the participation in the decentralized
14 governance system of the blockchain system.

15 “(32) PERMITTED PAYMENT STABLECOIN.—

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

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

20 “(ii) the issuer of which—

21 “(I) is obligated to convert, re-
22 deem, or repurchase for a fixed
23 amount of monetary value; or

24 “(II) represents will maintain or
25 creates the reasonable expectation

1 that it will maintain a stable value rel-
2 ative to the value of a fixed amount of
3 monetary value;

4 “(iii) the issuer of which is subject to
5 regulation by a Federal or State regulator
6 with authority over entities that issue pay-
7 ment stablecoins; and

8 “(iv) that is not—

9 “(I) a national currency; or

10 “(II) a security issued by an in-
11 vestment company registered under
12 section 8(a) of the Investment Com-
13 pany Act of 1940 (15 U.S.C. 80a-
14 8(a)).

15 “(B) MONETARY VALUE DEFINED.—For
16 purposes of subparagraph (A), the term ‘mone-
17 tary value’ means a national currency, deposit
18 (as defined under section 3 of the Federal De-
19 posit Insurance Act), or an equivalent instru-
20 ment that is denominated in a national cur-
21 rency.

22 “(33) RELATED PERSON.—With respect to a
23 digital asset issuer, the term ‘related person’
24 means—

1 “(A) a founder, promoter, employee, con-
2 sultant, advisor, or person serving in a similar
3 capacity;

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

8 “(C) any equity holder or other security
9 holder; or

10 “(D) any other person that received a unit
11 of digital asset from such digital asset issuer
12 through—

13 “(i) an exempt offering, other than an
14 offering made in reliance on section
15 4(a)(8); or

16 “(ii) a distribution that is not an end
17 user distribution described under section
18 42(d)(1) of the Securities Exchange Act of
19 1934.

20 “(34) RESTRICTED DIGITAL ASSET.—

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

23 “(i) prior to the first date on which
24 each blockchain system to which a digital
25 asset relates is a functional system and

1 certified to be a decentralized system
2 under section 44 of the Securities Ex-
3 change Act of 1934, any unit of the digital
4 asset held by a person, other than the dig-
5 ital asset issuer, a related person, or an af-
6 filiated person, that was—

7 “(I) issued to such person
8 through a distribution, other than an
9 end user distribution described under
10 section 42(d)(1) of the Securities Ex-
11 change Act of 1934; or

12 “(II) acquired by such person in
13 a transaction that was not executed
14 on a digital commodity exchange;

15 “(ii) during any period when any
16 blockchain system to which a digital asset
17 relates is not a functional system or not
18 certified to be a decentralized system
19 under section 44 of the Securities Ex-
20 change Act of 1934, any digital asset held
21 by a related person or an affiliated person;
22 and

23 “(iii) any unit of a digital asset held
24 by the digital asset issuer.

1 “(B) EXCLUSION.—The term ‘restricted
2 digital asset’ does not include a permitted pay-
3 ment stablecoin.

4 “(35) SECURITIES LAWS.—The term ‘securities
5 laws’ has the meaning given that term under section
6 3(a) of the Securities Exchange Act of 1934 (15
7 U.S.C. 78c(a)).

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

12 **SEC. 102. DEFINITIONS UNDER THE SECURITIES EX-**
13 **CHANGE ACT OF 1934.**

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

16 (8) by redesignating the second paragraph (80)
17 (relating to funding portals) as paragraph (81); and
18 (9) by adding at the end the following:

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

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

23 “(B) chapter 2 of title I of Public Law 91–
24 508 (12 U.S.C. 1951 et seq.); and

1 “(C) subchapter II of chapter 53 of title
2 31, United States Code.

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

5 “(A) means any person engaged in the
6 business of effecting transactions in restricted
7 digital assets for the account of others; and

8 “(B) does not include—

9 “(i) a blockchain protocol or a person
10 or group of persons solely because of their
11 development of a blockchain protocol; or

12 “(ii) a bank engaging in certain bank-
13 ing activities with respect to a restricted
14 digital asset in the same manner as a bank
15 is excluded from the definition of a broker
16 under paragraph (4).

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

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

23 “(A) means any person engaged in the
24 business of buying and selling restricted digital

1 assets for such person's own account through a
2 broker or otherwise; and

3 “(B) does not include—

4 “(i) a person that buys or sells re-
5 stricted digital assets for such person's
6 own account, either individually or in a fi-
7 duciary capacity, but not as a part of a
8 regular business;

9 “(ii) a blockchain protocol or a person
10 or group of persons solely because of their
11 development of a blockchain protocol; or

12 “(iii) a bank engaging in certain
13 banking activities with respect to a re-
14 stricted digital asset in the same manner
15 as a bank is excluded from the definition
16 of a dealer under paragraph (5).

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

19 “(A) means any organization, association,
20 person, or group of persons, whether incor-
21 porated or unincorporated, that constitutes,
22 maintains, or provides a market place or facili-
23 ties for bringing together purchasers and sellers
24 of restricted digital assets or for otherwise per-
25 forming with respect to restricted digital assets

1 the functions commonly performed by a stock
2 exchange within the meaning of section 240.3b–
3 16 of title 17, Code of Federal Regulations, as
4 in effect on the date of enactment of this para-
5 graph; and

6 “(B) does not include a blockchain protocol
7 or a person or group of persons solely because
8 of their development of a blockchain protocol.

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

14 “(88) ADDITIONAL DIGITAL ASSET-RELATED
15 TERMS.—

16 “(A) SECURITIES ACT OF 1933.—The
17 terms ‘affiliated person’, ‘blockchain system’,
18 ‘decentralized governance system’, ‘decentral-
19 ized system’, ‘digital asset’, ‘digital asset
20 issuer’, ‘digital asset maturity date’, ‘end user
21 distribution’, ‘functional system’, ‘permitted
22 payment stablecoin’, ‘related person’, ‘restricted
23 digital asset’, and ‘source code’ have the mean-
24 ing given those terms, respectively, under sec-

1 tion 2(a) of the Securities Act of 1933 (15
2 U.S.C. 77b(a)).

3 “(B) COMMODITY EXCHANGE ACT.—The
4 terms ‘digital commodity’, ‘digital commodity
5 broker’, ‘digital commodity dealer’, and ‘digital
6 commodity exchange’ have the meaning given
7 those terms, respectively, under section 1a of
8 the Commodity Exchange Act (7 U.S.C. 1a).”.

9 **SEC. 103. DEFINITIONS UNDER THE COMMODITY EX-**
10 **CHANGE ACT.**

11 Section 1a of the Commodity Exchange Act (7 U.S.C.
12 1a) is amended—

13 (1) in paragraph (10)(A)—

14 (A) by redesignating clauses (iii) and (iv)
15 as clauses (iv) and (v), respectively; and

16 (B) by inserting after clause (ii) the fol-
17 lowing:

18 “(iii) digital commodity;”;

19 (2) in paragraph (11)—

20 (A) in subparagraph (A)(i)—

21 (i) by redesignating subclauses (III)
22 and (IV) as subclauses (IV) and (V), re-
23 spectively; and

24 (ii) by inserting after subclause (II)
25 the following:

1 “(III) digital commodity;”; and

2 (B) by redesignating subparagraph (B) as
3 subparagraph (C) and inserting after subpara-
4 graph (A) the following:

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

7 “(i) a decentralized governance sys-
8 tem; or

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

11 (3) in paragraph (12)(A)(i)—

12 (A) in subclause (II), by adding at the end
13 a semicolon;

14 (B) by redesignating subclauses (III) and
15 (IV) as subclauses (IV) and (V), respectively;
16 and

17 (C) by inserting after subclause (II) the
18 following:

19 “(III) a digital commodity;”;

20 (4) in paragraph (40)—

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

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

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

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

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

4 “(52) ASSOCIATED PERSON OF A DIGITAL COM-
5 MODITY BROKER.—

6 “(A) IN GENERAL.—Except as provided in
7 subparagraph (B), the term ‘associated person
8 of a digital commodity broker’ means a person
9 who is associated with a digital commodity
10 broker as a partner, officer, employee, or agent
11 (or any person occupying a similar status or
12 performing similar functions) in any capacity
13 that involves—

14 “(i) the solicitation or acceptance of
15 an order for the purchase or sale of a dig-
16 ital commodity; or

17 “(ii) the supervision of any person en-
18 gaged in the solicitation or acceptance of
19 an order for the purchase or sale of a dig-
20 ital commodity.

21 “(B) EXCLUSION.—The term ‘associated
22 person of a digital commodity broker’ does not
23 include any person associated with a digital
24 commodity broker the functions of which are
25 solely clerical or ministerial.

1 “(53) ASSOCIATED PERSON OF A DIGITAL COM-
2 MODITY DEALER.—

3 “(A) IN GENERAL.—Except as provided in
4 subparagraph (B), the term ‘associated person
5 of a digital commodity dealer’ means a person
6 who is associated with a digital commodity deal-
7 er as a partner, officer, employee, or agent (or
8 any person occupying a similar status or per-
9 forming similar functions) in any capacity that
10 involves—

11 “(i) the solicitation or acceptance of
12 an order for the purchase or sale of a dig-
13 ital commodity; or

14 “(ii) the supervision of any person en-
15 gaged in the solicitation or acceptance of
16 an order for the purchase or sale of a dig-
17 ital commodity.

18 “(B) EXCLUSION.—The term ‘associated
19 person of a digital commodity dealer’ does not
20 include any person associated with a digital
21 commodity dealer the functions of which are
22 solely clerical or ministerial.

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

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

3 “(B) chapter 2 of title I of Public Law 91–
4 508 (12 U.S.C. 1951 et seq.); and

5 “(C) subchapter II of chapter 53 of title
6 31, United States Code.

7 “(55) DIGITAL COMMODITY.—

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

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

19 “(I) issued to the person through
20 an end user distribution described
21 under section 42(d)(1) of the Securi-
22 ties Exchange Act of 1934; or

23 “(II) acquired by such person in
24 a transaction that was executed on a
25 digital commodity exchange;

1 “(ii) any unit of a digital asset held
2 by a person, other than the digital asset
3 issuer, a related person, or an affiliated
4 person, after the first date on which each
5 blockchain system to which the digital
6 asset relates is a functional system and
7 certified to be a decentralized system
8 under section 44 of the Securities Ex-
9 change Act of 1934; and

10 “(iii) any unit of a digital asset held
11 by a related person or an affiliated person
12 during any period when any blockchain
13 system to which the digital asset relates is
14 a functional system and certified to be a
15 decentralized system under section 44 of
16 the Securities Exchange Act of 1934.

17 “(B) EXCLUSION.—The term ‘digital com-
18 modity’ does not include a permitted payment
19 stablecoin.

20 “(C) TREATMENT OF ADJUDICATED NON-
21 SECURITIES.—If, before enactment of this para-
22 graph, a Federal court in a Securities and Ex-
23 change Commission enforcement action deter-
24 mines that a digital asset transaction is not an
25 offer or sale of a security, any unit of a digital

1 asset transferred pursuant to the transaction
2 shall be considered a digital commodity, unless
3 the determination is overturned.

4 “(56) DIGITAL COMMODITY BROKER.—

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

8 “(i) engaged in soliciting or accepting
9 orders for the purchase or sale of a unit of
10 a digital commodity from a person that is
11 not an eligible contract participant;

12 “(ii) engaged in soliciting or accepting
13 orders for the purchase or sale of a unit of
14 a digital commodity from a person on or
15 subject to the rules of a registered entity;
16 or

17 “(iii) registered with the Commission
18 as a digital commodity broker.

19 “(B) EXCEPTIONS.—The term ‘digital
20 commodity broker’ does not include a person
21 solely because the person—

22 “(i) enters into a digital commodity
23 transaction the primary purpose of which
24 is to make, send, receive, or facilitate pay-

ments, whether involving a payment service provider or on a peer-to-peer basis;

“(ii) validates a digital commodity transaction, operates a node, or engages in similar activity to participate in facilitating, operating, or securing a blockchain system; or

“(iii) is a bank (as defined under section 3(a) of the Securities Exchange Act of 1934) engaging in certain banking activities with respect to a digital commodity in the same manner as a bank is excluded from the definition of a broker under section 3(a)(4) of the Securities Exchange Act of 1934.

“(57) DIGITAL COMMODITY CUSTODIAN.—The term ‘digital commodity custodian’ means an entity in the business of holding, maintaining, or safeguarding digital commodities for others.

“(58) DIGITAL COMMODITY DEALER.—

“(A) IN GENERAL.—The term ‘digital commodity dealer’ means any person who—

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

1 “(I) holds itself out as a dealer in
2 a digital commodity;

3 “(II) makes a market in a digital
4 commodity;

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

8 “(IV) engages in any activity
9 causing the person to be commonly
10 known in the trade as a dealer or
11 market maker in a digital commodity;

12 “(ii) has an identifiable business of
13 entering into any agreement, contract, or
14 transaction described in subsection
15 (c)(2)(D)(i) involving a digital commodity;
16 or

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

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

22 “(i) enters into a digital commodity
23 transaction with an eligible contract partic-
24 ipant;

1 “(ii) enters into a digital commodity
2 transaction on or through a registered dig-
3 ital commodity exchange;

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

8 “(iv) 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 “(v) 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 “(vi) 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 dealer under sec-
24 tion 3(a)(5) of the Securities Exchange Act
25 of 1934.

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

5 “(60) DIGITAL ASSET-RELATED DEFINI-
6 TIONS.—

7 “(A) SECURITIES ACT OF 1933.—The
8 terms ‘affiliated person’, ‘blockchain system’,
9 ‘decentralized governance system’, ‘decentral-
10 ized system’, ‘digital asset’, ‘digital asset
11 issuer’, ‘end user distribution’, ‘functional sys-
12 tem’, ‘permitted payment stablecoin’, ‘related
13 person’, and ‘restricted digital asset’ have the
14 meaning given the terms, respectively, under
15 section 2(a) of the Securities Act of 1933 (15
16 U.S.C. 77b(a)).

17 “(B) SECURITIES EXCHANGE ACT OF
18 1934.—The terms ‘digital asset broker’ and ‘dig-
19 ital asset dealer’ have the meaning given those
20 terms, respectively, under section 3(a) of the
21 Securities Exchange Act of 1934 (15 U.S.C.
22 78c(a)).

23 “(61) MIXED DIGITAL ASSET TRANSACTION.—
24 The term ‘mixed digital asset transaction’ means an

1 agreement, contract, or transaction involving a dig-
2 ital commodity and—

3 “(A) a security; or

4 “(B) a restricted digital asset.”.

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

6 In this Act:

7 (1) DEFINITIONS UNDER THE COMMODITY EX-
8 CHANGE ACT.—The terms “digital commodity”,
9 “digital commodity broker”, “digital commodity
10 dealer”, “digital commodity exchange”, and “mixed
11 digital asset transaction” have the meaning given
12 those terms, respectively, under section 1a of the
13 Commodity Exchange Act (7 U.S.C. 1a).

14 (2) DEFINITIONS UNDER THE SECURITIES ACT
15 OF 1933.—The terms “affiliated person”,
16 “blockchain”, “blockchain system”, “blockchain pro-
17 tocol”, “decentralized system”, “digital asset”, “dig-
18 ital asset issuer”, “digital asset maturity date”,
19 “digital asset trading system”, “end user distribu-
20 tion”, “functional system”, “permitted payment
21 stablecoin”, “restricted digital asset”, “securities
22 laws”, and “source code” have the meaning given
23 those terms, respectively, under section 2(a) of the
24 Securities Act of 1933 (15 U.S.C. 77b(a)).

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

8 **SEC. 105. RULEMAKINGS.**

9 (a) DEFINITIONS.—The Commodity Futures Trading
10 Commission and the Securities and Exchange Commission
11 shall jointly issue rules to further define the following
12 terms:

13 (1) The terms “affiliated person”,
14 “blockchain”, “blockchain system”, “blockchain pro-
15 tocol”, “decentralized system”, “decentralized gov-
16 ernance system”, “digital asset”, “digital asset
17 issuer”, “digital asset maturity date”, “end user dis-
18 tribution”, “functional system”, “related person”,
19 “restricted digital asset”, and “source code”, as de-
20 fined under section 2(a) of the Securities Act of
21 1933.

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

24 (b) JOINT RULEMAKING FOR EXCHANGES AND
25 INTERMEDIARIES.—The Commodity Futures Trading

1 Commission and the Securities and Exchange Commission
2 shall jointly issue rules to exempt persons dually registered
3 with the Commodity Futures Trading Commission and the
4 Securities and Exchange Commission from duplicative,
5 conflicting, or unduly burdensome provisions of this Act,
6 the securities laws, and the Commodity Exchange Act and
7 the rules thereunder, to the extent such exemption would
8 foster the development of fair and orderly markets in dig-
9 ital assets, be necessary or appropriate in the public inter-
10 est, and be consistent with the protection of investors.

11 (c) JOINT RULEMAKING FOR MIXED DIGITAL ASSET
12 TRANSACTIONS.—The Commodity Futures Trading Com-
13 mission and the Securities and Exchange Commission
14 shall jointly issue rules applicable to mixed digital asset
15 transactions under this Act and the amendments made by
16 this Act, including by further defining such term.

17 (d) PROTECTION OF SELF-CUSTODY.—

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

21 (A) maintaining a hardware wallet, soft-
22 ware wallet, or other means to facilitate such
23 individual's own custody of digital assets; or

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

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

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

16 (f) JOINT RULEMAKING FOR CAPITAL REQUIRE-
17 MENTS.—The Commodity Futures Trading Commission
18 and the Securities and Exchange Commission shall jointly
19 issue rules to require a person with multiple registrations
20 with the Commodity Futures Trading Commission, the
21 Securities and Exchange Commission, or both such agen-
22 cies to maintain sufficient capital to comply with the
23 stricter of any applicable capital requirements to which
24 such person is subject to by reason of such registrations.

1 **SEC. 106. NOTICE OF INTENT TO REGISTER FOR DIGITAL**
2 **COMMODITY EXCHANGES, BROKERS, AND**
3 **DEALERS.**

4 (a) IN GENERAL.—

5 (1) NOTICE OF INTENT TO REGISTER.—Any
6 person may file a notice of intent to register with
7 the Commodity Futures Trading Commission (in
8 this subsection referred to as the “Commission”) as
9 a—

10 (A) digital commodity exchange, for a per-
11 son intending to register as a digital commodity
12 exchange under section 5i of the Commodity
13 Exchange Act;

14 (B) digital commodity broker, for a person
15 intending to register as a digital commodity
16 broker under section 4u of such Act; or

17 (C) digital commodity dealer, for a person
18 intending to register as a digital commodity
19 dealer under section 4u of such Act.

