

AMENDMENT NO. \_\_\_\_\_ Calendar No. \_\_\_\_\_

Purpose: In the nature of a substitute.

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

**H. R. 3633**

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

Referred to the Committee on \_\_\_\_\_ and  
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT IN THE NATURE OF A SUBSTITUTE intended  
to be proposed by Mr. SCOTT of South Carolina

Viz:

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

2 lowing:

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

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

5 “Digital Asset Market Clarity Act”.

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

7 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Definitions.

## 2

## TITLE I—RESPONSIBLE SECURITIES INNOVATION

- Sec. 101. Short title.
- Sec. 102. Disclosure requirements for certain transactions involving ancillary assets.
- Sec. 103. Exemption and rulemaking for certain transactions involving ancillary assets.
- Sec. 104. Special disposition restrictions by related persons.
- Sec. 105. Characteristics of network tokens.
- Sec. 106. Exemptive authority.
- Sec. 107. Modernization of recordkeeping requirements.
- Sec. 108. Modernization of securities regulations for digital asset activities.
- Sec. 109. Application of insider trading laws.
- Sec. 110. Securities Investor Protection Corporation applicability.

## TITLE II—PROTECTING AGAINST ILLICIT FINANCE

- Sec. 201. Treatment under the Bank Secrecy Act and sanctions laws.
- Sec. 202. Digital asset examination standards.
- Sec. 203. Preventing Illicit Finance Through Partnership Act.
- Sec. 204. Financial Technology Protection Act.
- Sec. 205. Digital asset kiosks.
- Sec. 206. Study on illicit use of digital assets.

## TITLE III—RESPONSIBLE INNOVATION IN DECENTRALIZED FINANCE

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

## TITLE IV—RESPONSIBLE BANKING INNOVATION

- Sec. 401. Permissibility of digital asset activities.
- Sec. 402. Joint rules for portfolio margining determinations.
- Sec. 403. Capital requirements to address netting agreements.
- Sec. 404. Prohibiting interest and yield on payment stablecoins.

## TITLE V—RESPONSIBLE REGULATORY INNOVATION

- Sec. 501. CFTC-SEC Micro-Innovation Sandbox.
- Sec. 502. International cooperation.
- Sec. 503. Automated regulatory compliance study.

- Sec. 504. Report on legislative recommendations.  
 Sec. 505. Tokenization of securities.  
 Sec. 506. Voluntary adoption of National Institute of Standards and Technology post-quantum cryptography standards.  
 Sec. 507. International coordination to combat digital asset illicit finance.  
 Sec. 508. Annual report on foreign digital asset trading volume, compliance with United States standards and remediation actions.

TITLE VI—PROTECTING SOFTWARE DEVELOPERS AND  
SOFTWARE INNOVATION

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

TITLE VII—PROTECTING CUSTOMER PROPERTY

- Sec. 701. Customer property protections for ancillary assets and digital commodities in bankruptcy.  
 Sec. 702. Insolvency safe harbor.

TITLE VIII—CUSTOMER PROTECTION

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

TITLE IX—OTHER MATTERS

- Sec. 901. Joint Advisory Committee on Digital Assets.  
 Sec. 902. Memorandum of understanding.  
 Sec. 903. FinCEN appropriations.  
 Sec. 904. Build Now Act.  
 Sec. 905. Rulemakings.  
 Sec. 906. Effective date.

**1 SEC. 2. DEFINITIONS.**

**2 In this Act:**

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

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

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

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

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

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

12           (4) COORDINATED CONTROL.—With respect to  
13           any distributed ledger system and a related ancillary  
14           asset, the term “coordinated control” has the mean-  
15           ing given the term by the Commission pursuant to  
16           rules adopted under section 104(b).

17           (5) DECENTRALIZED GOVERNANCE SYSTEM.—

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

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

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

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

1 (D) RULE OF CONSTRUCTION.—For pur-  
2 poses of this Act, and the amendments made by  
3 this Act, a decentralized governance system  
4 shall not be deemed to be a person or a group  
5 of persons acting under common control.

6 (6) DIGITAL ASSET; DIGITAL ASSET SERVICE  
7 PROVIDER.—The terms “digital asset” and “digital  
8 asset service provider” have the meanings given  
9 those terms in section 2 of the GENIUS Act (12  
10 U.S.C. 5901).

11 (7) DIGITAL ASSET INTERMEDIARY.—The term  
12 “digital asset intermediary” means a person that is  
13 engaged in digital asset activities and required by  
14 law to register with the Commodity Futures Trading  
15 Commission or with the Commission under the Secu-  
16 rities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

17 (8) DIGITAL COMMODITY.—The term “digital  
18 commodity” has the meaning given the term in sec-  
19 tion 1a of the Commodity Exchange Act (7 U.S.C.  
20 1a), as added by this Act.

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

23 (A) through which data is shared across a  
24 network that creates a public digital ledger of

1 verified transactions or information among net-  
2 work participants; and

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

5 (i) maintain the integrity of the dig-  
6 ital ledger described in that subparagraph;  
7 and

8 (ii) execute other functions.

9 (10) DISTRIBUTED LEDGER APPLICATION.—

10 The term “distributed ledger application” means  
11 executable software that is deployed to and main-  
12 tained on a distributed ledger and composed of  
13 source code that is publicly available, including a  
14 smart contract or any network of smart contracts, or  
15 other similar technology.

16 (11) DISTRIBUTED LEDGER PROTOCOL.—The  
17 term “distributed ledger protocol” means publicly  
18 available source code of a distributed ledger that is  
19 executed by the network participants of a distributed  
20 ledger to facilitate its functioning, or other similar  
21 technology.

22 (12) DISTRIBUTED LEDGER SYSTEM.—The  
23 term “distributed ledger system” means a distrib-  
24 uted ledger (together with its distributed ledger pro-

1       tocol), a distributed ledger application, or a network  
2       of distributed ledger applications.

3               (13) RELATED PERSON.—The term “related  
4       person”, with respect to an ancillary asset originator  
5       or an ancillary asset—

6               (A) means—

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

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

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

17                       (ii) any person that is, or in the pre-  
18       ceding 12-month period was, an executive  
19       officer, director, trustee, general partner,  
20       owner of more than 10 percent of any class  
21       of equity shares of the ancillary asset origi-  
22       nator, or person serving in a similar capac-  
23       ity with respect to an ancillary asset origi-  
24       nator;

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

7 (iv) any person, or group of persons  
8 under common control, that beneficially  
9 owns, or in the preceding 6-month period  
10 owned, covered tokens (as that term is de-  
11 fined in section 104(a)) that equal not less  
12 than 2 percent of the total amount of out-  
13 standing units of an ancillary asset; and

14 (B) does not include a decentralized gov-  
15 ernance system.

16 (14) SECURITIES LAWS.—The term “securities  
17 laws” has the meaning given the term in section  
18 3(a) of the Securities Exchange Act of 1934 (15  
19 U.S.C. 78c(a)).

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

23 (A) is stored on a distributed ledger sys-  
24 tem; and

1 (B) automatically executes or enforces dig-  
2 ital asset transactions upon the occurrence of  
3 explicit, pre-determined conditions encoded in  
4 the contract or program, without intervention,  
5 other than to provide data, by any entity or  
6 natural person.

7 **TITLE I—RESPONSIBLE**  
8 **SECURITIES INNOVATION**

9 **SEC. 101. SHORT TITLE.**

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

12 **SEC. 102. DISCLOSURE REQUIREMENTS FOR CERTAIN**  
13 **TRANSACTIONS INVOLVING ANCILLARY AS-**  
14 **SETS.**

15 (a) IN GENERAL.—The Securities Act of 1933 (15  
16 U.S.C. 77a et seq.) is amended by inserting after section  
17 4A (15 U.S.C. 77d–1) the following:

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

21 “(a) DEFINITIONS.—In this section:

22 “(1) ANCILLARY ASSET.—The term ‘ancillary  
23 asset’ means a network token, the value of which is  
24 dependent upon the entrepreneurial or managerial  
25 efforts of an ancillary asset originator or a related

1 person, as those concepts are further specified by  
2 the Commission by regulation.

3 “(2) ANCILLARY ASSET ORIGINATOR.—

4 “(A) IN GENERAL.—The term ‘ancillary  
5 asset originator’ means, with respect to a par-  
6 ticular ancillary asset, a person that (whether  
7 directly or through 1 or more subsidiary or con-  
8 trolled entities)—

9 “(i) initially offers, sells, or distributes  
10 the ancillary asset; or

11 “(ii) during the 12-month period be-  
12 ginning on the date on which the ancillary  
13 asset is initially offered, sold, or distrib-  
14 uted, controls or causes the initial offer,  
15 sale, or distribution of that ancillary asset.