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

23 (A) submits to the Commission and con-
24 tinues to materially update a statement of the
25 nature of the registrations the filer intends to
26 pursue;

1 (B) submits to the Commission and con-
2 tinues to materially update the information re-
3 quired by subsections (b) and (c);

4 (C) complies with subsection (d);

5 (D) is a member of a futures association
6 registered under section 17 of the Commodity
7 Exchange Act, and complies with the rules of
8 the association, including the rules of the asso-
9 ciation pertaining to customer disclosures and
10 protection of customer assets; and

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

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

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

18 (A) the ownership and management of the
19 person;

20 (B) the financial condition of the person;

21 (C) affiliated entities;

22 (D) potential conflicts of interest;

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

24 (i) the place of incorporation;

25 (ii) principal place of business; and

1 (iii) an address for service of process;

2 and

3 (F) a list of the States in which the person

4 has operations.

5 (2) Information concerning the operations of

6 the person, including—

7 (A) a general description of the person's

8 business and the terms of service for United

9 States customers;

10 (B) a description of the person's account

11 approval process;

12 (C) any rulebook or other customer order

13 fulfilment rules;

14 (D) risk management procedures;

15 (E) a description of the product listing

16 process; and

17 (F) anti-money laundering policies and

18 procedures.

19 (c) LISTING INFORMATION.—A person filing a notice

20 of intent to register under subsection (a) shall provide to

21 the Commission and the Securities and Exchange Com-

22 mission a detailed description of—

23 (1) the specific characteristics of each digital

24 asset listed or offered by the person, including infor-

1 mation regarding the digital asset’s market activity,
2 distribution, and functional use; and

3 (2) the product listing determination made by
4 the person for each asset listed or offered for trad-
5 ing by the person.

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

9 (1) STATUTORY DISQUALIFICATIONS.—Except
10 to the extent otherwise specifically provided by Com-
11 mission or registered futures association rule, regu-
12 lation, or order, the person shall not permit an indi-
13 vidual who is subject to a statutory disqualification
14 under paragraph (2) or (3) of section 8a of the
15 Commodity Exchange Act to effect or be involved in
16 effecting transactions on behalf of the person, if the
17 person knew, or in the exercise of reasonable care
18 should have known, of the statutory disqualification.

19 (2) BOOKS AND RECORDS.—The person shall
20 keep their books and records open to inspection and
21 examination by the Commission and by any reg-
22 istered futures association of which the person is a
23 member.

24 (3) CUSTOMER DISCLOSURES.—The person
25 shall disclose to customers—

1 (A) information about the material risks
2 and characteristics of the assets listed for trad-
3 ing on the person;

4 (B) information about the material risks
5 and characteristics of the transactions facili-
6 tated by the person;

7 (C) information about the location and
8 manner in which the digital assets of the cus-
9 tomer will be and are custodied;

10 (D) information concerning the policies
11 and procedures of the person that are related to
12 the protection of the data of customers of the
13 person; and

14 (E) in their disclosure documents, offering
15 documents, and promotional material—

16 (i) in a prominent manner, that they
17 are not registered with or regulated by the
18 Commission; and

19 (ii) the contact information for the
20 whistleblower, complaint, and reparation
21 programs of the Commission.

22 (4) CUSTOMER ASSETS.—

23 (A) IN GENERAL.—The person shall—

24 (i) hold customer money, assets, and
25 property in a manner to minimize the risk

1 of loss to the customer or unreasonable
2 delay in customer access to money, assets,
3 and property of the customer;

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

9 (iii) calculate the total digital asset
10 obligations of the person, and at all times
11 hold money, assets, or property equal to or
12 in excess of the total digital asset obliga-
13 tions; and

14 (iv) not commingle such money, assets
15 and property held to meet the total com-
16 modity obligation with the funds of the
17 person or use the money, assets, or prop-
18 erty to margin, secure, or guarantee any
19 trade or contract, or to secure or extend
20 the credit, of any customer or person other
21 than the one for whom the same are held,
22 except that—

23 (I) the money, assets, and prop-
24 erty of any customer may be commin-

1 gled with that of any other customer,
2 if separately accounted for; and

3 (II) the share of the money, as-
4 sets, and property, as in the normal
5 course of business are necessary to
6 margin, guarantee, secure, transfer,
7 adjust, or settle a contract of sale of
8 a commodity asset, may be withdrawn
9 and applied to do so, including the
10 payment of commissions, brokerage,
11 interest, taxes, storage, and other
12 charges lawfully accruing in connec-
13 tion with the contract of sale of a dig-
14 ital commodity.

15 (B) ADDITIONAL RESOURCES.—

16 (i) IN GENERAL.—This section shall
17 not prevent or be construed to prevent the
18 person from adding to the customer
19 money, assets, and property required to be
20 segregated under subparagraph (A), addi-
21 tional amounts of money, assets, or prop-
22 erty from the account of the person as the
23 person determines necessary to hold
24 money, assets, or property equal to or in

1 excess of the total digital asset obligations
2 of the person.

3 (ii) TREATMENT AS CUSTOMER
4 FUNDS.—Any money, assets, or property
5 deposited pursuant to clause (i) shall be
6 considered customer property within the
7 meaning of this subsection.

8 (e) COMPLIANCE.—

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

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

21 (3) ANTI-FRAUD AND ANTI-MANIPULATION.—
22 Paragraph (1) shall not be construed to limit any
23 anti-fraud, anti-manipulation, or false reporting en-
24 forcement authority of the Commission, the Securi-

1 ties and Exchange Commission, a registered futures
2 association, or a national securities association.

3 (4) DELISTING.—Paragraph (1) shall not be
4 construed to limit the authority of the Commission
5 and the Securities and Exchange Commission to
6 jointly require a person to delist an asset for trading
7 if the Commission and the Securities and Exchange
8 Commission determines that the listing is incon-
9 sistent with the Commodity Exchange Act, the secu-
10 rities laws (including regulations under those laws),
11 or this Act.

12 (f) REGISTRATION.—

13 (1) IN GENERAL.—A person may not file a no-
14 tice of intent to register with the Commission after
15 the Commission has finalized its rules for the reg-
16 istration of digital commodity exchanges, digital
17 commodity brokers, or digital commodity dealers, as
18 appropriate.

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

22 (A) the Commission—

23 (i) determines that the person has
24 failed to comply with the requirements of
25 this section; or

1 (ii) denies the application of the per-
2 son to register; or

3 (B) the digital commodity exchange, digital
4 commodity broker, or digital commodity dealer
5 that filed a notice of intent to register failed to
6 apply for registration as such with the Commis-
7 sion within 180 days after the effective date of
8 the final rules of the Commission for the reg-
9 istration of digital commodity exchanges, digital
10 commodity brokers, or digital commodity deal-
11 ers, as appropriate.

12 (g) RULEMAKING.—

13 (1) IN GENERAL.—Within 180 days after the
14 date of the enactment of this Act, a registered fu-
15 tures association shall adopt and enforce rules appli-
16 cable to persons required by subsection (a)(3) to be
17 members of the association.

18 (2) FEES.—The rules adopted under paragraph
19 (1) may provide for dues in accordance with section
20 17(b)(6) of the Commodity Exchange Act.

21 (3) EFFECT.—A registered futures association
22 shall submit to the Commission any rule adopted
23 under paragraph (1), which shall take effect pursu-
24 ant to the requirements of section 17(j) of the Com-
25modity Exchange Act.

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

5 (i) WHISTLEBLOWER ENFORCEMENT.—For purposes
 6 of section 23 of the Commodity Exchange Act, the term
 7 “this Act” includes this section.

8 **SEC. 107. NOTICE OF INTENT TO REGISTER FOR DIGITAL**
 9 **ASSET BROKERS, DEALERS, AND TRADING**
 10 **SYSTEMS.**

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 Securities and Exchange Commission (in this
 15 section referred to as the “Commission”) as—

16 (A) a digital asset trading system, for a
 17 person intending to register as a digital asset
 18 trading system under section 6(m) of the Secu-
 19 rities Exchange Act of 1934;

20 (B) a digital asset broker, for a person in-
 21 tending to register as a digital asset broker
 22 under section 15H of the Securities Exchange
 23 Act of 1934; or

24 (C) a digital asset dealer, for a person in-
 25 tending to register as a digital asset dealer

1 under section 15H of the Securities Exchange
2 Act of 1934.

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

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

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

13 (C) complies with the requirements of sub-
14 section (d); and

15 (D) is a member of a national securities
16 association registered under section 15A of the
17 Securities Exchange Act of 1934 (15 U.S.C.
18 78o–3) and complies with the rules of the asso-
19 ciation, including the rules of the association
20 pertaining to customer disclosures and protec-
21 tion of customer assets.

22 (b) DISCLOSURE OF GENERAL INFORMATION.—A
23 person filing a notice of intent to register under subsection
24 (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) the principal place of business;

11 and

12 (iii) an address for service of process;

13 and

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

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

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

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

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

25 (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 Commodity Futures Trading
8 Commission a detailed description of—

9 (1) the specific characteristics of each digital
10 asset listed or offered for trading by the person, in-
11 cluding information regarding the digital asset’s
12 market activity, 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 DISQUALIFICATION.—Except to
20 the extent otherwise specifically provided by Com-
21 mission or a national securities association rule, reg-
22 ulation, or order, the person may not permit an indi-
23 vidual who is subject to a statutory disqualification
24 (as defined under section 3(a) of the Securities Ex-
25 change Act of 1934) to effect or be involved in ef-

1 fecting transactions on behalf of the person if the
2 person knows, or in the exercise of reasonable dis-
3 cretion should know, the individual is subject to a
4 statutory disqualification.

5 (2) BOOKS AND RECORDS.—The person shall
6 keep their books and records open to inspection and
7 examination by the Commission and any national se-
8 curities association of which they are a 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 person's
21 policies and procedures related to the protection
22 of customers' data; and

23 (E) in their disclosure documents, offering
24 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) segregate all money, assets, and
20 property received from any customer of the
21 person from the funds of the person, ex-
22 cept that—

23 (I) the money, assets, and prop-
24 erty of any customer may be commin-

1 gled with that of any other customer,
2 if separately accounted for; and

3 (II) the share of the money, as-
4 sets, and property, as in the normal
5 course of business are necessary to
6 margin, guarantee, secure, transfer,
7 adjust, or settle a contract of sale of
8 a digital asset, may be withdrawn and
9 applied to do so, including the pay-
10 ment of commissions, brokerage, in-
11 terest, taxes, storage, and other
12 charges lawfully accruing in connec-
13 tion with the contract of sale of a dig-
14 ital asset.

15 (B) ADDITIONAL RESOURCES.—

16 (i) IN GENERAL.—This section shall
17 not prevent or be construed to prevent the
18 person from adding to the customer
19 money, assets, and property required to be
20 segregated under subparagraph (A) addi-
21 tional amounts of money, assets, or prop-
22 erty from the account of the person as the
23 person determines necessary to hold
24 money, assets, or property equal to or in

1 excess of the total digital asset obligation
2 of the person.

3 (ii) TREATMENT AS CUSTOMER
4 FUNDS.—Any money, assets, or property
5 deposited pursuant to clause (i) shall be
6 considered customer property within the
7 meaning of this subsection.

8 (e) COMPLIANCE.—

9 (1) IN GENERAL.—A person who has filed a no-
10 tice of intent to register under this section and is in
11 compliance with this section shall be exempt from
12 Commission rules and regulations pertaining to reg-
13 istering as a national securities exchange, broker,
14 dealer, or clearing agency, for activities related to a
15 digital asset.

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

21 (3) ANTI-FRAUD AND ANTI-MANIPULATION.—
22 Paragraph (1) shall not be construed to limit any
23 fraud, anti-manipulation, or false reporting enforce-
24 ment authority of the Commission, the Commodity

1 Futures Trading Commission, a registered futures
2 association, or a national securities association.

3 (4) DELISTING.—Paragraph (1) shall not be
4 construed to limit the authority of the Commission
5 and the Commodity Futures Trading Commission to
6 jointly require a person to delist an asset for trading
7 if the Commission and the Commodity Futures
8 Trading Commission determines that the listing is
9 inconsistent with the Commodity Exchange Act, the
10 securities laws (including regulations under those
11 laws), or this Act.

12 (f) REGISTRATION.—

13 (1) IN GENERAL.—A person may not file a no-
14 tice of intent to register with the Commission after
15 the Commission has finalized its rules for the reg-
16 istration of digital asset brokers, digital asset deal-
17 ers, digital asset trading systems, and notice-reg-
18 istered clearing agencies, as appropriate.

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

22 (A) the Commission—

23 (i) determines that the person has
24 failed to comply with the requirements of
25 this section; or

1 (ii) denies the application of the per-
2 son to register; or

3 (B) the digital asset broker, digital asset
4 dealer, or digital asset trading system that filed
5 a notice of intent to register failed to apply for
6 registration as such with the Commission within
7 180 days after the effective date of the Com-
8 mission's final rules for the registration of dig-
9 ital asset brokers, digital asset dealers, and dig-
10 ital asset trading systems, as appropriate.

11 (g) 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 (h) NATIONAL SECURITIES ASSOCIATION.—

16 (1) IN GENERAL.—A national securities asso-
17 ciation may adopt and enforce rules written specifi-
18 cally for persons filing a notice of intent to register
19 under subsection (a), including rules that prescribe
20 reasonable fees and charges to defray the costs of
21 the national securities association related to over-
22 seeing such persons.

23 (2) APPROVAL BY THE COMMISSION.—With re-
24 spect to a provisional rule described under para-

1 graph (1) filed with the Commission, the Commis-
 2 sion shall—

3 (A) not later than 90 days following the
 4 date of such filing, approve the rule if the Com-
 5 mission determines that the rule effectuates the
 6 purposes of this section; and

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

10 (i) WHISTLEBLOWER ENFORCEMENT.—For purposes
 11 of section 21F of the Securities Exchange Act of 1934
 12 (15 U.S.C. 78u-6), the term “securities laws” includes
 13 this section.

14 **SEC. 108. COMMODITY EXCHANGE ACT SAVINGS PROVI-**
 15 **SIONS.**

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

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

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

22 (B) a swap;

23 (C) a security futures product;

24 (D) an option authorized under section 4c
 25 of such Act;

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

3 or

4 (F) a leverage transaction authorized
5 under section 19 of such Act; or

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

8 (b) PROHIBITIONS ON SPOT DIGITAL COMMODITY
9 ENTITIES.—Nothing in this Act authorizes, or shall be in-
10 terpreted to authorize, a digital commodity exchange, dig-
11 ital commodity broker, or digital commodity dealer to en-
12 gage in any activities involving any transaction, contract,
13 or agreement described in subsection (a)(1), solely by vir-
14 tue of being registered or filing notice of intent to register
15 as a digital commodity exchange, digital commodity
16 broker, or digital commodity dealer.

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

20 **SEC. 109. ADMINISTRATIVE REQUIREMENTS.**

21 (a) SECURITIES AND EXCHANGE ACT OF 1934.—
22 Section 21A of the Securities and Exchange Act of 1934
23 (15 U.S.C. 78u-1) is amended by adding at the end the
24 following:

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

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

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

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

1 (1) in paragraph (3)—

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

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

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

7 “(D) a contract of sale of a digital com-
8 modity.”;

9 (2) in paragraph (4)—

10 (A) in subparagraph (A)—

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

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

15 (iii) by adding at the end the fol-
16 lowing:

17 “(iv) a contract of sale of a digital
18 commodity.”;

19 (B) in subparagraph (B)—

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

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

24 (iii) by adding at the end the fol-
25 lowing:

1 “(iv) a contract of sale of a digital
2 commodity.”; and
3 (C) in subparagraph (C)—
4 (i) in clause (ii), by striking “or” at
5 the end;
6 (ii) by striking “(iii) a swap, provided
7 however,” and inserting the following:
8 “(iii) a swap; or
9 “(iv) a contract of sale of a digital
10 commodity,
11 provided, however,”; and
12 (iii) by striking “clauses (i), (ii), or
13 (iii)” and insert “any of clauses (i)
14 through (iv)”.

15 **SEC. 110. INTERNATIONAL HARMONIZATION.**

16 In order to promote effective and consistent global
17 regulation of digital assets, the Commodity Futures Trad-
18 ing Commission and the Securities and Exchange Com-
19 mission, as appropriate—

20 (1) shall consult and coordinate with foreign
21 regulatory authorities on the establishment of con-
22 sistent international standards with respect to the
23 regulation of digital assets, restricted digital assets,
24 and digital commodities; and

1 (2) may agree to such information-sharing ar-
2 rangements as may be deemed to be necessary or
3 appropriate in the public interest or for the protec-
4 tion of investors, customers, and users of digital as-
5 sets.

6 **SEC. 111. IMPLEMENTATION.**

7 (a) GLOBAL RULEMAKING TIMEFRAME.—Unless oth-
8 erwise provided in this Act or an amendment made by this
9 Act, the Commodity Futures Trading Commission and the
10 Securities and Exchange Commission, or both, shall indi-
11 vidually, and jointly where required, promulgate rules and
12 regulations required of each Commission under this Act
13 or an amendment made by this Act not later than 360
14 days after the date of enactment of this Act.

15 (b) RULES AND REGISTRATION BEFORE FINAL EF-
16 FECTIVE DATES.—

17 (1) IN GENERAL.—In order to prepare for the
18 implementation of this Act, the Commodity Futures
19 Trading Commission and the Securities and Ex-
20 change Commission may, before any effective date
21 provided in this Act—

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

24 (B) conduct studies and prepare reports
25 and recommendations required by this Act;

1 (C) register persons under this Act; and

2 (D) exempt persons, agreements, contracts,
3 or transactions from provisions of this Act,
4 under the terms contained in this Act.

5 (2) LIMITATION ON EFFECTIVENESS.—An ac-
6 tion by the Commodity Futures Trading Commission
7 or the Securities and Exchange Commission under
8 paragraph (1) shall not become effective before the
9 effective date otherwise applicable to the action
10 under this Act.