16 “(B) JOINT AND SEVERAL LIABILITY.—

17 For the purposes of this paragraph, if the per-  
18 son that initially offered, sold, or distributed an  
19 ancillary asset (or otherwise sold, distributed,  
20 controlled, or caused the initial offer, sale, or  
21 distribution of the ancillary asset) did not re-  
22 ceive the largest amount of those ancillary as-  
23 sets distributed in the 12-month period fol-  
24 lowing the commencement of that offer, sale, or  
25 distribution, then that person, solely for pur-

1 poses of subsection (c), shall be jointly and sev-  
2 erally considered to be an ancillary asset origi-  
3 nator with respect to that ancillary asset (with  
4 the person that controlled such offer, sale, or  
5 distribution) along with the person (including a  
6 person under direct or indirect control of that  
7 person) that received the largest amount of  
8 those ancillary assets in that period, other than  
9 ancillary assets received—

10 “(i) in an intermediary capacity;

11 “(ii) solely through a gratuitous dis-  
12 tribution;

13 “(iii) through an offer, sale, or dis-  
14 tribution of a security to the public reg-  
15 istered under section 5; or

16 “(iv) otherwise in a broad and public  
17 manner that the Commission determines,  
18 pursuant to regulation, should not subject  
19 the person to disclosure requirements  
20 under subsection (d).

21 “(C) RULEMAKING.—Not later than 360  
22 days after the date of enactment of this section,  
23 the Commission shall, after providing notice  
24 and the opportunity for comment, issue rules  
25 regarding the circumstances under which per-

1           sons that are jointly and severally considered an  
2           ancillary asset originator pursuant to subpara-  
3           graph (B) are responsible for furnishing the  
4           disclosures required under subsection (d) on be-  
5           half of the ancillary asset originator.

6           “(3) CERTIFICATION COVERED PARTY.—The  
7           term ‘certification covered party’ means—

8                   “(A) an ancillary asset originator;

9                   “(B) a subsidiary of the ancillary asset  
10           originator;

11                   “(C) a related person of the ancillary asset  
12           originator; or

13                   “(D) any entity that directly or indirectly  
14           controls or is controlled by a common entity  
15           with the ancillary asset originator.

16           “(4) DECENTRALIZED GOVERNANCE SYSTEM;  
17           DIGITAL ASSET INTERMEDIARY; RELATED PER-  
18           SON.—The terms ‘decentralized governance system’,  
19           ‘digital asset intermediary’, and ‘related person’  
20           have the meanings given those terms in section 2 of  
21           the Digital Asset Market Clarity Act.

22           “(5) GRATUITOUS DISTRIBUTION.—

23                   “(A) IN GENERAL.—The term ‘gratuitous  
24           distribution’—

1                   “(i) means a distribution of a network  
2                   token, including a distribution effected by  
3                   an agent or other service provider engaged  
4                   solely in an administrative or ministerial  
5                   capacity, in exchange for not more than a  
6                   nominal value of cash, property, services,  
7                   or other assets in a broad, equitable, and  
8                   non-discretionary manner; and

9                   “(ii) includes, without limitation, the  
10                  mechanisms and methods of distribution  
11                  described in subparagraph (B).

12                  “(B) MECHANISMS AND METHODS OF DIS-  
13                  TRIBUTION.—The mechanisms and methods of  
14                  distribution described in this subparagraph are  
15                  the following:

16                  “(i) SELF STAKING.—The distribution  
17                  of a unit of a network token, as a pro-  
18                  grammatic result of validating or staking  
19                  activity for a distributed ledger system’s  
20                  consensus mechanism, including the stak-  
21                  ing of a network token, and the operation  
22                  of a node, validator, or substantially simi-  
23                  lar software for such activity where the  
24                  owner of the staked network token and the  
25                  operator of the node, validator, or substan-

1 tially similar software are the same person  
2 or entity.

3 “(ii) SELF-CUSTODIAL STAKING WITH  
4 A THIRD PARTY.—The distribution of a  
5 unit of a network token, as a pro-  
6 grammatic result of validating or staking  
7 activity for a distributed ledger system’s  
8 consensus mechanism, including the stak-  
9 ing of a network token, and the operation  
10 of a node, validator, or substantially simi-  
11 lar software for such activity in which—

12 “(I) the owner of the staked net-  
13 work token, and operator of the node,  
14 validator, or substantially similar soft-  
15 ware for such activity are different  
16 persons or entities; and

17 “(II) the operator of the node,  
18 validator, or substantially similar soft-  
19 ware does not maintain custody or  
20 control of the staked network token.

21 “(iii) LIQUID STAKING.—The distribu-  
22 tion of network tokens, as the issuance,  
23 transfer, or redemption of liquid staking  
24 tokens representing a pro rata interest in  
25 staked network tokens, and their associ-

1 ated rewards, provided that such tokens  
2 are issued as administrative or ministerial  
3 receipts and not providing discretionary  
4 management authority.

5 “(iv) CUSTODIAL AND ANCILLARY  
6 STAKING SERVICES.—

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

20 “(II) RULEMAKING TO DEFINE  
21 THE CUSTODIAL AND ANCILLARY  
22 STAKING SERVICES.—The Commission  
23 shall issue rules defining the custodial  
24 and ancillary staking services de-  
25 scribed in subclause (I) that are exclu-

1 sively administrative or ministerial in  
2 nature, consistent with what is nec-  
3 essary or appropriate for the public  
4 interest or for the protection of inves-  
5 tors.

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

14 “(I) distributions occur pursuant  
15 to public, transparent, rules-based pa-  
16 rameters that are publicly available  
17 and are accessible on a permissionless  
18 basis, without individualized or real-  
19 time negotiation with recipients;

20 “(II) recipients receive network  
21 tokens, as a direct, programmatic re-  
22 sult of objective, verifiable network  
23 participation, consumption, or con-  
24 tribution, including consensus partici-  
25 pation, data availability, bandwidth,

1 governance, or use and interaction  
2 with the protocol or application;

3 “(III) the number of network to-  
4 kens received is proportionate to the  
5 verifiable service, usage, or contribu-  
6 tion;

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

14 “(V) no person or group has uni-  
15 lateral authority to alter, restrict, or  
16 direct the issuance parameters or dis-  
17 tribution mechanisms of the distrib-  
18 uted ledger system, and any modifica-  
19 tion occurs only through a decentral-  
20 ized governance system.

21 “(vi) TECHNOLOGY-NEUTRAL  
22 CLAUSE.—The distribution employing a  
23 mechanism, protocol, or technology not  
24 specifically described in clauses (i) through  
25 (v), without regard to whether such mecha-

1 nism, protocol, or technology is in exist-  
2 ence at the time of enactment of this sec-  
3 tion, and without regard to terminology or  
4 underlying technical framework, provided  
5 such distribution meets the requirements  
6 described in subparagraph (A)(i).

7 “(6) INVESTMENT COMPANY.—The term ‘in-  
8 vestment company’ has the meaning given the term  
9 in section 3(a) of the Investment Company Act of  
10 1940 (15 U.S.C. 80a-3(a)).

11 “(7) NETWORK TOKEN.—

12 “(A) IN GENERAL.—The term ‘network  
13 token’ means a digital commodity that is intrin-  
14 sically linked to a distributed ledger system and  
15 that derives, or is reasonably expected to derive,  
16 its value from the use of such distributed ledger  
17 system, and, pursuant to the Digital Asset Mar-  
18 ket Clarity Act and the amendments made by  
19 the Digital Asset Market Clarity Act, is treated  
20 as a non-security solely for purposes of the  
21 Federal securities laws.

22 “(B) DISQUALIFYING FINANCIAL  
23 RIGHTS.—The term ‘network token’ does not  
24 include any of the following:

1                   “(i) Any security, consistent with the  
2 categories of disqualifying financial rights  
3 described in clause (ii).

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

11                   “(I) A debt or equity interest, or  
12 an option on a debt or equity interest,  
13 in a person.

14                   “(II) Liquidation rights with re-  
15 spect to a person.

16                   “(III) An entitlement to, or a  
17 reasonable expectation of, an interest,  
18 dividend, or other payment, or direct  
19 or indirect transfer of value, from a  
20 person (other than a decentralized  
21 governance system).

22                   “(IV) An express or implied fi-  
23 nancial interest in (including a limited  
24 partnership interest or interest in in-  
25 tellectual property of), or provided by,

1 a person (other than a decentralized  
2 governance system).

3 “(iii) Any interest that is, represents,  
4 or is functionally equivalent to an interest  
5 in an investment company or a company  
6 (as defined in section 2 of the Investment  
7 Company Act of 1940 (15 U.S.C. 80a–2))  
8 that would be an investment company  
9 under section 3(a) of that Act (15 U.S.C.  
10 80a–3(a)) but for the exclusions provided  
11 from that definition by section 3(c) of that  
12 Act (15 U.S.C. 80a–3(c)).

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

18 “(C) RULE OF CONSTRUCTION.—A digital  
19 commodity—

20 “(i) shall be deemed to be intrinsically  
21 linked to a distributed ledger system if the  
22 digital commodity is directly related to the  
23 functionality or operation of the distrib-  
24 uted ledger system or to the activities or

1 services for which the distributed ledger  
2 system is created or utilized; and

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

13 “(b) TREATMENT OF NETWORK TOKENS AND  
14 TRANSACTIONS.—

15 “(1) IN GENERAL.—The offer, sale, or distribu-  
16 tion of an ancillary asset by, or caused by, an ancil-  
17 lary asset originator, including through an under-  
18 writer, shall be considered to be an offer, sale, or  
19 distribution of an investment contract involving an  
20 ancillary asset, except with respect to a gratuitous  
21 distribution.