11 **SEC. 112. APPLICATION OF THE BANK SECRECY ACT.**

12 (a) IN GENERAL.—Section 5312 of title 31, United
13 States Code, is amended—

14 (1) in subsection (a)(2)(G), by striking “or
15 dealer” and inserting “, dealer, digital asset broker,
16 digital asset dealer, or digital asset trading system”;
17 and

18 (2) in subsection (c)(1)(A)—

19 (A) by inserting “digital commodity
20 broker, digital commodity dealer,” after “fu-
21 tures commission merchant,”; and

22 (B) by inserting before the period the fol-
23 lowing: “and any digital commodity exchange
24 registered, or required to register, under the

1 Commodity Exchange Act which permits direct
2 customer access”.

3 (b) GAO STUDY.—

4 (1) IN GENERAL.—The Comptroller General of
5 the United States, in consultation with the Secretary
6 of the Treasury, shall conduct a study to—

7 (A) assess the risks posed by centralized
8 intermediaries that are primarily located in for-
9 eign jurisdictions that provide services to U.S.
10 persons without regulatory requirements that
11 are substantially similar to the requirements of
12 the Bank Secrecy Act; and

13 (B) provide any regulatory or legislative
14 recommendations to address these risks under
15 subparagraph (A).

16 (2) REPORT.—Not later than 1 year after the
17 date of enactment of this Act, the Comptroller Gen-
18 eral shall issue a report to Congress containing all
19 findings and determinations made in carrying out
20 the study required under paragraph (1).

1 **TITLE II—CLARITY FOR ASSETS**
2 **OFFERED AS PART OF AN IN-**
3 **VESTMENT CONTRACT**

4 **SEC. 201. SHORT TITLE.**

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

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

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

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

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

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

17 “(A) that can be exclusively possessed and
18 transferred, person to person, without necessary
19 reliance on an intermediary, and is recorded on
20 a cryptographically secured public distributed
21 ledger;

22 “(B) sold or otherwise transferred, or in-
23 tended to be sold or otherwise transferred, pur-
24 suant to an investment contract; and

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

3 (b) INVESTMENT ADVISERS ACT OF 1940.—Section
4 202(a)(18) of the Investment Advisers Act of 1940 (15
5 U.S.C. 80b–2(a)(18)) is amended by adding at the end
6 the following: “The term ‘security’ does not include an in-
7 vestment contract asset (as such term is defined under
8 section 2(a) of the Securities Act of 1933).”.

9 (c) INVESTMENT COMPANY ACT OF 1940.—Section
10 2(a)(36) of the Investment Company Act of 1940 (15
11 U.S.C. 80a–2(a)(36)) is amended by adding at the end
12 the following: “The term ‘security’ does not include an in-
13 vestment contract asset (as such term is defined under
14 section 2(a) of the Securities Act of 1933).”.

15 (d) SECURITIES EXCHANGE ACT OF 1934.—Section
16 3(a)(10) of the Securities Exchange Act of 1934 (15
17 U.S.C. 78c(a)(10)) is amended by adding at the end the
18 following: “The term ‘security’ does not include an invest-
19 ment contract asset (as such term is defined under section
20 2(a) of the Securities Act of 1933).”.

21 (e) SECURITIES INVESTOR PROTECTION ACT OF
22 1970.—Section 16(14) of the Securities Investor Protec-
23 tion Act of 1970 (15 U.S.C. 78lll(14)) is amended by add-
24 ing at the end the following: “The term ‘security’ does
25 not include an investment contract asset (as such term

1 is defined under section 2(a) of the Securities Act of
2 1933).”.

3 **TITLE III—OFFERS AND SALES** 4 **OF DIGITAL ASSETS**

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

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

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

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

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

23 “(B) with respect to a transaction involv-
24 ing the purchase of units of a digital asset by
25 a person who is not an accredited investor, the

1 aggregate amount of all units of digital assets
2 purchased by such person during the 12-month
3 period preceding the date of such transaction,
4 including the unit of a digital asset purchased
5 in such transaction, does not exceed the greater
6 of—

7 “(i) 10 percent of the person’s annual
8 income or joint income with that person’s
9 spouse or spousal equivalent; or

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

13 “(C) after the completion of the trans-
14 action, the purchaser does not own more than
15 10 percent of the total amount of the units of
16 the digital asset sold in reliance on the exemp-
17 tion under this paragraph;

18 “(D) the transaction does not involve the
19 offer or sale of any digital asset not offered as
20 part of an investment contract;

21 “(E) the transaction does not involve the
22 offer or sale of a unit of a digital asset by a
23 digital asset issuer that—

1 “(i) is not organized under the laws of
2 a State, a territory of the United States,
3 or the District of Columbia;

4 “(ii) is a development stage company
5 that either—

6 “(I) has no specific business plan
7 or purpose; or

8 “(II) has indicated that the busi-
9 ness plan of the company is to merge
10 with or acquire an unidentified com-
11 pany;

12 “(iii) is an investment company, as
13 defined in section 3 of the Investment
14 Company Act of 1940 (15 U.S.C. 80a-3),
15 or is excluded from the definition of invest-
16 ment company by section 3(b) or section
17 3(c) of that Act (15 U.S.C. 80a-3(b) or
18 80a-3(c));

19 “(iv) is issuing fractional undivided
20 interests in oil or gas rights, or a similar
21 interest in other mineral rights;

22 “(v) is, or has been, subject to any
23 order of the Commission entered pursuant
24 to section 12(j) of the Securities Exchange

1 Act of 1934 during the 5-year period be-
2 fore the filing of the offering statement; or

3 “(vi) is disqualified pursuant to sec-
4 tion 230.262 of title 17, Code of Federal
5 Regulations; and

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

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

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

11 “(a) REQUIREMENTS FOR DIGITAL ASSET
12 ISSUERS.—

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

18 “(A) The name, legal status (including the
19 jurisdiction in which the issuer is organized and
20 the date of organization), and website of the
21 digital asset issuer.

22 “(B) The address and telephone number of
23 the issuer or a legal representative of the
24 issuer.

1 “(C) A certification that the digital asset
2 issuer meets the relevant requirements de-
3 scribed under section 4(a)(8).

4 “(D) An overview of the material aspects
5 of the offering.

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

8 “(F) A description of the plan of distribu-
9 tion of any unit of a digital asset that is to be
10 offered.

11 “(G) A description of the material risks
12 surrounding ownership of a unit of a digital
13 asset.

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

16 “(I) A description of exempt offerings con-
17 ducted within the past three years by the digital
18 asset issuer.

19 “(J) A description of the digital asset
20 issuer and the current number of employees of
21 the digital asset issuer.

22 “(K) A description of any material trans-
23 actions or relationships between the digital
24 asset issuer and affiliated persons.

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

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

10 “(3) ONGOING DISCLOSURE REQUIREMENTS.—
11 A digital asset issuer that has filed a statement
12 under paragraph (1) to offer and sell a unit of a dig-
13 ital asset in reliance on section 4(a)(8) shall file the
14 following with the Commission:

15 “(A) ANNUAL REPORTS.—An annual re-
16 port that includes any material changes to the
17 information described under paragraph (2) for
18 the current fiscal year and for any fiscal year
19 thereafter, unless the issuer is no longer obli-
20 gated to file such annual report pursuant to
21 paragraph (4).

22 “(B) SEMIANNUAL REPORTS.—Along with
23 each annual report required under subpara-
24 graph (A), and separately six months there-
25 after, a report containing—

1 “(i) an updated description of the cur-
2 rent state and timeline for the development
3 of the blockchain system to which the dig-
4 ital asset relates, showing how and when
5 the blockchain system intends or intended
6 to be considered a functional system and a
7 decentralized system;

8 “(ii) the amount of money raised by
9 the digital asset issuer in reliance on sec-
10 tion 4(a)(8), how much of that money has
11 been spent, and the general categories and
12 amounts on which that money has been
13 spent; and

14 “(iii) any material changes to the in-
15 formation in the most recent annual re-
16 port.

17 “(C) CURRENT REPORTS.—A current re-
18 port shall be filed with the Commission reflect-
19 ing any material changes to the information
20 previously reported to the Commission by the
21 digital asset issuer.

22 “(4) TERMINATION OF REPORTING REQUIRE-
23 MENTS.—

24 “(A) IN GENERAL.—The ongoing reporting
25 requirements under paragraph (3) shall not

1 apply to a digital asset issuer 180 days after
2 the end of the covered fiscal year.

3 “(B) COVERED FISCAL YEAR DEFINED.—

4 In this paragraph, the term ‘covered fiscal year’
5 means the first fiscal year of an issuer in which
6 the blockchain system to which the digital asset
7 relates is a functional system and certified to be
8 a decentralized system under section 44 of the
9 Securities Exchange Act of 1934.

10 “(b) REQUIREMENTS FOR INTERMEDIARIES.—

11 “(1) IN GENERAL.—A person acting as an
12 intermediary in a transaction involving the offer or
13 sale of a unit of a digital asset in reliance on section
14 4(a)(8) shall—

15 “(A) register with the Commission as a
16 digital asset broker; and

17 “(B) be a member of a national securities
18 association registered under section 15A of the
19 Securities Exchange Act of 1934 (15 U.S.C.
20 78o–3).

21 “(2) PURCHASER QUALIFICATION.—

22 “(A) IN GENERAL.—Each time, before ac-
23 cepting any commitment (including any addi-
24 tional commitment from the same person), an
25 intermediary or digital asset issuer shall have a

1 reasonable basis for believing that the pur-
2 chaser satisfies the requirements of section
3 4(a)(8).

4 “(B) RELIANCE ON PURCHASER’S REP-
5 RESENTATIONS.—For purposes of subpara-
6 graph (A), an intermediary or digital asset
7 issuer may rely on a purchaser’s representa-
8 tions concerning the purchaser’s annual income
9 and net worth and the amount of the pur-
10 chaser’s other investments made, unless the
11 intermediary or digital asset issuer has reason
12 to question the reliability of the representation.

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

18 “(c) ADDITIONAL PROVISIONS.—

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

23 “(A) written offers of the digital asset may
24 be made; and

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

4 “(2) SOLICITATION OF INTEREST.—

5 “(A) IN GENERAL.—At any time before
6 the filing of a statement under paragraph (1),
7 a digital asset issuer may communicate orally
8 or in writing to determine whether there is any
9 interest in a contemplated offering. Such com-
10 munications are deemed to be an offer of a unit
11 of a digital asset for sale for purposes of the
12 anti-fraud provisions of the Federal securities
13 laws. No solicitation or acceptance of money or
14 other consideration, nor of any commitment,
15 binding or otherwise, from any person is per-
16 mitted until the statement is filed.

17 “(B) CONDITIONS.—In any communication
18 described under subparagraph (A), the digital
19 asset issuer shall—

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

23 “(ii) state that no offer to buy a unit
24 of a digital asset can be accepted and no
25 part of the purchase price can be received

1 until the statement is filed and then only
2 through an intermediary; and

3 “(iii) state that a person’s indication
4 of interest involves no obligation or com-
5 mitment of any kind.

6 “(C) INDICATIONS OF INTEREST.—Any
7 written communication described under sub-
8 paragraph (A) may include a means by which
9 a person may indicate to the digital asset issuer
10 that such person is interested in a potential of-
11 fering. A digital asset issuer may require a
12 name, address, telephone number, or email ad-
13 dress in any response form included with a
14 communication described under subparagraph
15 (A).

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

21 (b) ADDITIONAL EXEMPTIONS.—

22 (1) CERTAIN REGISTRATION REQUIREMENTS.—
23 Section 12(g)(6) of the Securities Exchange Act of
24 1934 (15 U.S.C. 78l(g)(6)) is amended by striking

1 “under section 4(6)” and inserting “under section
2 4(a)(6) or 4(a)(8)”.

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

6 (A) in section (B), by striking “section
7 4(4)” and inserting “section 4(a)(4)”;

8 (B) in section (C), by striking “section
9 4(6)” and inserting “section 4(a)(6)”;

10 (C) in subparagraph (F)—

11 (i) by striking “section 4(2)” each
12 place such term appears and inserting
13 “section 4(a)(2)”;

14 (ii) by striking “or” at the end;

15 (D) in subparagraph (G), by striking the
16 period and inserting “; or”; and

17 (E) by adding at the end the following:

18 “(H) section 4(a)(8).”.

19 **SEC. 302. REQUIREMENTS FOR OFFERS AND SALES OF CER-**
20 **TAIN DIGITAL ASSETS.**

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

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

3 “(a) OFFERS AND SALES OF CERTAIN RESTRICTED
4 DIGITAL ASSETS.—

5 “(1) IN GENERAL.—Notwithstanding any other
6 provision of law, subject to paragraph (2), a re-
7 stricted digital asset may be offered and sold on a
8 digital asset trading system by any person other
9 than a digital asset issuer if, at the time of such
10 offer or sale, any blockchain system to which the re-
11 stricted digital asset relates is a functional system
12 and the information described in section 43 has been
13 certified and made publicly available for any
14 blockchain system to which the restricted digital
15 asset relates.

16 “(2) ADDITIONAL RULES FOR RELATED PER-
17 SONS AND AFFILIATED PERSONS.—Except as pro-
18 vided under subsection (c), a restricted digital asset
19 owned by a related person or an affiliated person
20 may only be offered or sold after 12 months after
21 the later of—

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

24 “(B) the digital asset maturity date.

25 “(b) OFFERS AND SALES OF CERTAIN DIGITAL COM-
26 MODITIES.—

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

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

8 “(A) the holder of the digital commodity
9 originally acquired the digital asset while it was
10 a restricted digital asset not less than 12
11 months after the later of—

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

14 “(ii) the digital asset maturity date;

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

18 “(C) the digital commodity is offered or
19 sold on or subject to the rules of a digital com-
20 modity exchange registered under section 5i of
21 the Commodity Exchange Act.

22 “(3) NOT AN INVESTMENT CONTRACT.—For
23 purposes of the securities laws, an offer or sale of
24 a digital commodity that does not violate paragraph

1 (2) shall not be a transaction in an investment con-
2 tract.

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

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

10 “(2) the affiliated person promptly, following
11 the placement of an order to sell one percent or
12 more of the digital assets then outstanding during
13 any 3-month period, reports the sale to—

14 “(A) the Commodity Futures Trading
15 Commission, in the case of an order to sell a
16 digital commodity on or subject to the rules of
17 a digital commodity exchange; or

18 “(B) the Securities and Exchange Commis-
19 sion, in the case of a sell order for a restricted
20 digital asset placed with a digital asset trading
21 system.

22 “(d) TREATMENT OF CERTAIN END USER DISTRIBU-
23 TIONS UNDER THE SECURITIES LAWS.—

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

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

6 “(B) with respect to the digital asset and
7 each blockchain system to which such digital
8 asset relates, the information described in sec-
9 tion 43 has been certified and made publicly
10 available.

11 “(2) NOT AN INVESTMENT CONTRACT.—For
12 purposes of the securities laws, an end user distribu-
13 tion described under paragraph (1) shall not be a
14 transaction in an investment contract.

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

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

24 (1) the offer or sale of a restricted digital asset
25 or digital commodity; or

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

3 **SEC. 303. ENHANCED DISCLOSURE REQUIREMENTS.**

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

7 **“SEC. 43. ENHANCED DISCLOSURE REQUIREMENTS WITH**
8 **RESPECT TO DIGITAL ASSETS.**

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

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

15 “(2) TRANSACTION HISTORY.—A description of
16 the steps necessary to independently access, search,
17 and verify the transaction history of any blockchain
18 system to which the digital asset relates.

19 “(3) DIGITAL ASSET ECONOMICS.—A descrip-
20 tion of the purpose of any blockchain system to
21 which the digital asset relates and the operation of
22 any such blockchain system, including—

23 “(A) information explaining the launch
24 and supply process, including the number of
25 digital assets to be issued in an initial alloca-

1 tion, the total number of digital assets to be
2 created, the release schedule for the digital as-
3 sets, and the total number of digital assets then
4 outstanding;

5 “(B) information on any applicable con-
6 sensus mechanism or process for validating
7 transactions, method of generating or mining
8 digital assets, and any process for burning or
9 destroying digital assets on the blockchain sys-
10 tem;

11 “(C) an explanation of governance mecha-
12 nisms for implementing changes to the
13 blockchain system or forming consensus among
14 holders of such digital assets; and

15 “(D) sufficient information for a third
16 party to create a tool for verifying the trans-
17 action history of the digital asset.

18 “(4) PLAN OF DEVELOPMENT.—The current
19 state and timeline for the development of any
20 blockchain system to which the digital asset relates,
21 showing how and when the blockchain system in-
22 tends or intended to be considered a functional sys-
23 tem and decentralized system.

24 “(5) DEVELOPMENT DISCLOSURES.—A list of
25 all persons who are related persons or affiliated per-

1 sons who have been issued a unit of a digital asset
2 by a digital asset issuer or have a right to a unit of
3 a digital asset from a digital asset issuer.

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

7 “(b) CERTIFICATION.—

8 “(1) IN GENERAL.—With respect to a digital
9 asset and any blockchain system to which the digital
10 asset relates, the information described under this
11 section has been certified if the digital asset issuer,
12 an affiliated person, a decentralized governance sys-
13 tem, or a digital commodity exchange certifies on a
14 quarterly basis to the Commodity Futures Trading
15 Commission and the Securities and Exchange Com-
16 mission that the information is true and correct.

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

22 “(3) RULEMAKING.—The Commission and the
23 Commodity Futures Trading Commission may joint-
24 ly issue rules regarding the certification process de-
25 scribed under paragraph (1).”.

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

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

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

6 “(a) CERTIFICATION.—Any person may certify to the
7 Securities and Exchange Commission that the blockchain
8 system to which a digital asset relates is a decentralized
9 system.

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

13 “(1) information regarding the person making
14 the certification;

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

18 “(A) the operation of the blockchain sys-
19 tem;

20 “(B) the functionality of the related digital
21 asset;

22 “(C) any decentralized governance system
23 which relates to the blockchain system; and

24 “(D) the process to develop consensus or
25 agreement within such decentralized governance
26 system;

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

4 “(A) a history of the development of the
5 blockchain system and the digital asset which
6 relates to such blockchain system;

7 “(B) a description of the issuance process
8 for the digital asset which relates to the
9 blockchain system;

10 “(C) information identifying the digital
11 asset issuer of the digital asset which relates to
12 the blockchain system; and

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

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

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

21 “(i) control or materially alter the
22 blockchain system;

23 “(ii) exclude any other person from
24 using or participating on the blockchain
25 system; and

1 “(iii) exclude any other person from
2 participating in a decentralized governance
3 system;

4 “(B) information regarding the beneficial
5 ownership of the digital asset which relates to
6 such blockchain system and the distribution of
7 voting power in any decentralized governance
8 system during the previous 12 months;

9 “(C) information regarding the history of
10 upgrades to the source code for such blockchain
11 system during the previous 3 months, includ-
12 ing—

13 “(i) a description of any consensus or
14 agreement process utilized to process or
15 approve changes to the source code;

16 “(ii) a list of any material changes to
17 the source code, the purpose and effect of
18 the changes, and the contributor of the
19 changes, if known; and

20 “(iii) any changes to the source code
21 made by the digital asset issuer, a related
22 person, or an affiliated person;

23 “(D) information regarding any activities
24 conducted to market the digital asset which re-
25 lates to the blockchain system during the pre-

1 vious 3 months by the digital asset issuer or an
2 affiliated person of the digital asset issuer; and

3 “(E) information regarding any issuance of
4 a unit of the digital asset which relates to such
5 blockchain system during the previous 12
6 months; and

7 “(5) with respect to a blockchain system for
8 which a certification has previously been rebutted
9 under this section or withdrawn under section 5i(m)
10 of the Commodity Exchange Act, specific informa-
11 tion relating to the analysis provided in subsection
12 (f)(2) in connection with such rebuttal or such sec-
13 tion 5i(m)(1)(C) in connection with such withdrawal.