22 “(2) TREATMENT AS NON-SECURITY.—Except  
23 as provided in this section, and subject to paragraph  
24 (3), a network token shall be treated as a non-secu-  
25 rity, to the extent materially consistent with the re-

1 requirements and conditions of this section, for pur-  
2 poses of —

3 “(A) section 2(a)(1);

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

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

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

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

12 “(F) any applicable requirement of State  
13 law that is functionally equivalent to the provi-  
14 sions described in subparagraphs (A) through  
15 (E), including any provision of State law that  
16 directly or indirectly prohibits, limits, or im-  
17 poses any conditions on the use, offer, sale,  
18 transfer, or disposition of a network token in a  
19 manner that is—

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

25 “(ii) inconsistent with this section.

1 “(3) SECONDARY MARKET TREATMENT.—

2 “(A) IN GENERAL.—Except as provided in  
3 this section (including the limitation under sub-  
4 paragraph (B)), and to the extent materially  
5 consistent with the requirements and conditions  
6 of this section, the offer, sale, or distribution of  
7 a network token by a person shall be treated as  
8 not involving the offer, sale, or distribution of  
9 a security under—

10 “(i) section 2(a)(1);

11 “(ii) the Securities Exchange Act of  
12 1934 (15 U.S.C. 78a et seq.);

13 “(iii) the Investment Company Act of  
14 1940 (15 U.S.C. 80a–1 et seq.);

15 “(iv) the Investment Advisers Act of  
16 1940 (15 U.S.C. 80b–1 et seq.);

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

19 “(vi) any applicable requirement of  
20 State law that is functionally equivalent to  
21 the provisions described in clauses (i)  
22 through (v), including any provision of  
23 State law that directly or indirectly pro-  
24 hibits, limits, or imposes any conditions on

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

3 “(I) not substantially similar to  
4 prohibitions, limitations, or conditions  
5 imposed by that State relating to as-  
6 sets that are commodities under the  
7 laws of that State; and

8 “(II) inconsistent with this sec-  
9 tion.

10 “(B) LIMITATION.—Subparagraph (A)  
11 shall not apply if the applicable network token  
12 is offered, sold, or distributed pursuant to the  
13 offer, sale, or distribution of a security by an  
14 ancillary asset originator or underwriter.

15 “(4) TREATMENT OF GRATUITOUS DISTRIBU-  
16 TIONS.—

17 “(A) IN GENERAL.—A gratuitous distribu-  
18 tion, by itself, shall be presumed to not con-  
19 stitute an offer, sale, or distribution of a secu-  
20 rity for the purposes of—

21 “(i) section 2(a)(1);

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

1                   “(iii) section 2(a) of the Investment  
2                   Company Act of 1940 (15 U.S.C. 80a–  
3                   2(a));

4                   “(iv) section 202(a) of the Investment  
5                   Advisers Act of 1940 (15 U.S.C. 80b–  
6                   2(a));

7                   “(v) section 16 of the Securities In-  
8                   vestor Protection Act of 1970 (15 U.S.C.  
9                   78lll); or

10                   “(vi) any applicable requirement of  
11                   State law, or any provision of State law  
12                   that is functionally equivalent to the provi-  
13                   sions described in clauses (i) through (v),  
14                   including any provision of State law that  
15                   directly or indirectly prohibits, limits, or  
16                   imposes any conditions on the use, offer,  
17                   sale, transfer, or disposition of a network  
18                   token in a manner that is—

19                   “(I) not substantially similar to  
20                   prohibitions, limitations, or conditions  
21                   imposed by that State relating to as-  
22                   sets that are commodities under the  
23                   laws of that State; and

24                   “(II) inconsistent with this sec-  
25                   tion.

1           “(B) SAVINGS CLAUSE.—Nothing in this  
2 paragraph may be construed to limit, impair, or  
3 otherwise affect the anti-fraud or anti-manipu-  
4 lation authorities of the Commission, the Com-  
5 modity Futures Trading Commission, or a  
6 State regulator.

7           “(5) PRIOR CERTIFICATION.—

8           “(A) SUBMISSION AND DEFAULT TREAT-  
9 MENT.—

10           “(i) IN GENERAL.—

11           “(I) PRESUMPTION.—For pur-  
12 poses of this section, there shall be a  
13 rebuttable presumption that a net-  
14 work token, including a network token  
15 distributed in the manner described in  
16 paragraph (4), is an ancillary asset  
17 unless the originator of that network  
18 token, or a digital asset intermediary  
19 (as provided under subsection (c)(4)),  
20 submits to the Commission a com-  
21 pleted written certification, supported  
22 by reasonable evidence, as defined by  
23 the Commission, sufficient to dem-  
24 onstrate that the network token is not  
25 an ancillary asset.

1                   “(II) CONTENTS.—A certification  
2                   submitted under subclause (I) shall  
3                   include a statement in accordance  
4                   with subsection (d)(3)(B)(i).

5                   “(ii) NOTIFICATION.—The Commis-  
6                   sion shall notify the Commodity Futures  
7                   Trading Commission of each certification  
8                   made pursuant to clause (i) and of any  
9                   final agency action with respect to that  
10                  certification.

11                  “(iii) RECIPROCAL NOTICE.—The  
12                  Commission shall receive a copy of any cer-  
13                  tification and supporting materials sub-  
14                  mitted to the Commodity Futures Trading  
15                  Commission under section 203(d) of the  
16                  Digital Commodity Intermediaries Act.

17                  “(B) AUTOMATIC EFFECTIVENESS.—A cer-  
18                  tification submitted under subparagraph (A) by  
19                  an originator or a digital asset intermediary  
20                  shall become effective upon the earlier of—

21                  “(i) the date on which the Commis-  
22                  sion notifies the originator or digital asset  
23                  intermediary in writing that the Commis-  
24                  sion does not object to the certification; or

1           “(ii) if the Commission has not issued  
2 a rebuttal to the originator or digital asset  
3 intermediary in accordance with subpara-  
4 graph (C), 60 days after the date on which  
5 the originator or digital asset intermediary  
6 submits the certification.

7           “(C) COMMISSION DENIAL.—

8           “(i) AUTHORITY TO DENY.—Subject  
9 to clauses (ii) and (iii), the Commission  
10 may deny a certification submitted under  
11 subparagraph (A) by an originator or dig-  
12 ital asset intermediary only during the 60-  
13 day period described in subparagraph  
14 (B)(ii) or upon determining, based on rea-  
15 sonable evidence, that a material change in  
16 circumstances has occurred after the sub-  
17 mission of the certification, whether or not  
18 the certification has taken effect.

19           “(ii) NOTICE OF INTENT TO DENY.—  
20 If the Commission intends to deny a cer-  
21 tification submitted under subparagraph  
22 (A), the Commission shall—

23           “(I) either not later than 20  
24 business days after the date on which  
25 the certification is submitted, or

1 promptly after determining that a ma-  
2 terial change in circumstances has oc-  
3 curred, provide to the applicable origi-  
4 nator or digital asset intermediary no-  
5 tice of the intent of the Commission  
6 to deny that certification; and

7 “(II) provide to the applicable  
8 originator or digital asset inter-  
9 mediary a 10-day period following the  
10 provision of notice under subclause (I)  
11 during which—

12 “(aa) interested persons  
13 shall have an opportunity to sub-  
14 mit written data, views, and ar-  
15 guments relating to that certifi-  
16 cation; and

17 “(bb) the Commodity Fu-  
18 tures Trading Commission may,  
19 at the discretion of the Com-  
20 modity Futures Trading Commis-  
21 sion, submit input regarding  
22 whether the applicable asset—

23 “(AA) satisfies the re-  
24 quirements for being consid-  
25 ered an ancillary asset; or

1 “(BB) includes any dis-  
2 qualifying financial right de-  
3 scribed in subsection  
4 (a)(7)(B).

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

9 “(I) upon request of the applica-  
10 ble originator or digital asset inter-  
11 mediary, provide an opportunity for  
12 the oral presentation of data, views,  
13 and arguments by certification cov-  
14 ered parties;

15 “(II) have a vote of the Commis-  
16 sion (which, notwithstanding section  
17 4A of the Securities Exchange Act of  
18 1934 (15 U.S.C. 78d–1), may not be  
19 delegated to an employee or employee  
20 board or to any individual Commis-  
21 sioner) to deny the certification after  
22 a finding that the applicable asset—

23 “(aa) is an ancillary asset;  
24 or

1 “(bb) includes any disquali-  
2 fying financial right described in  
3 subsection (a)(7)(B); and

4 “(III) notify the Commodity Fu-  
5 tures Trading Commission of each de-  
6 nial made under subclause (II).

7 “(iv) INTERESTED PERSON.—For  
8 purposes of this subparagraph, the term  
9 ‘interested person’ means, with respect to  
10 a network token—

11 “(I) the ancillary asset originator  
12 with respect to that network token  
13 (referred to in this clause as ‘the  
14 originator’);

15 “(II) a subsidiary of the origi-  
16 nator;

17 “(III) a related person of the  
18 originator;

19 “(IV) any entity that directly or  
20 indirectly controls or is controlled by  
21 a common entity with the originator;

22 “(V) any broker or dealer (as  
23 those terms are defined in section  
24 3(a) of the Securities Exchange Act of  
25 1934 (15 U.S.C. 78c(a))), or an ex-

1 change registered pursuant to section  
2 6 of that Act (15 U.S.C. 78f), that  
3 operates in connection with digital as-  
4 sets; or

5 “(VI) any person registered with  
6 the Commodity Futures Trading  
7 Commission that operates or proposes  
8 to operate in connection with digital  
9 assets.