14 “(c) REBUTTABLE PRESUMPTION.—The Commission
15 may rebut a certification described under subsection (a)
16 with respect to a blockchain system if the Commission,
17 within 60 days of receiving such certification, determines
18 that the blockchain system is not a decentralized system.

19 “(d) CERTIFICATION REVIEW.—

20 “(1) IN GENERAL.—Any blockchain system that
21 relates to a digital asset for which a certification has
22 been made under subsection (a) shall be considered
23 a decentralized system 60 days after the date on
24 which the Commission receives a certification under
25 subsection (a), unless the Commission notifies the

1 person who made the certification within such time
2 that the Commission is staying the certification due
3 to—

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

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

8 “(2) PUBLIC NOTICE.—The Commission shall
9 make the following available to the public and pro-
10 vide a copy to the Commodity Futures Trading
11 Commission:

12 “(A) Each certification received under sub-
13 section (a).

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

16 “(C) Any response from a person making
17 a certification under subsection (a) to a stay of
18 the certification by the Commission.

19 “(3) CONSOLIDATION.—The Commission may
20 consolidate and treat as one submission multiple cer-
21 tifications made under subsection (a) for the same
22 blockchain system which relates to a digital asset
23 which are received during the review period provided
24 under this subsection.

25 “(e) STAY OF CERTIFICATION.—

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

5 “(2) PUBLIC COMMENT PERIOD.—Before the
 6 end of the 60-day period described under subsection
 7 (d)(1), the Commission may begin a public comment
 8 period of at least 30 days in conjunction with a stay
 9 under this section.

10 “(f) DISPOSITION OF CERTIFICATION.—

11 “(1) IN GENERAL.—A certification made under
 12 subsection (a) shall—

13 “(A) become effective—

14 “(i) upon the publication of a notifica-
 15 tion from the Commission to the person
 16 who made the certification that the Com-
 17 mission does not object to the certification;
 18 or

19 “(ii) at the expiration of the certifi-
 20 cation review period; and

21 “(B) not become effective upon the publi-
 22 cation of a notification from the Commission to
 23 the person who made the certification that the
 24 Commission has rebutted the certification.

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

6 “(g) RECERTIFICATION.—With respect to a
 7 blockchain system for which a certification has been rebut-
 8 ted under this section, no person may make a certification
 9 under subsection (a) with respect to such blockchain sys-
 10 tem during the 90-day period beginning on the date of
 11 such rebuttal.

12 “(h) APPEAL OF REBUTTAL.—

13 “(1) IN GENERAL.—If a certification is rebut-
 14 ted under this section, the person making such cer-
 15 tification may appeal the decision to the United
 16 States Court of Appeals for the District of Colum-
 17 bia, not later than 60 days after the notice of rebut-
 18 tal is made.

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

22 **SEC. 305. EFFECTIVE DATE.**

23 Unless otherwise provided in this title, this title and
 24 the amendments made by this title shall take effect 360
 25 days after the date of enactment of this Act, except that,

1 to the extent a provision of this title requires a rule-
 2 making, the provision shall take effect on the later of—

3 (1) 360 days after the date of enactment of this
 4 Act; or

5 (2) 60 days after the publication in the Federal
 6 Register of the final rule implementing the provision.

7 **TITLE IV—REGISTRATION FOR**
 8 **DIGITAL ASSET INTER-**
 9 **MEDIARIES AT THE SECURI-**
 10 **TIES AND EXCHANGE COM-**
 11 **MISSION**

12 **SEC. 401. TREATMENT OF DIGITAL COMMODITIES AND**
 13 **OTHER DIGITAL ASSETS.**

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

19 (b) SECURITIES EXCHANGE ACT OF 1934.—Section
 20 3(a) of the Securities Exchange Act of 1934 (15 U.S.C.
 21 78c(a)) is amended—

22 (1) in paragraph (1), by adding at the end the
 23 following: “The term ‘exchange’ does not include a
 24 digital asset trading system or a blockchain protocol
 25 offering digital assets, or any person or group of

1 persons solely because of their development of such
2 a blockchain protocol.”;

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

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

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

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

13 (6) in paragraph (28) by inserting “(other than
14 a notice-registered digital asset clearing agency)”
15 after “registered clearing agency”; and

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

19 (c) INVESTMENT ADVISERS ACT OF 1940.—Section
20 202(a) of the Investment Advisers Act of 1940 (15 U.S.C.
21 80b–2) is amended—

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

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

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

4 “(32) DIGITAL ASSET-RELATED TERMS.—The
 5 terms ‘digital commodity’ and ‘permitted payment
 6 stablecoin’ have the meaning given those terms, re-
 7 spectively, under section 2(a) of the Securities Act
 8 of 1933 (15 U.S.C. 77b(a)).”.

9 (d) INVESTMENT COMPANY ACT OF 1940.—Section
 10 2(a) of the Investment Company Act of 1940 (15 U.S.C.
 11 80a–2) is amended—

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

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

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

21 **SEC. 402. AUTHORITY OVER PERMITTED PAYMENT**
 22 **STABLECOINS AND RESTRICTED DIGITAL AS-**
 23 **SETS.**

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

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

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

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

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

19 “(2) Judicial precedents decided under section 17(a)
20 of the Securities Act of 1933 and sections 9, 15, 16, 20,
21 and 21A of this title, and judicial precedents decided
22 under applicable rules promulgated under such sections,
23 shall apply to permitted payment stablecoins and re-
24 stricted digital assets with respect to those circumstances
25 in which the permitted payment stablecoins or restricted

1 digital assets are brokered, traded, or custodied by a
2 broker, dealer, digital asset broker, digital asset dealer,
3 or through an alternative trading system or digital asset
4 trading system to the same extent as they apply to securi-
5 ties.

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

14 (b) TREATMENT OF PERMITTED PAYMENT
15 STABLECOINS.—Title I of the Securities Exchange Act of
16 1934 (15 U.S.C. 78a et seq.), as amended by section 404,
17 is amended by inserting after section 6B the following:

18 **“SEC. 6C. TREATMENT OF TRANSACTIONS IN PERMITTED**
19 **PAYMENT STABLECOINS.**

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

1 “(b) COMMISSION JURISDICTION.—The Commission
 2 shall only have jurisdiction over a transaction in a per-
 3 mitted payment stablecoin with respect to those cir-
 4 cumstances in which a permitted payment stablecoin is
 5 brokered, traded, or custodied—

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

8 “(2) through an alternative trading system or
 9 digital asset trading system.

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

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

18 “(2) through an alternative trading system or
 19 digital asset trading system.”.

20 **SEC. 403. REGISTRATION OF DIGITAL ASSET TRADING SYS-**
 21 **TEMS.**

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

24 “(m) DIGITAL ASSET TRADING SYSTEM.—

1 “(1) IN GENERAL.—It shall be unlawful for any
2 digital asset trading system to make use of the mails
3 or any means or instrumentality of interstate com-
4 merce within or subject to the jurisdiction of the
5 United States to effect any transaction in a re-
6 stricted digital asset, unless such digital asset trad-
7 ing system is registered with the Commission.

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

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

25 “(4) ADDITIONAL REGISTRATIONS.—

1 “(A) WITH THE COMMISSION.—

2 “(i) IN GENERAL.—A registered dig-
3 ital asset trading system shall be permitted
4 to maintain any other registration with the
5 Commission relating to the other activities
6 of the registered digital asset trading sys-
7 tem, including as a—

8 “(I) national securities exchange;

9 “(II) broker;

10 “(III) dealer;

11 “(IV) alternative trading system,
12 pursuant to part 242 of title 17, Code
13 of Federal Regulations, as in effect on
14 the date of enactment of this sub-
15 section;

16 “(V) digital asset broker; or

17 “(VI) digital asset dealer.

18 “(ii) RULEMAKING.—The Commission
19 shall prescribe rules for an entity with
20 multiple registrations described under
21 clause (i) to exempt the entity from dupli-
22 cative, conflicting, or unduly burdensome
23 provisions of this Act and the rules under
24 this Act, to the extent such an exemption
25 would protect investors, maintain fair, or-

1 derly, and efficient markets, and facilitate
2 capital formation.

3 “(B) WITH THE COMMODITY FUTURES
4 TRADING COMMISSION.—A registered digital
5 asset trading system shall be permitted to
6 maintain a registration with the Commodity
7 Futures Trading Commission as a digital com-
8 modity exchange to offer contracts of sale for
9 digital commodities.”.

10 **SEC. 404. REQUIREMENTS FOR DIGITAL ASSET TRADING**
11 **SYSTEMS.**

12 Title I of the Securities Exchange Act of 1934 (15
13 U.S.C. 78a et seq.) is amended by inserting after section
14 6 the following:

15 **“SEC. 6A. REQUIREMENTS FOR DIGITAL ASSET TRADING**
16 **SYSTEMS.**

17 “(a) HOLDING OF CUSTOMER ASSETS.—

18 “(1) QUALIFIED DIGITAL ASSET CUSTODIAN
19 REQUIRED.—A digital asset trading system shall
20 hold customer restricted digital assets with a quali-
21 fied digital asset custodian described under section
22 6B.

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

1 “(3) CUSTODY IN OTHER CAPACITY.—Nothing
2 in this Act may be construed to prohibit a person
3 registered as a digital asset trading system from
4 holding custody of customer money, assets, or prop-
5 erty in any other permitted capacity, including as a
6 digital asset broker, digital asset dealer, or qualified
7 digital asset custodian in compliance with the re-
8 quirements of this Act.

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

12 “(1) NOTICE.—Notice to the Commission of the
13 initial operation of a digital asset trading system or
14 any material change to the operation of the digital
15 asset trading system.

16 “(2) ORDER DISPLAY.—The thresholds at
17 which a digital asset trading system is required to
18 display the orders of the digital asset trading sys-
19 tem, and the manner of such display.

20 “(3) FAIR ACCESS.—The thresholds at which a
21 digital asset trading system is required to have poli-
22 cies regarding providing fair access to the digital
23 asset trading system.

24 “(4) CAPACITY, INTEGRITY, AND SECURITY OF
25 AUTOMATED SYSTEMS.—Policies and procedures rea-

sonably designed to ensure the capacity, integrity, and security of the digital asset trading system, taking into account the particular nature of digital asset trading systems.

“(5) EXAMINATIONS, INSPECTIONS, AND INVESTIGATIONS.—The examination and inspection of the premises, systems, and records of the digital asset trading system by the Commission or by a self-regulatory organization of which such digital asset trading system is a member.

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

“(7) REPORTING.—The reporting of transactions in digital assets that occur through the digital asset trading system.

“(8) PROCEDURES.—The establishment of adequate written safeguards and written procedures to protect confidential trading information.

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

“(1) is operated by a registered national securities exchange; and

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

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

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

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

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

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

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

25 “(c) OTHER REQUIREMENTS.—

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

6 “(2) INFORMATION SHARING.—

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

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

tion shall, with respect to the restricted digital asset activities of a digital asset broker or a digital asset dealer, only examine for and enforce against such digital asset broker or digital asset dealer—

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

“(ii) the provisions of the Financial Innovation and Technology for the 21st Century Act and rules issued thereunder applicable to digital asset brokers and digital asset dealers; and

“(iii) the provisions of the securities laws and the rules thereunder applicable to digital asset brokers and digital asset dealers.

“(c) ADDITIONAL REGISTRATIONS WITH THE COMMISSION.—

“(1) IN GENERAL.—A registered digital asset broker or registered digital asset dealer shall be permitted to maintain any other registration with the Commission relating to the other activities of the registered digital asset broker or registered digital 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;

1 “(2) shall keep books and records in such form
2 and manner and for such period as may be pre-
3 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 (b) DEFINITION OF CLEARING AGENCY.—Section
8 3(a)(23)(B) of the Securities Exchange Act of 1934 (15
9 U.S.C. 78c(a)(23)(B)) is amended by inserting “digital
10 asset broker, digital asset dealer,” after “broker, dealer,”
11 each place such term appears.

12 **SEC. 407. RULES RELATED TO CONFLICTS OF INTEREST.**

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

16 **“SEC. 10E. CONFLICTS OF INTEREST RELATED TO DIGITAL**
17 **ASSETS.**

18 “Each registered digital asset trading system, reg-
19 istered digital asset broker, registered digital asset dealer,
20 and notice-registered digital asset clearing agency shall es-
21 tablish, maintain, and enforce written policies and proce-
22 dures reasonably designed, taking into consideration the
23 nature of such person’s business, to mitigate any conflicts
24 of interest and transactions or arrangements with affili-
25 ates.”.

1 **SEC. 408. TREATMENT OF CERTAIN DIGITAL ASSETS IN**
2 **CONNECTION WITH FEDERALLY REGULATED**
3 **INTERMEDIARIES.**

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

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

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

17 “(B) traded through a digital asset trading
18 system.”.

19 **SEC. 409. EXCLUSION FOR DECENTRALIZED FINANCE AC-**
20 **TIVITIES.**

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

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

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

12 “(1) Compiling network transactions, operating
13 or participating in a liquidity pool, relaying, search-
14 ing, sequencing, validating, or acting in a similar ca-
15 pacity with respect to a digital asset.

16 “(2) Providing computational work, operating a
17 node, or procuring, offering, or utilizing network
18 bandwidth, or other similar incidental services with
19 respect to a digital asset.

20 “(3) Providing a user-interface that enables a
21 user to read and access data about a blockchain sys-
22 tem, send messages, or otherwise interact with a
23 blockchain system.

24 “(4) Developing, publishing, constituting, ad-
25 ministering, maintaining, or otherwise distributing a
26 blockchain system.

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

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

11 **SEC. 410. REGISTRATION AND REQUIREMENTS FOR NO-**
 12 **TICE-REGISTERED DIGITAL ASSET CLEARING**
 13 **AGENCIES.**

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

16 (1) in subsection (1), by inserting after the first
 17 sentence the following: “The previous sentence shall
 18 not apply to a notice-registered digital asset clearing
 19 agency with respect to a restricted digital asset.”;
 20 and

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

22 “(9) REGISTRATION AND REQUIREMENTS FOR
 23 NOTICE-REGISTERED DIGITAL ASSET CLEARING
 24 AGENCY.—

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

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

10 “(ii) is a bank; or

11 “(iii) is a clearing agency already reg-
12 istered with the Commission pursuant to
13 this section.

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

20 “(C) EFFECTIVENESS OF REGISTRA-
21 TION.—

22 “(i) IN GENERAL.—The registration
23 of a person filing a notice described under
24 subparagraph (B) as a notice-registered
25 digital asset clearing agency shall be effec-

1 tive upon publication by the Commission of
2 such notice, which shall occur no later than
3 14 days after the date of such filing.

4 “(ii) INITIAL REGISTRATIONS.—

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

13 “(II) EXCEPTION.—Notwith-
14 standing subclause (I), a person reg-
15 istered as a notice-registered digital
16 asset clearing agency before the end
17 of the 2-year period beginning on the
18 date of the enactment of this section
19 shall have such registration remain in
20 effect until the end of such 2-year pe-
21 riod.

22 “(D) RULEMAKING.—The Commission
23 may adopt rules, which may not take effect
24 until at least 360 days following the date of en-
25 actment of this paragraph, with regard to the

1 activities of notice-registered digital asset clear-
2 ing agencies, taking into account the nature of
3 restricted digital assets.”.

4 **SEC. 411. TREATMENT OF CUSTODY ACTIVITIES BY BANK-**
5 **ING INSTITUTIONS.**

6 (a) TREATMENT OF CUSTODY ACTIVITIES.—The ap-
7 propriate Federal banking agency (as defined under sec-
8 tion 3 of the Federal Deposit Insurance Act (12 U.S.C.
9 1813)), the National Credit Union Administration (in the
10 case of a credit union), and the Securities and Exchange
11 Commission may not require, or take supervisory action
12 that would cause, a depository institution, national bank,
13 Federal credit union, State credit union, or trust company,
14 or any affiliate (as such term is defined under section 2
15 of the Bank Holding Company Act of 1956) thereof—

16 (1) to include assets held in custody or safe-
17 keeping, or the assets associated with a cryp-
18 tographic key held in custody or safekeeping, as a li-
19 ability on such institution’s financial statement or
20 balance sheet, except that cash held for a third party
21 by such institution that is commingled with the gen-
22 eral assets of such institution may be reflected as a
23 liability on a financial statement or balance sheet;

24 (2) to hold additional regulatory capital against
25 assets in custody or safekeeping, or the assets asso-

1 ciated with a cryptographic key held in custody or
2 safekeeping, except as necessary to mitigate against
3 operational risks inherent with the custody or safe-
4 keeping services, as determined by—

5 (A) the appropriate Federal banking agen-
6 cy;

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

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

12 (D) a State credit union supervisor (as de-
13 fined under section 6003 of the Anti-Money
14 Laundering Act of 2020);

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

21 (b) DEFINITIONS.—In this section:

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

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

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

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

12 (1) 360 days after the date of enactment of this
 13 Act; or

14 (2) 60 days after the publication in the Federal
 15 Register of the final rule implementing the provision.

16 **SEC. 413. DISCRETIONARY SURPLUS FUND.**

17 (a) IN GENERAL.—The dollar amount specified
 18 under section 7(a)(3)(A) of the Federal Reserve Act (12
 19 U.S.C. 289(a)(3)(A)) is reduced by \$15,000,000.

20 (b) EFFECTIVE DATE.—The amendment made by
 21 subsection (a) shall take effect on September 30, 2034.

22 **SEC. 414. STUDIES ON FOREIGN ADVERSARY PARTICIPA-**
 23 **TION.**

24 (a) IN GENERAL.—The Secretary of the Treasury, in
 25 consultation with the Commodity Futures Trading Com-

1 mission and the Securities and Exchange Commission,
2 shall, not later than 1 year after date of the enactment
3 of this section, conduct a study and submit a report to
4 the relevant congressional committees that—

5 (1) identifies any digital asset registrants which
6 are owned by governments of foreign adversaries;

7 (2) determines whether any governments of for-
8 eign adversaries are collecting personal data or trad-
9 ing data about United States persons in the digital
10 asset markets; and

11 (3) evaluates whether any proprietary intellec-
12 tual property of digital asset registrants is being
13 misused or stolen by any governments of foreign ad-
14 versaries.

15 (b) GAO STUDY AND REPORT.—

16 (1) IN GENERAL.—The Comptroller General
17 shall, not later than 1 year after date of the enact-
18 ment of this section, conduct a study and submit a
19 report to the relevant congressional committees
20 that—

21 (A) identifies any digital asset registrants
22 which are owned by governments of foreign ad-
23 versaries;

24 (B) determines whether any governments
25 of foreign adversaries are collecting personal

1 data or trading data about United States per-
2 sons in the digital asset markets; and

3 (C) evaluates whether any proprietary in-
4 tellectual property of digital asset registrants is
5 being misused or stolen by any governments of
6 foreign adversaries.

7 (c) DEFINITIONS.—In this section:

8 (1) DIGITAL ASSET REGISTRANT.—The term
9 “digital asset registrant” means any person required
10 to register as a digital asset trading system, digital
11 asset broker, digital asset dealer, digital commodity
12 exchange, digital commodity broker, or digital com-
13 modity dealer under this Act.

14 (2) FOREIGN ADVERSARIES.—The term “for-
15 eign adversaries” means the foreign governments
16 and foreign non-government persons determined by
17 the Secretary of Commerce to be foreign adversaries
18 under section 7.4(a) of title 15, Code of Federal
19 Regulations.

20 (3) RELEVANT CONGRESSIONAL COMMIT-
21 TEES.—The term “relevant congressional commit-
22 tees” means—

23 (A) the Committees on Financial Services
24 and Agriculture of the House of Representa-
25 tives; and

1 (B) the Committees on Banking, Housing,
2 and Urban Affairs and Agriculture, Nutrition,
3 and Forestry of the Senate.

4 **TITLE V—REGISTRATION FOR**
5 **DIGITAL ASSET INTER-**
6 **MEDIARIES AT THE COM-**
7 **MODITY FUTURES TRADING**
8 **COMMISSION**

9 **SEC. 501. COMMISSION JURISDICTION OVER DIGITAL COM-**
10 **MODITY TRANSACTIONS.**

11 (a) SAVINGS CLAUSE.—Section 2(a)(1) of the Com-
12 modity Exchange Act (7 U.S.C. 2(a)(1)) is amended by
13 adding at the end the following:

14 “(J) Except as expressly provided in this
15 Act, nothing in the Financial Innovation and
16 Technology for the 21st Century Act shall af-
17 fect or apply to, or be interpreted to affect or
18 apply to—

19 “(i) any agreement, contract, or
20 transaction that is subject to this Act as—

21 “(I) a contract of sale of a com-
22 modity for future delivery or an op-
23 tion on such a contract;

24 “(II) a swap;

25 “(III) a security futures product;

1 “(IV) an option authorized under
2 section 4e of this Act;

3 “(V) an agreement, contract, or
4 transaction described in subparagraph
5 (C)(i) or (D)(i) of subsection (c)(2) of
6 this section; or

7 “(VI) a leverage transaction au-
8 thorized under section 19 of this Act;
9 or

10 “(ii) the activities of any person with
11 respect to any such an agreement, con-
12 tract, or transaction.”.

13 (b) LIMITATION ON AUTHORITY OVER PERMITTED
14 PAYMENT STABLECOINS.—Section 2(c)(1) of the Com-
15modity Exchange Act (7 U.S.C. 2(c)(1)) is amended—

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

18 (2) in subparagraph (G), by striking the period
19 and inserting “; or”; and

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

21 “(H) permitted payment stablecoins.”.

22 (c) COMMISSION JURISDICTION OVER DIGITAL
23 ASSET TRANSACTIONS.—Section 2(c)(2) of the Com-
24modity Exchange Act (7 U.S.C. 2(c)(2)) is amended—

25 (1) in subparagraph (D)—

1 (A) in clause (ii)—

2 (i) in subclause (I) by inserting
3 “(other than an agreement, contract, or
4 transaction in a permitted payment
5 stablecoin)” after “paragraph (1)”;

6 (ii) in subclause (III)—

7 (I) in the matter that precedes
8 item (aa), by inserting “of a com-
9 modity, other than a digital com-
10 modity or a permitted payment
11 stablecoin,” before “that”; and

12 (II) in item (bb), by striking
13 “or” at the end; and

14 (iii) by redesignating subclauses (IV)
15 and (V) as subclauses (VI) and (VII) and
16 inserting after subclause (III) the fol-
17 lowing:

18 “(IV) a contract of sale of a dig-
19 ital commodity or a permitted pay-
20 ment stablecoin that results in actual
21 delivery, as the Commission shall by
22 rule determine, within 2 days or such
23 other period as the Commission may
24 determine by rule or regulation based
25 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) WITHDRAWAL OF CERTIFICATION OF A
15 BLOCKCHAIN SYSTEM.—

16 “(1) IN GENERAL.—

17 “(A) DETERMINATION BY A DIGITAL COM-
18 MODITY EXCHANGE.—With respect to a certifi-
19 cation of a blockchain system that becomes ef-
20 fective pursuant to section 44(f) of the Securi-
21 ties Exchange Act of 1934, if a digital com-
22 modity exchange determines that the blockchain
23 system may not be a decentralized system, the
24 digital commodity exchange shall notify the
25 Commission of such determination.

1 “(B) WITHDRAWAL PROCESS.—With re-
2 spect to each notification received under sub-
3 paragraph (A), the Commission shall initiate a
4 withdrawal process under which the Commis-
5 sion shall—

6 “(i) publish a notice announcing the
7 proposed withdrawal;

8 “(ii) provide a 30 day comment period
9 with respect to the proposed withdrawal;
10 and

11 “(iii) after the end of the 30-day com-
12 ment required under clause (ii), publish ei-
13 ther—

14 “(I) a notification of withdrawal
15 of the applicable certification; or

16 “(II) a notice that the Commis-
17 sion is not withdrawing the certifi-
18 cation.

19 “(C) DETAILED ANALYSIS REQUIRED.—
20 The Commission shall include, with each publi-
21 cation of a notification of withdrawal described
22 under subparagraph (B)(iii)(I), a detailed anal-
23 ysis of the factors on which the decision was
24 based.

1 “(2) RECERTIFICATION.—With respect to a
 2 blockchain system for which a certification has been
 3 withdrawn under this subsection, no person may
 4 make a certification under section 44(a) of the Secu-
 5 rities Exchange Act of 1934 with respect to such
 6 blockchain system during the 90-day period begin-
 7 ning on the date of such withdrawal.

8 “(3) APPEAL OF WITHDRAWAL.—

9 “(A) IN GENERAL.—If a certification is
 10 withdrawn under this subsection, a person mak-
 11 ing may appeal the decision to the United
 12 States Court of Appeals for the District of Co-
 13 lumbia, not later than 60 days after the notice
 14 of withdrawal is made.

15 “(B) REVIEW.—In an appeal under sub-
 16 paragraph (A), the court shall have de novo re-
 17 view of the determination to withdraw the cer-
 18 tification.”.

19 **SEC. 505. QUALIFIED DIGITAL COMMODITY CUSTODIANS.**

20 The Commodity Exchange Act (7 U.S.C. 1 et seq.),
 21 as amended by the preceding provisions of this Act, is
 22 amended by inserting after section 5i the following:

23 **“SEC. 5j. QUALIFIED DIGITAL COMMODITY CUSTODIANS.**

24 “(a) IN GENERAL.—A digital commodity custodian
 25 is a qualified digital commodity custodian if the digital

1 commodity custodian complies with the requirements of
2 this section.

3 “(b) SUPERVISION REQUIREMENT.—A digital com-
4 modity custodian that is not subject to supervision and
5 examination by an appropriate Federal banking agency,
6 the National Credit Union Administration, the Commis-
7 sion, or the Securities and Exchange Commission shall be
8 subject to adequate supervision and appropriate regulation
9 by—

10 “(1) a State bank supervisor (within the mean-
11 ing of section 3 of the Federal Deposit Insurance
12 Act);

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

16 “(3) an appropriate foreign governmental au-
17 thority in the home country of the digital commodity
18 custodian.

19 “(c) OTHER REQUIREMENTS.—

20 “(1) NOT OTHERWISE PROHIBITED.—The dig-
21 ital commodity custodian has not been prohibited by
22 a supervisor of the digital commodity custodian from
23 engaging in an activity with respect to the custody
24 and safekeeping of digital commodities.

25 “(2) INFORMATION SHARING.—

1 “(A) IN GENERAL.—A digital commodity
2 custodian shall share information with the
3 Commission on request and comply with such
4 requirements for periodic sharing of informa-
5 tion regarding customer accounts that the dig-
6 ital commodity custodian holds on behalf of an
7 entity registered with the Commission as the
8 Commission determines by rule are reasonably
9 necessary to effectuate any of the provisions, or
10 to accomplish any of the purposes, of this Act.

11 “(B) PROVISION OF INFORMATION.—Any
12 entity that is subject to regulation and exam-
13 ination by an appropriate Federal banking
14 agency may satisfy any information request de-
15 scribed in subparagraph (A) by providing the
16 Commission with a detailed listing, in writing,
17 of the digital commodities of a customer within
18 the custody or use of the entity.

19 “(d) ADEQUATE SUPERVISION AND APPROPRIATE
20 REGULATION.—

21 “(1) IN GENERAL.—For purposes of subsection
22 (b), the terms ‘adequate supervision’ and ‘appro-
23 priate regulation’ mean such minimum standards for
24 supervision and regulation as are reasonably nec-
25 essary to protect the digital commodities of cus-

1 tomers of an entity registered with the Commission,
2 including standards relating to the licensing, exam-
3 ination, and supervisory processes that require the
4 digital commodity custodian to, at a minimum—

5 “(A) receive a review and evaluation of
6 ownership, character and fitness, conflicts of in-
7 terest, business model, financial statements,
8 funding resources, and policies and procedures
9 of the digital commodity custodian;

10 “(B) hold capital sufficient for the finan-
11 cial integrity of the digital commodity custo-
12 dian;

13 “(C) protect customer assets;

14 “(D) establish and maintain books and
15 records regarding the business of the digital
16 commodity custodian;

17 “(E) submit financial statements and au-
18 dited financial statements to the applicable su-
19 pervisor described in subsection (b);

20 “(F) provide disclosures to the applicable
21 supervisor described in subsection (b) regarding
22 actions, proceedings, and other items as deter-
23 mined by the supervisor;

24 “(G) maintain and enforce policies and
25 procedures for compliance with applicable State

1 and Federal laws, including those related to
2 anti-money laundering and cybersecurity;

3 “(H) establish a business continuity plan
4 to ensure functionality in cases of disruption;
5 and

6 “(I) establish policies and procedures to re-
7 solve complaints.

8 “(2) RULEMAKING WITH RESPECT TO DEFINI-
9 TIONS.—

10 “(A) IN GENERAL.—For purposes of this
11 section, the Commission may, by rule, further
12 define the terms ‘adequate supervision’ and ‘ap-
13 propriate regulation’ as necessary in the public
14 interest, as appropriate for the protection of in-
15 vestors, and consistent with the purposes of this
16 Act.

17 “(B) CONDITIONAL TREATMENT OF CER-
18 TAIN CUSTODIANS BEFORE RULEMAKING.—Be-
19 fore the effective date of a rulemaking under
20 subparagraph (A), a trust company is deemed
21 subject to adequate supervision and appropriate
22 regulation if—

23 “(i) the trust company is expressly
24 permitted by a State bank supervisor to

1 engage in the custody and safekeeping of
2 digital commodities;

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

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

11 “(C) TRANSITION PERIOD FOR CERTAIN
12 CUSTODIANS.—In implementing the rulemaking
13 under subparagraph (A), the Commission shall
14 provide a transition period of not less than 2
15 years for any trust company that is deemed
16 subject to adequate supervision and appropriate
17 regulation under subparagraph (B) on the ef-
18 fective date of the rulemaking.

19 “(e) AUTHORITY TO TEMPORARILY SUSPEND STAND-
20 ARDS.—The Commission may, by rule or order, tempo-
21 rarily suspend, in whole or in part, any requirement im-
22 posed under, or any standard referred to in, this section
23 if the Commission determines that the suspension would
24 be consistent with the public interest and the purposes of
25 this Act.”.

1 **SEC. 506. REGISTRATION AND REGULATION OF DIGITAL**
2 **COMMODITY BROKERS AND DEALERS.**

3 The Commodity Exchange Act (7 U.S.C. 1 et seq.),
4 as amended by the preceding provisions of this Act, is
5 amended by inserting after section 4t the following:

6 **“SEC. 4u. REGISTRATION AND REGULATION OF DIGITAL**
7 **COMMODITY BROKERS AND DEALERS.**

8 “(a) REGISTRATION.—It shall be unlawful for any
9 person to act as a digital commodity broker or digital com-
10 modity dealer unless the person is registered as such with
11 the Commission.

12 “(b) REQUIREMENTS.—

13 “(1) IN GENERAL.—A person shall register as
14 a digital commodity broker or digital commodity
15 dealer by filing a registration application with the
16 Commission.

17 “(2) CONTENTS.—

18 “(A) IN GENERAL.—The application shall
19 be made in such form and manner as is pre-
20 scribed by the Commission, and shall contain
21 such information as the Commission considers
22 necessary concerning the business in which the
23 applicant is or will be engaged.

24 “(B) CONTINUAL REPORTING.—A person
25 that is registered as a digital commodity broker
26 or digital commodity dealer shall continue to

1 submit to the Commission reports that contain
2 such information pertaining to the business of
3 the person as the Commission may require.

4 “(3) STATUTORY DISQUALIFICATION.—Except
5 to the extent otherwise specifically provided by rule,
6 regulation, or order, it shall be unlawful for a digital
7 commodity broker or digital commodity dealer to
8 permit any person who is associated with a digital
9 commodity broker or a digital commodity dealer and
10 who is subject to a statutory disqualification to ef-
11 fect or be involved in effecting a contract of sale of
12 a digital commodity on behalf of the digital com-
13 modity broker or the digital commodity dealer, re-
14 spectively, if the digital commodity broker or digital
15 commodity dealer, respectively, knew, or in the exer-
16 cise of reasonable care should have known, of the
17 statutory disqualification.

18 “(4) LIMITATIONS ON CERTAIN ASSETS.—A
19 digital commodity broker or digital commodity deal-
20 er shall not offer, offer to enter into, enter into, or
21 facilitate any contract of sale of a digital commodity
22 that has not been certified under section 5c(d).

23 “(c) ADDITIONAL REGISTRATIONS.—

24 “(1) WITH THE COMMISSION.—Any person re-
25 quired to be registered as a digital commodity

1 broker or digital commodity dealer may also be reg-
2 istered as a futures commission merchant, intro-
3 ducing broker, or swap dealer.

4 “(2) WITH THE SECURITIES AND EXCHANGE
5 COMMISSION.—Any person required to be registered
6 as a digital commodity broker or digital commodity
7 dealer under this section may register with the Secu-
8 rities and Exchange Commission as a digital asset
9 broker or digital asset dealer, pursuant to section
10 15(b) of the Securities Exchange Act of 1934.

11 “(3) WITH MEMBERSHIP IN A REGISTERED FU-
12 TURES ASSOCIATION.—Any person required to be
13 registered as a digital commodity broker or digital
14 commodity dealer under this section shall be a mem-
15 ber of a registered futures association.

16 “(4) REGISTRATION REQUIRED.—Any person
17 required to be registered as a digital commodity
18 broker or digital commodity dealer under this sec-
19 tion shall register with the Commission as such re-
20 gardless of whether the person is registered with an-
21 other State or Federal regulator.

22 “(d) RULEMAKING.—

23 “(1) IN GENERAL.—The Commission shall pre-
24 scribe such rules applicable to registered digital com-
25 modity brokers and registered digital commodity

1 dealers as are appropriate to carry out this section,
2 including rules in the public interest that limit the
3 activities of digital commodity brokers and digital
4 commodity dealers.

5 “(2) MULTIPLE REGISTRANTS.—The Commis-
6 sion shall prescribe rules or regulations permitting,
7 or may otherwise authorize, exemptions or additional
8 requirements applicable to persons with multiple reg-
9 istrations under this Act, including as futures com-
10 mission merchants, introducing brokers, digital com-
11 modity brokers, digital commodity dealers, or swap
12 dealers, as may be in the public interest to reduce
13 compliance costs and promote customer protection.

14 “(e) CAPITAL REQUIREMENTS.—

15 “(1) IN GENERAL.—Each digital commodity
16 broker and digital commodity dealer shall meet such
17 minimum capital requirements as the Commission
18 may prescribe to address the risks associated with
19 digital commodity trading and to ensure that the
20 digital commodity broker or digital commodity deal-
21 er, respectively, is able to—

22 “(A) meet, and continue to meet, at all
23 times, the obligations of such a registrant; and

24 “(B) in the case of a digital commodity
25 dealer, fulfill the counterparty obligations of the

1 digital commodity dealer for any margined, le-
2 veraged, or financed transactions.

3 “(2) RULE OF CONSTRUCTION.—Nothing in
4 this section shall limit, or be construed to limit, the
5 authority of the Securities and Exchange Commis-
6 sion to set financial responsibility rules for a broker
7 or dealer registered pursuant to section 15(b) of the
8 Securities Exchange Act of 1934 (15 U.S.C. 78o(b))
9 (except for section 15(b)(11) of such Act (15 U.S.C.
10 78o(b)(11)) in accordance with section 15(c)(3) of
11 such Act (15 U.S.C. 78o(c)(3)).

12 “(3) FUTURES COMMISSION MERCHANTS AND
13 OTHER DEALERS.—Each futures commission mer-
14 chant, introducing broker, digital commodity broker,
15 digital commodity dealer, broker, and dealer shall
16 maintain sufficient capital to comply with the strict-
17 er of any applicable capital requirements to which
18 the futures commission merchant, introducing
19 broker, digital commodity broker, digital commodity
20 dealer, broker, or dealer, respectively, is subject
21 under this Act or the Securities Exchange Act of
22 1934 (15 U.S.C. 78a et seq.).