10 “(D) CERTIFICATION FILED BY DIGITAL  
11 ASSET INTERMEDIARY.—

12 “(i) IN GENERAL.—A certification  
13 submitted by a digital asset intermediary  
14 under this paragraph shall only become ef-  
15 fective, if—

16 “(I) the digital asset inter-  
17 mediary has—

18 “(aa) conducted a reason-  
19 able inquiry of publicly available  
20 information, appropriate under  
21 the circumstances, regarding  
22 whether the applicable originator  
23 has engaged in entrepreneurial  
24 and managerial efforts with re-  
25 spect to the applicable network

1 token during the most recent  
2 180-day period, or is likely to en-  
3 gage in those efforts in the fu-  
4 ture; and

5 “(bb) concluded that the ef-  
6 forts described in item (aa) have  
7 not occurred or are not reason-  
8 ably likely to occur; and

9 “(II) subject to clause (ii), the  
10 applicable originator has certified that  
11 there is not (and, during the most re-  
12 cent 180-day period, there has not  
13 been) material, non-public information  
14 regarding entrepreneurial or manage-  
15 rial efforts with respect to the applica-  
16 ble network token in the possession of  
17 the originator or a related party.

18 “(ii) LIMITATION.—Clause (i)(II)  
19 shall not be required if the applicable dig-  
20 ital asset intermediary, after a reasonable  
21 inquiry, appropriate under the cir-  
22 cumstances, determines that the applicable  
23 originator, or any person jointly and sever-  
24 ally liable pursuant to subsection

1 (a)(2)(B), is not capable of submitting the  
2 applicable certification.

3 “(E) FINAL AGENCY ACTION.—Denial  
4 under this paragraph constitutes final agency  
5 action reviewable under applicable law.

6 “(F) TOLLING.—Any applicable period  
7 specified in this paragraph may be tolled, for  
8 periods of not longer than 60 days, during the  
9 3-year period following the effective date of the  
10 Digital Asset Market Clarity Act, upon a show-  
11 ing in writing that the originator or digital  
12 asset intermediary has not substantially re-  
13 sponded to a request for information from the  
14 Commission within a reasonable time.

15 “(G) WITHDRAWAL.—An originator or dig-  
16 ital asset intermediary may withdraw a certifi-  
17 cation submitted under subparagraph (A) at  
18 any time before approval.

19 “(H) DESIGNATED COMMISSION OFFICE.—  
20 The Commission shall designate an office that  
21 shall—

22 “(i) acknowledge receipt of certifi-  
23 cations submitted under subparagraph (A);

24 “(ii) support those seeking certifi-  
25 cation under subparagraph (A) by pro-

1           viding guidance regarding the mechanics of  
2           preparing and submitting those certifi-  
3           cations; and

4                   “(iii) route certifications submitted  
5           under subparagraph (A), together with any  
6           associated comments or recommendations,  
7           to the appropriate division or office of the  
8           Commission for review.

9           “(I) MISSTATEMENTS OR OMISSIONS.—  
10          Any material misstatement or omission to state  
11          a material fact, including with respect to con-  
12          tinuing compliance, in a certification that has  
13          become effective under this paragraph shall  
14          constitute grounds for the Commission, con-  
15          sistent with the securities laws, as defined in  
16          section 3(a) of the Securities Exchange Act of  
17          1934 (15 U.S.C. 78c(a)), to issue an order de-  
18          nying, suspending, or revoking the effectiveness  
19          of the certification and to pursue any appro-  
20          priate enforcement action.

21          “(c) DISCLOSURE REQUIREMENTS FOR CERTAIN  
22          TRANSACTIONS INVOLVING ANCILLARY ASSETS.—

23                   “(1) SPECIFIED INITIAL AND PERIODIC DISCLO-  
24          SURE REQUIREMENTS.—

1           “(A) IN GENERAL.—An ancillary asset  
2           originator shall be subject to the initial and  
3           periodic disclosure requirements under sub-  
4           section (d) upon the occurrence of the earlier of  
5           the following:

6                   “(i) Any offer, sale, or distribution of  
7                   an ancillary asset after the effective date of  
8                   the Digital Asset Market Clarity Act by, or  
9                   that is caused by, that ancillary asset origi-  
10                  nator pursuant to—

11                           “(I) Regulation Crypto, as adopt-  
12                           ed pursuant to section 103 of the  
13                           Lummis-Gillibrand Responsible Fi-  
14                           nancial Innovation Act of 2026;

15                           “(II) the filing of an effective  
16                           registration statement under this Act;

17                           “(III) the filing of an offering  
18                           statement described in section 3(b)(2);

19                           or

20                           “(IV) an offering conducted pur-  
21                           suant to section 4(a)(6).