23 “(f) REPORTING AND RECORDKEEPING.—Each dig-
24 ital commodity broker and digital commodity dealer—

1 “(1) shall make such reports as are required by
2 the Commission by rule or regulation regarding the
3 transactions, positions, and financial condition of the
4 digital commodity broker or digital commodity deal-
5 er, respectively;

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

9 “(3) shall keep the books and records open to
10 inspection and examination by any representative of
11 the Commission.

12 “(g) DAILY TRADING RECORDS.—

13 “(1) IN GENERAL.—Each digital commodity
14 broker and digital commodity dealer shall maintain
15 daily trading records of the transactions of the dig-
16 ital commodity broker or digital commodity dealer,
17 respectively, and all related records (including re-
18 lated forward or derivatives transactions) and re-
19 corded communications, including electronic mail, in-
20 stant messages, and recordings of telephone calls,
21 for such period as the Commission may require by
22 rule or regulation.

23 “(2) INFORMATION REQUIREMENTS.—The daily
24 trading records shall include such information as the
25 Commission shall require by rule or regulation.

1 “(3) COUNTERPARTY RECORDS.—Each digital
2 commodity broker and digital commodity dealer shall
3 maintain daily trading records for each customer or
4 counterparty in a manner and form that is identifi-
5 able with each digital commodity transaction.

6 “(4) AUDIT TRAIL.—Each digital commodity
7 broker and digital commodity dealer shall maintain
8 a complete audit trail for conducting comprehensive
9 and accurate trade reconstructions.

10 “(h) BUSINESS CONDUCT STANDARDS.—

11 “(1) IN GENERAL.—Each digital commodity
12 broker and digital commodity dealer shall conform
13 with such business conduct standards as the Com-
14 mission, by rule or regulation, prescribes related
15 to—

16 “(A) fraud, manipulation, and other abu-
17 sive practices involving spot or margined, lever-
18 aged, or financed digital commodity trans-
19 actions (including transactions that are offered
20 but not entered into);

21 “(B) diligent supervision of the business of
22 the registered digital commodity broker or dig-
23 ital commodity dealer, respectively; and

24 “(C) such other matters as the Commis-
25 sion deems appropriate.

1 “(2) BUSINESS CONDUCT REQUIREMENTS.—

2 The Commission shall, by rule, prescribe business
3 conduct requirements which—

4 “(A) require disclosure by a registered dig-
5 ital commodity broker and registered digital
6 commodity dealer to any counterparty to the
7 transaction (other than an eligible contract par-
8 ticipant) of—

9 “(i) information about the material
10 risks and characteristics of the digital com-
11 modity;

12 “(ii) information about the material
13 risks and characteristics of the transaction;

14 “(B) establish a duty for such a digital
15 commodity broker and such a digital commodity
16 dealer to communicate in a fair and balanced
17 manner based on principles of fair dealing and
18 good faith;

19 “(C) establish standards governing digital
20 commodity broker and digital commodity dealer
21 marketing and advertising, including
22 testimonials and endorsements; and

23 “(D) establish such other standards and
24 requirements as the Commission may determine
25 are—

1 “(i) in the public interest;

2 “(ii) appropriate for the protection of
3 customers; or

4 “(iii) otherwise in furtherance of the
5 purposes of this Act.

6 “(3) PROHIBITION ON FRAUDULENT PRAC-
7 TICES.—It shall be unlawful for a digital commodity
8 broker or digital commodity dealer to—

9 “(A) employ any device, scheme, or artifice
10 to defraud any customer or counterparty;

11 “(B) engage in any transaction, practice,
12 or course of business that operates as a fraud
13 or deceit on any customer or counterparty; or

14 “(C) engage in any act, practice, or course
15 of business that is fraudulent, deceptive, or ma-
16 nipulative.

17 “(i) DUTIES.—

18 “(1) RISK MANAGEMENT PROCEDURES.—Each
19 digital commodity broker and digital commodity
20 dealer shall establish robust and professional risk
21 management systems adequate for managing the
22 day-to-day business of the digital commodity broker
23 or digital commodity dealer, respectively.

24 “(2) DISCLOSURE OF GENERAL INFORMA-
25 TION.—Each digital commodity broker and digital

1 commodity dealer shall disclose to the Commission
2 information concerning—

3 “(A) the terms and conditions of the trans-
4 actions of the digital commodity broker or dig-
5 ital commodity dealer, respectively;

6 “(B) the trading operations, mechanisms,
7 and practices of the digital commodity broker
8 or digital commodity dealer, respectively;

9 “(C) financial integrity protections relating
10 to the activities of the digital commodity broker
11 or digital commodity dealer, respectively; and

12 “(D) other information relevant to trading
13 in digital commodities by the digital commodity
14 broker or digital commodity dealer, respectively.

15 “(3) ABILITY TO OBTAIN INFORMATION.—Each
16 digital commodity broker and digital commodity
17 dealer shall—

18 “(A) establish and enforce internal systems
19 and procedures to obtain any necessary infor-
20 mation to perform any of the functions de-
21 scribed in this section; and

22 “(B) provide the information to the Com-
23 mission, on request.

24 “(4) CONFLICTS OF INTEREST.—Each digital
25 commodity broker and digital commodity dealer shall

1 implement conflict-of-interest systems and proce-
2 dures that—

3 “(A) establish structural and institutional
4 safeguards—

5 “(i) to minimize conflicts of interest
6 that might potentially bias the judgment or
7 supervision of the digital commodity broker
8 or digital commodity dealer, respectively,
9 and contravene the principles of fair and
10 equitable trading and the business conduct
11 standards described in this Act, including
12 conflicts arising out of transactions or ar-
13 rangements with affiliates (including affili-
14 ates acting as digital asset issuers, digital
15 commodity dealers, or qualified digital
16 commodity custodians), which may include
17 information partitions and the legal sepa-
18 ration of different persons involved in dig-
19 ital commodity activities; and

20 “(ii) to ensure that the activities of
21 any person within the digital commodity
22 broker or digital commodity dealer relating
23 to research or analysis of the price or mar-
24 ket for any digital commodity or acting in
25 a role of providing exchange activities or

1 making determinations as to accepting ex-
2 change customers are separated by appro-
3 priate informational partitions within the
4 digital commodity broker or digital com-
5 modity dealer from the review, pressure, or
6 oversight of persons whose involvement in
7 pricing, trading, exchange, or clearing ac-
8 tivities might potentially bias their judg-
9 ment or supervision and contravene the
10 core principles of open access and the busi-
11 ness conduct standards described in this
12 Act; and

13 “(B) address such other issues as the
14 Commission determines to be appropriate.

15 “(5) ANTITRUST CONSIDERATIONS.—Unless
16 necessary or appropriate to achieve the purposes of
17 this Act, a digital commodity broker or digital com-
18 modity dealer shall not—

19 “(A) adopt any process or take any action
20 that results in any unreasonable restraint of
21 trade; or

22 “(B) impose any material anticompetitive
23 burden on trading or clearing.

24 “(j) DESIGNATION OF CHIEF COMPLIANCE OFFI-
25 CER.—

1 “(1) IN GENERAL.—Each digital commodity
2 broker and digital commodity dealer shall designate
3 an individual to serve as a chief compliance officer.

4 “(2) DUTIES.—The chief compliance officer
5 shall—

6 “(A) report directly to the board or to the
7 senior officer of the registered digital com-
8 modity broker or registered digital commodity
9 dealer;

10 “(B) review the compliance of the reg-
11 istered digital commodity broker or registered
12 digital commodity dealer with respect to the
13 registered digital commodity broker and reg-
14 istered digital commodity dealer requirements
15 described in this section;

16 “(C) in consultation with the board of di-
17 rectors, a body performing a function similar to
18 the board, or the senior officer of the organiza-
19 tion, resolve any conflicts of interest that may
20 arise;

21 “(D) be responsible for administering each
22 policy and procedure that is required to be es-
23 tablished pursuant to this section;

1 “(E) ensure compliance with this Act (in-
2 cluding regulations), including each rule pre-
3 scribed by the Commission under this section;

4 “(F) establish procedures for the remedi-
5 ation of noncompliance issues identified by the
6 chief compliance officer through any—

7 “(i) compliance office review;

8 “(ii) look-back;

9 “(iii) internal or external audit find-
10 ing;

11 “(iv) self-reported error; or

12 “(v) validated complaint; and

13 “(G) establish and follow appropriate pro-
14 cedures for the handling, management response,
15 remediation, retesting, and closing of non-
16 compliance issues.

17 “(3) ANNUAL REPORTS.—

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

22 “(i) the compliance of the registered
23 digital commodity broker or registered dig-
24 ital commodity dealer with respect to this
25 Act (including regulations); and

1 “(ii) each policy and procedure of the
2 registered digital commodity broker or reg-
3 istered digital commodity dealer of the
4 chief compliance officer (including the code
5 of ethics and conflict of interest policies).

6 “(B) REQUIREMENTS.—The chief compli-
7 ance officer shall ensure that a compliance re-
8 port under subparagraph (A)—

9 “(i) accompanies each appropriate fi-
10 nancial report of the registered digital
11 commodity broker or registered digital
12 commodity dealer that is required to be
13 furnished to the Commission pursuant to
14 this section; and

15 “(ii) includes a certification that,
16 under penalty of law, the compliance re-
17 port is accurate and complete.

18 “(k) SEGREGATION OF DIGITAL COMMODITIES.—

19 “(1) HOLDING OF CUSTOMER ASSETS.—

20 “(A) IN GENERAL.—Each digital com-
21 modity broker and digital commodity dealer
22 shall hold customer money, assets, and property
23 in a manner to minimize the risk of loss to the
24 customer or unreasonable delay in customer ac-

1 cess to the money, assets, and property of the
2 customer.

3 “(B) QUALIFIED DIGITAL COMMODITY
4 CUSTODIAN.—Each digital commodity broker
5 and digital commodity dealer shall hold in a
6 qualified digital commodity custodian each unit
7 of a digital commodity that is—

8 “(i) the property of a customer or
9 counterparty of the digital commodity
10 broker or digital commodity dealer, respec-
11 tively;

12 “(ii) required to be held by the digital
13 commodity broker or digital commodity
14 dealer under subsection (e); or

15 “(iii) otherwise so required by the
16 Commission to reasonably protect cus-
17 tomers or promote the public interest.

18 “(2) SEGREGATION OF FUNDS.—

19 “(A) IN GENERAL.—Each digital com-
20 modity broker and digital commodity dealer
21 shall treat and deal with all money, assets, and
22 property that is received by the digital com-
23 modity broker or digital commodity dealer, or
24 accrues to a customer as the result of trading

1 in digital commodities, as belonging to the cus-
2 tomer.

3 “(B) COMMINGLING PROHIBITED.—

4 “(i) IN GENERAL.—Except as pro-
5 vided in clause (ii), each digital commodity
6 broker and digital commodity dealer shall
7 separately account for money, assets, and
8 property of a digital commodity customer,
9 and shall not commingle any such money,
10 assets, or property with the funds of the
11 digital commodity broker or digital com-
12 modity dealer, respectively, or use any such
13 money, assets, or property to margin, se-
14 cure, or guarantee any trades or accounts
15 of any customer or person other than the
16 person for whom the money, assets, or
17 property are held.

18 “(ii) EXCEPTIONS.—

19 “(I) USE OF FUNDS.—

20 “(aa) IN GENERAL.—A dig-
21 ital commodity broker or digital
22 commodity dealer may, for con-
23 venience, commingle and deposit
24 in the same account or accounts
25 with any bank, trust company,

1 derivatives clearing organization,
2 or qualified digital commodity
3 custodian money, assets, and
4 property of customers.

5 “(bb) WITHDRAWAL.—The
6 share of the money, assets, and
7 property described in item (aa)
8 as in the normal course of busi-
9 ness shall be necessary to mar-
10 gin, guarantee, secure, transfer,
11 adjust, or settle a contract of sale
12 of a digital commodity with a
13 registered entity may be with-
14 drawn and applied to such pur-
15 poses, including the payment of
16 commissions, brokerage, interest,
17 taxes, storage, and other charges,
18 lawfully accruing in connection
19 with the contract.

20 “(II) COMMISSION ACTION.—In
21 accordance with such terms and con-
22 ditions as the Commission may pre-
23 scribe by rule, regulation, or order,
24 any money, assets, or property of the
25 customers of a digital commodity

1 broker or digital commodity dealer
2 may be commingled and deposited in
3 customer accounts with any other
4 money, assets, or property received by
5 the digital commodity broker or dig-
6 ital commodity dealer, respectively,
7 and required by the Commission to be
8 separately accounted for and treated
9 and dealt with as belonging to the
10 customer of the digital commodity
11 broker or digital commodity dealer,
12 respectively.

13 “(3) PERMITTED INVESTMENTS.—Money de-
14 scribed in paragraph (2) may be invested in obliga-
15 tions of the United States, in general obligations of
16 any State or of any political subdivision of a State,
17 in obligations fully guaranteed as to principal and
18 interest by the United States, or in any other invest-
19 ment that the Commission may by rule or regulation
20 allow.

21 “(4) CUSTOMER PROTECTION DURING BANK-
22 RUPTCY.—

23 “(A) CUSTOMER PROPERTY.—All money,
24 assets, or property described in paragraph (2)
25 shall be considered customer property for pur-

1 poses of section 761 of title 11, United States
2 Code.

3 “(B) TRANSACTIONS.—A transaction in-
4 volving a unit of a digital commodity occurring
5 with a digital commodity dealer shall be consid-
6 ered a ‘contract for the purchase or sale of a
7 commodity for future delivery, on or subject to
8 the rules of, a contract market or board of
9 trade’ for purposes of the definition of a ‘com-
10 modity contract’ in section 761 of title 11,
11 United States Code.

12 “(C) BROKERS AND DEALERS.—A digital
13 commodity dealer and a digital commodity
14 broker shall be considered a futures commission
15 merchant for purposes of section 761 of title
16 11, United States Code.

17 “(D) ASSETS REMOVED FROM SEGREGA-
18 TION.—Assets removed from segregation due to
19 a customer election under paragraph (6) shall
20 not be considered customer property for pur-
21 poses of section 761 of title 11, United States
22 Code.

23 “(5) MISUSE OF CUSTOMER PROPERTY.—

24 “(A) IN GENERAL.—It shall be unlawful—

1 “(i) for any digital commodity broker
2 or digital commodity dealer that has re-
3 ceived any customer money, assets, or
4 property for custody to dispose of, or use
5 any such money, assets, or property as be-
6 longing to the digital commodity broker or
7 digital commodity dealer, respectively, or
8 any person other than a customer of the
9 digital commodity broker or digital com-
10 modity dealer, respectively; or

11 “(ii) for any other person, including
12 any depository, digital commodity ex-
13 change, other digital commodity broker,
14 other digital commodity dealer, or digital
15 commodity custodian that has received any
16 customer money, assets, or property for
17 deposit, to hold, dispose of, or use any
18 such money, assets, or property, as belong-
19 ing to the depositing digital commodity
20 broker or digital commodity dealer or any
21 person other than the customers of the
22 digital commodity broker or digital com-
23 modity dealer, respectively.

24 “(B) USE FURTHER DEFINED.—For pur-
25 poses of this section, ‘use’ of a digital com-

1 modity includes utilizing any unit of a digital
2 asset to participate in a blockchain service de-
3 fined in paragraph (6) or a decentralized gov-
4 ernance system associated with the digital com-
5 modity or the blockchain system to which the
6 digital commodity relates in any manner other
7 than that expressly directed by the customer
8 from whom the unit of a digital commodity was
9 received.

10 “(6) PARTICIPATION IN BLOCKCHAIN SERV-
11 ICES.—

12 “(A) IN GENERAL.—A customer shall have
13 the right to waive the restrictions in paragraph
14 (1) for any unit of a digital commodity to be
15 used under subparagraph (B), by affirmatively
16 electing, in writing to the digital commodity
17 broker or digital commodity dealer, to waive the
18 restrictions.

19 “(B) USE OF FUNDS.—Customer digital
20 commodities removed from segregation under
21 subparagraph (A) may be pooled and used by
22 the digital commodity broker or digital com-
23 modity dealer, or one of their designees, to pro-
24 vide a blockchain service for a blockchain sys-
25 tem to which the unit of the digital asset re-

1 moved from segregation in subparagraph (A)
2 relates.

3 “(C) LIMITATIONS.—

4 “(i) IN GENERAL.—The Commission
5 may, by rule, establish notice and disclo-
6 sure requirements, and any other limita-
7 tions and rules related to the waiving of
8 any restrictions under this paragraph that
9 are reasonably necessary to protect cus-
10 tomers, including eligible contract partici-
11 pants, non-eligible contract participants, or
12 any other class of customers.

13 “(ii) CUSTOMER CHOICE.—A digital
14 commodity broker or digital commodity
15 dealer may not require a waiver from a
16 customer described in subparagraph (A) as
17 a condition of doing business with the
18 broker or dealer.

19 “(D) BLOCKCHAIN SERVICE DEFINED.—In
20 this subparagraph, the term ‘blockchain service’
21 means any activity relating to validating trans-
22 actions on a blockchain system, providing secu-
23 rity for a blockchain system, or other similar
24 activity required for the ongoing operation of a
25 blockchain system.

1 “(l) FEDERAL PREEMPTION.—Notwithstanding any
2 other provision of law, the Commission shall have exclusive
3 jurisdiction over any digital commodity broker or digital
4 commodity dealer registered under this section.

5 “(m) EXEMPTIONS.—In order to promote responsible
6 economic or financial innovation and fair competition, or
7 protect customers, the Commission may (on its own initia-
8 tive or on application of the registered digital commodity
9 broker or registered digital commodity dealer) exempt, un-
10 conditionally or on stated terms or conditions, or for stat-
11 ed periods, and retroactively or prospectively, or both, a
12 registered digital commodity broker or registered digital
13 commodity dealer from the requirements of this section,
14 if the Commission determines that—

15 “(1)(A) the exemption would be consistent with
16 the public interest and the purposes of this Act; and

17 “(B) the exemption will not have a material ad-
18 verse effect on the ability of the Commission to dis-
19 charge regulatory duties under this Act; or

20 “(2) the registered digital commodity broker or
21 registered digital commodity dealer is subject to
22 comparable, comprehensive supervision and regula-
23 tion by the appropriate government authorities in
24 the home country of the registered digital commodity

1 broker or registered digital commodity dealer, re-
2 spectively.”.

3 **SEC. 507. REGISTRATION OF ASSOCIATED PERSONS.**

4 (a) IN GENERAL.—Section 4k of the Commodity Ex-
5 change Act (7 U.S.C. 6k) is amended—

6 (1) by redesignating subsections (4) through
7 (6) as subsections (5) through (7), respectively; and

8 (2) by inserting after subsection (3) the fol-
9 lowing:

10 “(4) It shall be unlawful for any person to act as an
11 associated person of a digital commodity broker or an as-
12 sociated person of a digital commodity dealer unless the
13 person is registered with the Commission under this Act
14 and such registration shall not have expired, been sus-
15 pended (and the period of suspension has not expired),
16 or been revoked. It shall be unlawful for a digital com-
17 modity broker or a digital commodity dealer to permit
18 such a person to become or remain associated with the
19 digital commodity broker or digital commodity dealer if
20 the digital commodity broker or digital commodity dealer
21 knew or should have known that the person was not so
22 registered or that the registration had expired, been sus-
23 pended (and the period of suspension has not expired),
24 or been revoked.”; and

1 (3) in subsection (5) (as so redesignated), by
 2 striking “or of a commodity trading advisor” and in-
 3 serting “of a commodity trading advisor, of a digital
 4 commodity broker, or of a digital commodity deal-
 5 er”.

6 (b) CONFORMING AMENDMENTS.—The Commodity
 7 Exchange Act (7 U.S.C. 1a et seq.) is amended by striking
 8 “section 4k(6)” each place it appears and inserting “sec-
 9 tion 4k(7)”.

10 **SEC. 508. REGISTRATION OF COMMODITY POOL OPERA-**
 11 **TORS AND COMMODITY TRADING ADVISORS.**

12 (a) IN GENERAL.—Section 4m(3) of the Commodity
 13 Exchange Act (7 U.S.C. 6m(3)) is amended—

14 (1) in subparagraph (A)—

15 (A) by striking “any commodity trading
 16 advisor” and inserting “a commodity pool oper-
 17 ator or commodity trading advisor”; and

18 (B) by striking “acting as a commodity
 19 trading advisor” and inserting “acting as a
 20 commodity pool operator or commodity trading
 21 advisor”; and

22 (2) in subparagraph (C), by inserting “digital
 23 commodities,” after “physical commodities,”.

1 (b) EXEMPTIVE AUTHORITY.—Section 4m of such
2 Act (7 U.S.C. 6m) is amended by adding at the end the
3 following:

4 “(4) EXEMPTIVE AUTHORITY.—The Commission
5 shall promulgate rules to provide appropriate exemptions
6 for commodity pool operators and commodity trading advi-
7 sors, to provide relief from duplicative, conflicting, or un-
8 duly burdensome requirements or to promote responsible
9 innovation, to the extent the exemptions foster the devel-
10 opment of fair and orderly cash or spot digital commodity
11 markets, are necessary or appropriate in the public inter-
12 est, and are consistent with the protection of customers.”.

13 **SEC. 509. EXCLUSION FOR DECENTRALIZED FINANCE AC-**
14 **TIVITIES.**

15 The Commodity Exchange Act (7 U.S.C. 1 et seq.),
16 as amended by the preceding provisions of this Act, is
17 amended by inserting after section 4u the following:

18 **“SEC. 4v. DECENTRALIZED FINANCE ACTIVITIES NOT SUB-**
19 **JECT TO THIS ACT.**

20 “(a) IN GENERAL.—Notwithstanding any other pro-
21 vision of this Act, a person shall not be subject to this
22 Act and the regulations promulgated under this Act based
23 on the person directly or indirectly engaging in any of the
24 following activities, whether singly or in combination, in
25 relation to the operation of a blockchain system or in rela-

1 tion to decentralized finance (as defined in section 605(d)
2 of the Financial Innovation and Technology for the 21st
3 Century Act):

4 “(1) Compiling network transactions, operating
5 or participating in a liquidity pool, relaying, search-
6 ing, sequencing, validating, or acting in a similar ca-
7 pacity with respect to contract of sale of a digital
8 asset.

9 “(2) Providing computational work, operating a
10 node, or procuring, offering, or utilizing network
11 bandwidth, or other similar incidental services with
12 respect to a contract of sale of a digital asset.

13 “(3) Providing a user-interface that enables a
14 user to read, and access data about a blockchain
15 system, send messages, or otherwise interact with a
16 blockchain system.

17 “(4) Developing, publishing, constituting, ad-
18 ministering, maintaining, or otherwise distributing a
19 blockchain system.

20 “(5) Developing, publishing, constituting, ad-
21 ministering, maintaining, or otherwise distributing
22 software or systems that create or deploy hardware
23 or software, including wallets or other systems, fa-
24 cilitating an individual user’s own personal ability to

1 keep, safeguard, or custody the user’s digital com-
2 modities or related private keys.

3 “(b) EXCEPTIONS.—Subsection (a) shall not be inter-
4 preted to apply to the anti-fraud, anti-manipulation, or
5 false reporting enforcement authorities of the Commis-
6 sion.”.

7 **SEC. 510. FUNDING FOR IMPLEMENTATION AND ENFORCE-**
8 **MENT.**

9 (a) COLLECTION OF FEES.—

10 (1) IN GENERAL.—The Commodity Futures
11 Trading Commission (in this section referred to as
12 the “Commission”) shall charge and collect a filing
13 fee from each person who files with the Commission
14 a notice of intent to register as a digital commodity
15 exchange, digital commodity broker, or digital com-
16 modity dealer pursuant to section 106.

17 (2) AMOUNT.—The fees authorized under para-
18 graph (1) may be collected and available for obliga-
19 tion only in the amounts provided in advance in an
20 appropriation Act.

21 (3) AUTHORITY TO ADJUST FEES.—Notwith-
22 standing the preceding provisions of this subsection,
23 to promote fair competition or innovation, the Com-
24 mission, in its sole discretion, may reduce or elimi-

1 nate any fee otherwise required to be paid by a small
2 or medium filer under this subsection.

3 (b) FEE SCHEDULE.—

4 (1) IN GENERAL.—The Commission shall pub-
5 lish in the Federal Register a schedule of the fees
6 to be charged and collected under this section.

7 (2) CONTENT.—The fee schedule for a fiscal
8 year shall include a written analysis of the estimate
9 of the Commission of the total costs of carrying out
10 the functions of the Commission under this Act dur-
11 ing the fiscal year.

12 (3) SUBMISSION TO CONGRESS.—Before pub-
13 lishing the fee schedule for a fiscal year, the Com-
14 mission shall submit a copy of the fee schedule to
15 the Congress.

16 (4) TIMING.—

17 (A) 1ST FISCAL YEAR.—The Commission
18 shall publish the fee schedule for the fiscal year
19 in which this Act is enacted, within 30 days
20 after the date of the enactment of this Act.

21 (B) SUBSEQUENT FISCAL YEARS.—The
22 Commission shall publish the fee schedule for
23 each subsequent fiscal year, not less than 90
24 days before the due date prescribed by the

1 Commission for payment of the annual fee for
2 the fiscal year.

3 (c) LATE PAYMENT PENALTY.—

4 (1) IN GENERAL.—The Commission may im-
5 pose a penalty against a person that fails to pay an
6 annual fee charged under this section, within 30
7 days after the due date prescribed by the Commis-
8 sion for payment of the fee.

9 (2) AMOUNT.—The amount of the penalty shall
10 be—

11 (A) 5 percent of the amount of the fee due;
12 multiplied by

13 (B) the whole number of consecutive 30-
14 day periods that have elapsed since the due
15 date.

16 (d) REIMBURSEMENT OF EXCESS FEES.—To the ex-
17 tent that the total amount of fees collected under this sec-
18 tion during a fiscal year that begins after the date of the
19 enactment of this Act exceeds the amount provided under
20 subsection (a)(2) with respect to the fiscal year, the Com-
21 mission shall reimburse the excess amount to the persons
22 who have timely paid their annual fees, on a pro-rata basis
23 that excludes penalties, and shall do so within 60 days
24 after the end of the fiscal year.

1 (e) DEPOSIT OF FEES INTO THE TREASURY.—All
2 amounts collected under this section shall be credited to
3 the currently applicable appropriation, account, or fund of
4 the Commission as discretionary offsetting collections, and
5 shall be available for the purposes authorized in subsection
6 (f) only to the extent and in the amounts provided in ad-
7 vance in appropriations Acts.

8 (f) AUTHORIZATION OF APPROPRIATIONS.—In addi-
9 tion to amounts otherwise authorized to be appropriated
10 to the Commission, there is authorized to be appropriated
11 to the Commission amounts collected under this section
12 to cover the costs the costs of carrying out the functions
13 of the Commission under this Act.

14 (g) SUNSET.—The authority to charge and collect
15 fees under this section shall expire at the end of the 4th
16 fiscal year that begins after the date of the enactment of
17 this Act.

18 **SEC. 511. EFFECTIVE DATE.**

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

24 (1) 360 days after the date of enactment of this
25 Act; or

1 (2) 60 days after the publication in the Federal
2 Register of the final rule implementing the provision.

3 **SEC. 512. SENSE OF THE CONGRESS.**

4 It is the sense of the Congress that nothing in this
5 Act or any amendment made by this Act should be inter-
6 preted to authorize any entity to regulate any commodity,
7 other than a digital commodity, on any spot market.

8 **TITLE VI—INNOVATION AND**
9 **TECHNOLOGY IMPROVEMENTS**

10 **SEC. 601. FINDINGS; SENSE OF CONGRESS.**

11 (a) FINDINGS.—Congress finds the following:

12 (1) Entrepreneurs and innovators are building
13 and deploying this next generation of the internet.

14 (2) Digital asset networks represent a new way
15 for people to join together and cooperate with one
16 another to undertake certain activities.

17 (3) Digital assets have the potential to be the
18 foundational building blocks of these networks,
19 aligning the economic incentive for individuals to co-
20 operate with one another to achieve a common pur-
21 pose.

22 (4) The digital asset ecosystem has the poten-
23 tial to grow our economy and improve everyday lives
24 of Americans by facilitating collaboration through

1 the use of technology to manage activities, allocate
2 resources, and facilitate decision making.

3 (5) Blockchain networks and the digital assets
4 they empower provide creator control, enhance
5 transparency, reduce transaction costs, and increase
6 efficiency if proper protections are put in place for
7 investors, consumers, our financial system, and our
8 national security.

9 (6) Blockchain technology facilitates new types
10 of network participation which businesses in the
11 United States may utilize in innovative ways.

12 (7) Other digital asset companies are setting up
13 their operations outside of the United States, where
14 countries are establishing frameworks to embrace
15 the potential of blockchain technology and digital as-
16 sets and provide safeguards for consumers.

17 (8) Digital assets, despite the purported ano-
18 nymity, provide law enforcement with an exceptional
19 tracing tool to identify illicit activity and bring
20 criminals to justice.

21 (9) The Financial Services Committee of the
22 House of Representatives has held multiple hearings
23 highlighting various risks that digital assets can
24 pose to the financial markets, consumers, and inves-

1 tors that must be addressed as we seek to harness
2 the benefits of these innovations.

3 (b) SENSE OF CONGRESS.—It is the sense of Con-
4 gress that—

5 (1) the United States should seek to prioritize
6 understanding the potential opportunities of the next
7 generation of the internet;

8 (2) the United States should seek to foster ad-
9 vances in technology that have robust evidence indi-
10 cating they can improve our financial system and
11 create more fair and equitable access to financial
12 services for everyday Americans while protecting our
13 financial system, investors, and consumers;

14 (3) the United States must support the respon-
15 sible development of digital assets and the under-
16 lying technology in the United States or risk the
17 shifting of the development of such assets and tech-
18 nology outside of the United States, to less regulated
19 countries;

20 (4) Congress should consult with public and
21 private sector stakeholders to understand how to
22 enact a functional framework tailored to the specific
23 risks and unique benefits of different digital asset-
24 related activities, distributed ledger technology, dis-
25 tributed networks, and decentralized systems; and

1 (5) Congress should enact a functional frame-
2 work tailored to the specific risks of different digital
3 asset-related activities and unique benefits of distrib-
4 uted ledger technology, distributed networks, and de-
5 centralized systems; and

6 (6) consumers and market participants will ben-
7 efit from a framework for digital assets consistent
8 with longstanding investor protections in securities
9 and commodities markets, yet tailored to the unique
10 benefits and risks of the digital asset ecosystem.

11 **SEC. 602. CODIFICATION OF THE SEC STRATEGIC HUB FOR**
12 **INNOVATION AND FINANCIAL TECHNOLOGY.**

13 Section 4 of the Securities Exchange Act of 1934 (15
14 U.S.C. 78d) is amended by adding at the end the fol-
15 lowing:

16 “(1) STRATEGIC HUB FOR INNOVATION AND FINAN-
17 CIAL TECHNOLOGY.—

18 “(1) OFFICE ESTABLISHED.—There is estab-
19 lished within the Commission the Strategic Hub for
20 Innovation and Financial Technology (referred to in
21 this section as the ‘FinHub’).

22 “(2) PURPOSES.—The purposes of FinHub are
23 as follows:

24 “(A) To assist in shaping the approach of
25 the Commission to technological advancements.

1 “(B) To examine financial technology inno-
2 vations among market participants.

3 “(C) To coordinate the response of the
4 Commission to emerging technologies in finan-
5 cial, regulatory, and supervisory systems.

6 “(3) DIRECTOR OF FINHUB.—FinHub shall
7 have a Director who shall be appointed by the Com-
8 mission, from among individuals having experience
9 in both emerging technologies and Federal securities
10 laws and serve at the pleasure of the Commission.
11 The Director shall report directly to the Commission
12 and perform such functions and duties as the Com-
13 mission may prescribe.

14 “(4) RESPONSIBILITIES.—FinHub shall—

15 “(A) foster responsible technological inno-
16 vation and fair competition within the Commis-
17 sion, including around financial technology, reg-
18 ulatory technology, and supervisory technology;

19 “(B) provide internal education and train-
20 ing to the Commission regarding financial tech-
21 nology;

22 “(C) advise the Commission regarding fi-
23 nancial technology that would serve the Com-
24 mission’s functions;

1 “(D) analyze technological advancements
2 and the impact of regulatory requirements on
3 financial technology companies;

4 “(E) advise the Commission with respect
5 to rulemakings or other agency or staff action
6 regarding financial technology;

7 “(F) provide businesses working in emerg-
8 ing financial technology fields with information
9 on the Commission, its rules and regulations;
10 and

11 “(G) encourage firms working in emerging
12 technology fields to engage with the Commis-
13 sion and obtain feedback from the Commission
14 on potential regulatory issues.

15 “(5) ACCESS TO DOCUMENTS.—The Commis-
16 sion shall ensure that FinHub has full access to the
17 documents and information of the Commission and
18 any self-regulatory organization, as necessary to
19 carry out the functions of FinHub.

20 “(6) REPORT TO CONGRESS.—

21 “(A) IN GENERAL.—Not later than Octo-
22 ber 31 of each year after 2024, FinHub shall
23 submit to the Committee on Banking, Housing,
24 and Urban Affairs of the Senate and the Com-
25 mittee on Financial Services of the House of

1 Representatives a report on the activities of
2 FinHub during the immediately preceding fiscal
3 year.

4 “(B) CONTENTS.—Each report required
5 under subparagraph (A) shall include—

6 “(i) the total number of persons that
7 met with FinHub;

8 “(ii) the total number of market par-
9 ticipants FinHub met with, including the
10 classification of those participants;

11 “(iii) a summary of general issues dis-
12 cussed during meetings with persons;

13 “(iv) information on steps FinHub
14 has taken to improve Commission services,
15 including responsiveness to the concerns of
16 persons;

17 “(v) recommendations—

18 “(I) with respect to the regula-
19 tions of the Commission and the guid-
20 ance and orders of the Commission;
21 and

22 “(II) for such legislative actions
23 as FinHub determines appropriate;
24 and

1 “(vi) any other information, as deter-
2 mined appropriate by the Director of
3 FinHub.

4 “(C) CONFIDENTIALITY.—A report under
5 subparagraph (A) may not contain confidential
6 information.

7 “(7) SYSTEMS OF RECORDS.—

8 “(A) IN GENERAL.—The Commission shall
9 establish a detailed system of records (as de-
10 fined under section 552a of title 5, United
11 States Code) to assist FinHub in commu-
12 nicating with interested parties.

13 “(B) ENTITIES COVERED BY THE SYS-
14 TEM.—Entities covered by the system required
15 under subparagraph (A) include entities or per-
16 sons submitting requests or inquiries and other
17 information to Commission through FinHub.

18 “(C) SECURITY AND STORAGE OF
19 RECORDS.—FinHub shall store—

20 “(i) electronic records—

21 “(I) in the system required under
22 subparagraph (A); or

23 “(II) on the secure network or
24 other electronic medium, such as

1 encrypted hard drives or back-up
2 media, of the Commission; and
3 “(ii) paper records in secure facilities.

4 “(8) EFFECTIVE DATE.—This subsection shall
5 take effect on the date that is 180 days after the
6 date of the enactment of this subsection.”.

7 **SEC. 603. CODIFICATION OF LABCFTC.**

8 (a) IN GENERAL.—Section 18 of the Commodity Ex-
9 change Act (7 U.S.C. 22) is amended by adding at the
10 end the following:

11 “(c) LABCFTC.—

12 “(1) ESTABLISHMENT.—There is established in
13 the Commission LabCFTC.

14 “(2) PURPOSE.—The purposes of LabCFTC
15 are to—

16 “(A) promote responsible financial tech-
17 nology innovation and fair competition for the
18 benefit of the American public;

19 “(B) serve as an information platform to
20 inform the Commission about new financial
21 technology innovation; and

22 “(C) provide outreach to financial tech-
23 nology innovators to discuss their innovations
24 and the regulatory framework established by

1 this Act and the regulations promulgated there-
2 under.

3 “(3) DIRECTOR.—LabCFTC shall have a Direc-
4 tor, who shall be appointed by the Commission and
5 serve at the pleasure of the Commission. Notwith-
6 standing section 2(a)(6)(A), the Director shall re-
7 port directly to the Commission and perform such
8 functions and duties as the Commission may pre-
9 scribe.

10 “(4) DUTIES.—LabCFTC shall—

11 “(A) advise the Commission with respect
12 to rulemakings or other agency or staff action
13 regarding financial technology;

14 “(B) provide internal education and train-
15 ing to the Commission regarding financial tech-
16 nology;

17 “(C) advise the Commission regarding fi-
18 nancial technology that would bolster the Com-
19 mission’s oversight functions;

20 “(D) engage with academia, students, and
21 professionals on financial technology issues,
22 ideas, and technology relevant to activities
23 under this Act;

24 “(E) provide persons working in emerging
25 technology fields with information on the Com-

mission, its rules and regulations, and the role of a registered futures association; and

“(F) encourage persons working in emerging technology fields to engage with the Commission and obtain feedback from the Commission on potential regulatory issues.

“(5) ACCESS TO DOCUMENTS.—The Commission shall ensure that LabCF'TC has full access to the documents and information of the Commission and any self-regulatory organization or registered futures association, as necessary to carry out the functions of LabCF'TC.

“(6) REPORT TO CONGRESS.—

“(A) IN GENERAL.—Not later than October 31 of each year after 2024, LabCF'TC shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report on its activities.

“(B) CONTENTS.—Each report required under paragraph (1) shall include—

“(i) the total number of persons that met with LabCF'TC;

“(ii) a summary of general issues discussed during meetings with the person;

1 “(iii) information on steps LabCFTC
2 has taken to improve Commission services,
3 including responsiveness to the concerns of
4 persons;

5 “(iv) recommendations made to the
6 Commission with respect to the regula-
7 tions, guidance, and orders of the Commis-
8 sion and such legislative actions as may be
9 appropriate; and

10 “(v) any other information determined
11 appropriate by the Director of LabCFTC.

12 “(C) CONFIDENTIALITY.—A report under
13 paragraph (A) shall abide by the confidentiality
14 requirements in section 8.

15 “(7) SYSTEMS OF RECORDS.—

16 “(A) IN GENERAL.—The Commission shall
17 establish a detailed system of records (as de-
18 fined in section 552a of title 5, United States
19 Code) to assist LabCFTC in communicating
20 with interested parties.

21 “(B) PERSONS COVERED BY THE SYS-
22 TEM.—The persons covered by the system of
23 records shall include persons submitting re-
24 quests or inquiries and other information to the
25 Commission through LabCFTC.

1 “(C) SECURITY AND STORAGE OF
 2 RECORDS.—The system of records shall store
 3 records electronically or on paper in secure fa-
 4 cilities, and shall store electronic records on the
 5 secure network of the Commission and on other
 6 electronic media, such as encrypted hard drives
 7 and back-up media, as needed.”.

8 (b) CONFORMING AMENDMENTS.—Section
 9 2(a)(6)(A) of such Act (7 U.S.C. 2(a)(6)(A)) is amend-
 10 ed—

11 (1) by striking “paragraph and in” and insert-
 12 ing “paragraph,”; and

13 (2) by inserting “and section 18(c)(3),” before
 14 “the executive”.

15 (c) EFFECTIVE DATE.—The Commodity Futures
 16 Trading Commission shall implement the amendments
 17 made by this section (including complying with section
 18 18(c)(7) of the Commodity Exchange Act) within 180
 19 days after the date of the enactment of this Act.

20 **SEC. 604. CFTC-SEC JOINT ADVISORY COMMITTEE ON DIG-**
 21 **ITAL ASSETS.**

22 (a) ESTABLISHMENT.—The Commodity Futures
 23 Trading Commission and the Securities and Exchange
 24 Commission (in this section referred to as the “Commis-
 25 sions”) shall jointly establish the Joint Advisory Com-

1 mittee on Digital Assets (in this section referred to as the
2 “Committee”).

3 (b) PURPOSE.—

4 (1) IN GENERAL.—The Committee shall—

5 (A) provide the Commissions with advice
6 on the rules, regulations, and policies of the
7 Commissions related to digital assets;

8 (B) further the regulatory harmonization
9 of digital asset policy between the Commissions;

10 (C) examine and disseminate methods for
11 describing, measuring, and quantifying digital
12 asset—

13 (i) decentralization;

14 (ii) functionality;

15 (iii) information asymmetries; and

16 (iv) transaction and network security;

17 (D) examine the potential for digital as-
18 sets, blockchain systems, and distributed ledger
19 technology to improve efficiency in the oper-
20 ation of financial market infrastructure and
21 better protect financial market participants, in-
22 cluding services and systems which provide—

23 (i) improved customer protections;

24 (ii) public availability of information;

1 (iii) greater transparency regarding
2 customer funds;

3 (iv) reduced transaction cost; and

4 (v) increased access to financial mar-
5 ket services; and

6 (E) discuss the implementation by the
7 Commissions of this Act and the amendments
8 made by this Act.

9 (2) REVIEW BY AGENCIES.—Each Commission
10 shall—

11 (A) review the findings and recommenda-
12 tions of the Committee;

13 (B) promptly issue a public statement each
14 time the Committee submits a finding or rec-
15 ommendation to a Commission—

16 (i) assessing the finding or rec-
17 ommendation of the Committee;

18 (ii) disclosing the action or decision
19 not to take action made by the Commis-
20 sion in response to a finding or rec-
21 ommendation; and

22 (iii) explaining the reasons for the ac-
23 tion or decision not to take action; and

24 (C) each time the Committee submits a
25 finding or recommendation to a Commission,

1 provide the Committee with a formal response
2 to the finding or recommendation not later than
3 3 months after the date of the submission of
4 the finding or recommendation.

5 (c) MEMBERSHIP AND LEADERSHIP.—

6 (1) NON-FEDERAL MEMBERS.—

7 (A) IN GENERAL.—The Commissions shall
8 appoint at least 20 nongovernmental stake-
9 holders who represent a broad spectrum of in-
10 terests, equally divided between the Commis-
11 sions, to serve as members of the Committee.
12 The appointees shall include—

13 (i) digital asset issuers;

14 (ii) persons registered with the Com-
15 missions and engaged in digital asset re-
16 lated activities;

17 (iii) individuals engaged in academic
18 research relating to digital assets; and

19 (iv) digital asset users.

20 (B) MEMBERS NOT COMMISSION EMPLOY-
21 EES.—Members appointed under subparagraph
22 (A) shall not be deemed to be employees or
23 agents of a Commission solely by reason of
24 membership on the Committee.

25 (2) CO-DESIGNATED FEDERAL OFFICERS.—

1 (A) NUMBER; APPOINTMENT.—There shall
2 be 2 co-designated Federal officers of the Com-
3 mittee, as follows:

4 (i) The Director of LabCFTC of the
5 Commodity Futures Trading Commission.

6 (ii) The Director of the Strategic Hub
7 for Innovation and Financial Technology
8 of the Securities and Exchange Commis-
9 sion.

10 (B) DUTIES.—The duties required by
11 chapter 10 of title 5, United States Code, to be
12 carried out by a designated Federal officer with
13 respect to the Committee shall be shared by the
14 co-designated Federal officers of the Com-
15 mittee.

16 (3) COMMITTEE LEADERSHIP.—

17 (A) COMPOSITION; ELECTION.—The Com-
18 mittee members shall elect, from among the
19 Committee members—

20 (i) a chair;

21 (ii) a vice chair;

22 (iii) a secretary; and

23 (iv) an assistant secretary.

24 (B) TERM OF OFFICE.—Each member
25 elected under subparagraph (A) in a 2-year pe-

1 riod referred to in section 1013(b)(2) of title 5,
2 United States Code, shall serve in the capacity
3 for which the member was so elected, until the
4 end of the 2-year period.

5 (d) NO COMPENSATION FOR COMMITTEE MEM-
6 BERS.—

7 (1) NON-FEDERAL MEMBERS.—All Committee
8 members appointed under subsection (c)(1) shall—

9 (A) serve without compensation; and

10 (B) while away from the home or regular
11 place of business of the member in the perform-
12 ance of services for the Committee, be allowed
13 travel expenses, including per diem in lieu of
14 subsistence, in the same manner as persons em-
15 ployed intermittently in the Government service
16 are allowed expenses under section 5703(b) of
17 title 5, United States Code.

18 (2) NO COMPENSATION FOR CO-DESIGNATED
19 FEDERAL OFFICERS.—The co-designated Federal of-
20 ficers shall serve without compensation in addition
21 to that received for their services as officers or em-
22 ployees of the United States.

23 (e) FREQUENCY OF MEETINGS.—The Committee
24 shall meet—

25 (1) not less frequently than twice annually; and

1 (2) at such other times as either Commission
2 may request.

3 (f) DURATION.—Section 1013(a)(2) of title 5, United
4 States Code, shall not apply to the Committee.

5 (g) TIME LIMITS.—The Commissions shall—

6 (1) adopt a joint charter for the Committee
7 within 90 days after the date of the enactment of
8 this section;

9 (2) appoint members to the Committee within
10 120 days after such date of enactment; and

11 (3) hold the initial meeting of the Committee
12 within 180 days after such date of enactment.

13 (h) FUNDING.—Subject to the availability of funds,
14 the Commissions shall jointly fund the Committee.

15 **SEC. 605. STUDY ON DECENTRALIZED FINANCE.**

16 (a) IN GENERAL.—The Commodity Futures Trading
17 Commission and the Securities and Exchange Commission
18 shall jointly carry out a study on decentralized finance
19 that analyzes—

20 (1) the nature, size, role, and use of decentral-
21 ized finance blockchain protocols;

22 (2) the operation of blockchain protocols that
23 comprise decentralized finance;

24 (3) the interoperability of blockchain protocols
25 and blockchain systems;

1 (4) the interoperability of blockchain protocols
2 and software-based systems, including websites and
3 wallets;

4 (5) the decentralized governance systems
5 through which blockchain protocols may be devel-
6 oped, published, constituted, administered, main-
7 tained, or otherwise distributed, including—

8 (A) whether the systems enhance or de-
9 tract from—

10 (i) the decentralization of the decen-
11 tralized finance; and

12 (ii) the inherent benefits and risks of
13 the decentralized governance system; and

14 (B) any procedures, requirements, or best
15 practices that would mitigate the risks identi-
16 fied in subparagraph (A)(ii);

17 (6) the benefits of decentralized finance, includ-
18 ing—

19 (A) operational resilience and availability
20 of blockchain systems;

21 (B) interoperability of blockchain systems;

22 (C) market competition and innovation;

23 (D) transaction efficiency;

24 (E) transparency and traceability of trans-
25 actions; and

1 (F) disintermediation;

2 (7) the risks of decentralized finance, includ-
3 ing—

4 (A) pseudonymity of users and trans-
5 actions;

6 (B) disintermediation; and

7 (C) cybersecurity vulnerabilities;

8 (8) the extent to which decentralized finance
9 has integrated with the traditional financial markets
10 and any potential risks or improvements to the sta-
11 bility of the markets;

12 (9) how the levels of illicit activity in decentral-
13 ized finance compare with the levels of illicit activity
14 in traditional financial markets;

15 (10) methods for addressing illicit activity in
16 decentralized finance and traditional markets that
17 are tailored to the unique attributes of each;

18 (11) how decentralized finance may increase the
19 accessibility of cross-border transactions; and

20 (12) the feasibility of embedding self-executing
21 compliance and risk controls into decentralized fi-
22 nance.

23 (b) CONSULTATION.—In carrying out the study re-
24 quired under subsection (a), the Commodity Futures
25 Trading Commission and the Securities and Exchange

1 Commission shall consult with the Secretary of the Treas-
2 ury on the factors described under paragraphs (7) through
3 (10) of subsection (a).

4 (c) REPORT.—Not later than 1 year after the date
5 of enactment of this Act, the Commodity Futures Trading
6 Commission and the Securities and Exchange Commission
7 shall jointly submit to the relevant congressional commit-
8 tees a report that includes the results of the study re-
9 quired by subsection (a).

10 (d) GAO STUDY.—The Comptroller General of the
11 United States shall—

12 (1) carry out a study on decentralized finance
13 that analyzes the information described under para-
14 graphs (1) through (12) of subsection (a); and

15 (2) not later than 1 year after the date of en-
16 actment of this Act, submit to the relevant congress-
17 sional committees a report that includes the results
18 of the study required by paragraph (1).

19 (e) DEFINITIONS.—In this section:

20 (1) DECENTRALIZED FINANCE.—

21 (A) IN GENERAL.—The term “decentral-
22 ized finance” means blockchain protocols that
23 allow users to engage in financial transactions
24 in a self-directed manner so that a third-party
25 intermediary does not effectuate the trans-

1 actions or take custody of digital assets of a
2 user during any part of the transactions.

3 (B) RELATIONSHIP TO EXCLUDED ACTIVITIES.—The term “decentralized finance” shall
4 not be interpreted to limit or exclude any activ-
5 ity from the activities described in section
6 15I(a) of the Securities Exchange Act of 1934
7 or section 4v(a) of the Commodity Exchange
8 Act.
9

10 (2) RELEVANT CONGRESSIONAL COMMITTEES.—The term “relevant congressional commit-
11 tees” means—
12

13 (A) the Committees on Financial Services
14 and Agriculture of the House of Representa-
15 tives; and

16 (B) the Committees on Banking, Housing,
17 and Urban Affairs and Agriculture, Nutrition,
18 and Forestry of the Senate.

19 **SEC. 606. STUDY ON NON-FUNGIBLE DIGITAL ASSETS.**

20 (a) IN GENERAL.—The Comptroller General of the
21 United States shall carry out a study of non-fungible dig-
22 ital assets that analyzes—

23 (1) the nature, size, role, purpose, and use of
24 non-fungible digital assets;

1 (2) the similarities and differences between non-
2 fungible digital assets and other digital assets, in-
3 cluding digital commodities and payment stablecoins,
4 and how the markets for those digital assets inter-
5 sect with each other;

6 (3) how non-fungible digital assets are minted
7 by issuers and subsequently administered to pur-
8 chasers;

9 (4) how non-fungible digital assets are stored
10 after being purchased by a consumer;

11 (5) the interoperability of non-fungible digital
12 assets between different blockchain systems;

13 (6) the scalability of different non-fungible dig-
14 ital asset marketplaces;

15 (7) the benefits of non-fungible digital assets,
16 including verifiable digital ownership;

17 (8) the risks of non-fungible tokens, including—

18 (A) intellectual property rights;

19 (B) cybersecurity risks; and

20 (C) market risks;

21 (9) whether and how non-fungible digital assets
22 have integrated with traditional marketplaces, in-
23 cluding those for music, real estate, gaming, events,
24 and travel;

1 (10) whether non-fungible tokens can be used
2 to facilitate commerce or other activities through the
3 representation of documents, identification, con-
4 tracts, licenses, and other commercial, government,
5 or personal records;

6 (11) any potential risks to traditional markets
7 from such integration; and

8 (12) the levels and types of illicit activity in
9 non-fungible digital asset markets.

10 (b) REPORT.—Not later than 1 year after the date
11 of the enactment of this Act, the Comptroller General,
12 shall make publicly available a report that includes the re-
13 sults of the study required by subsection (a).

14 **SEC. 607. STUDY ON EXPANDING FINANCIAL LITERACY**
15 **AMONGST DIGITAL ASSET HOLDERS.**

16 (a) IN GENERAL.— The Commodity Futures Trading
17 Commission with the Securities and Exchange Commis-
18 sion shall jointly conduct a study to identify—

19 (1) the existing level of financial literacy among
20 retail digital asset holders, including subgroups of
21 investors identified by the Commodity Futures Trad-
22 ing Commission with the Securities and Exchange
23 Commission;

24 (2) methods to improve the timing, content, and
25 format of financial literacy materials regarding dig-

1 ital assets provided by the Commodity Futures
2 Trading Commission and the Securities and Ex-
3 change Commission;

4 (3) methods to improve coordination between
5 the Securities and Exchange Commission and the
6 Commodity Futures Trading Commission with other
7 agencies, including the Financial Literacy and Edu-
8 cation Commission as well as nonprofit organizations
9 and State and local jurisdictions, to better dissemi-
10 nate financial literacy materials;

11 (4) the efficacy of current financial literacy ef-
12 forts with a focus on rural communities and commu-
13 nities with majority minority populations;

14 (5) the most useful and understandable relevant
15 information that retail digital asset holders need to
16 make informed financial decisions before engaging
17 with or purchasing a digital asset or service that is
18 typically sold to retail investors of digital assets;

19 (6) the most effective public-private partner-
20 ships in providing financial literacy regarding digital
21 assets to consumers;

22 (7) the most relevant metrics to measure suc-
23 cessful improvement of the financial literacy of an
24 individual after engaging with financial literacy ef-
25 forts; and

1 (8) in consultation with the Financial Literacy
2 and Education Commission, a strategy (including to
3 the extent practicable, measurable goals and objec-
4 tives) to increase financial literacy of investors re-
5 garding digital assets.

6 (b) REPORT.—Not later than 1 year after the date
7 of the enactment of this Act, the Commodity Futures
8 Trading Commission and the Securities and Exchange
9 Commission shall jointly submit a written report on the
10 study required by subsection (a) to the Committees on Fi-
11 nancial Services and on Agriculture of the House of Rep-
12 resentatives and the Committees on Banking, Housing,
13 and Urban Affairs and on Agriculture, Nutrition, and
14 Forestry of the Senate.

15 **SEC. 608. STUDY ON FINANCIAL MARKET INFRASTRUCTURE**
16 **IMPROVEMENTS.**

17 (a) IN GENERAL.—The Commodity Futures Trading
18 Commission and the Securities and Exchange Commission
19 shall jointly conduct a study to assess whether additional
20 guidance or rules are necessary to facilitate the develop-
21 ment of tokenized securities and derivatives products, and
22 to the extent such guidance or rules would foster the devel-
23 opment of fair and orderly financial markets, be necessary
24 or appropriate in the public interest, and be consistent
25 with the protection of investors and customers.

1 (b) REPORT.—

2 (1) TIME LIMIT.—Not later than 1 year after
3 the date of enactment of this Act, the Commodity
4 Futures Trading Commission and the Securities and
5 Exchange Commission shall jointly submit to the rel-
6 evant congressional committees a report that in-
7 cludes the results of the study required by sub-
8 section (a).

9 (2) RELEVANT CONGRESSIONAL COMMITTEES
10 DEFINED.—In this section, the term “relevant con-
11 gressional committees” means—

12 (A) the Committees on Financial Services
13 and on Agriculture of the House of Representa-
14 tives; and

15 (B) the Committees on Banking, Housing,
16 and Urban Affairs and on Agriculture, Nutri-
17 tion, and Forestry of the Senate.

Passed the House of Representatives May 22, 2024.

Attest: KEVIN F. MCCUMBER,
Clerk.