22                           “(ii)(I) The first secondary market  
23                           offer, sale, or distribution of an ancillary  
24                           asset in the United States after the effec-  
25                           tive date of the Digital Asset Market Clar-

1           ity Act that constitutes a public offering,  
2           whether by the ancillary asset originator or  
3           any other person.

4           “(II) For the purposes of subclause  
5           (I), the term ‘public offering’ shall be in-  
6           terpreted consistent with the meaning of  
7           that term under section 4(a)(2).

8           “(B) EXCLUSION.—Subparagraph (A)  
9           shall not apply if—

10           “(i) the aggregate gross proceeds  
11           from the offer, sale, or distribution of the  
12           applicable ancillary asset (together with  
13           any related assets sold in those offers,  
14           sales, or distributions) were \$5,000,000 or  
15           less (adjusted for inflation) during the 12-  
16           month period immediately following the  
17           date of the first such offer, sale, or dis-  
18           tribution; or

19           “(ii) the average daily aggregate value  
20           of trading in the applicable ancillary asset  
21           in all spot markets open to the public in  
22           the United States for which trading volume  
23           is generally available is \$5,000,000 or less  
24           (adjusted for inflation) during the 12-  
25           month period (or such shorter period as

1 the Commission may determine) imme-  
2 diately preceding the reporting date speci-  
3 fied by paragraph (2), based on the knowl-  
4 edge of the ancillary asset originator after  
5 due inquiry (or, if the ancillary asset has  
6 not yet traded on spot markets open to the  
7 public in the United States, the trading  
8 volume is reasonably expected to be  
9 \$5,000,000 or less (adjusted for inflation)  
10 during the 12-month period immediately  
11 following the reporting date specified by  
12 paragraph (2)).

13 “(C) CALCULATION.—For the purposes of  
14 this paragraph, the calculation of daily aggre-  
15 gate value shall be based on a reasonable cal-  
16 culation of public data.

17 “(2) COMMENCEMENT OF COMPLIANCE WITH  
18 SPECIFIED INITIAL AND PERIODIC DISCLOSURE RE-  
19 QUIREMENTS.—

20 “(A) IN GENERAL.—An ancillary asset  
21 originator subject to the requirements of para-  
22 graph (1) shall comply with the disclosure re-  
23 quirements under subsection (d)—

24 “(i) before—

1                   “(I) any initial offer, sale, or dis-  
2                   tribution described in paragraph  
3                   (1)(A)(i); or

4                   “(II) a secondary market offer,  
5                   sale, or distribution described in para-  
6                   graph (1)(A)(ii); and

7                   “(ii) semiannually thereafter.

8                   “(B) EXCLUSION.—The requirements of  
9                   this paragraph shall not apply to an offer, sale,  
10                  or distribution of an ancillary asset that occurs  
11                  after the effective date of the Digital Asset  
12                  Market Clarity Act if an ancillary asset origi-  
13                  nator has submitted a certification under sub-  
14                  section (d)(3)(C) and the Commission has not  
15                  denied that certification within a 60-day period  
16                  following the process under that subsection.

17                  “(3) TRANSITION RULE.—

18                  “(A) IN GENERAL.—An ancillary asset  
19                  originator that initially offered, sold, or distrib-  
20                  uted (or otherwise controlled or caused the  
21                  offer, sale, or distribution of) a security involv-  
22                  ing an ancillary asset before the effective date  
23                  of the Digital Asset Market Clarity Act shall  
24                  comply with the periodic disclosure require-  
25                  ments under subsection (d), if applicable, begin-

1           ning on the date that is 1 year after that effec-  
2           tive date.

3           “(B) EFFECT ON CERTIFICATION.—An an-  
4           cillary asset originator, or any other certifi-  
5           cation covered party, subject to this paragraph  
6           that meets the requirements of subsection  
7           (d)(3) may furnish a certification as provided in  
8           that subsection without complying with the  
9           periodic disclosure requirements under sub-  
10          section (d), if the Commission has not denied  
11          that certification within a 60-day period after  
12          the completion of the process under that sub-  
13          section.

14          “(C) PERIOD OF DISCLOSURES.—The dis-  
15          closures required under subparagraph (A) shall  
16          apply with respect to the 3-year period pre-  
17          ceding the effective date described in that sub-  
18          paragraph.

19          “(4) DIGITAL ASSET INTERMEDIARIES.—

20          “(A) IN GENERAL.—Other than as pro-  
21          vided under subparagraph (B), with respect to  
22          an ancillary asset that is listed for trading on  
23          a digital asset intermediary, that digital asset  
24          intermediary may, in lieu of the applicable an-  
25          cillary asset originator, satisfy the requirements

1 of subsection (d) in accordance with such rules  
2 as the Commission shall jointly adopt with the  
3 Commodity Futures Trading Commission.

4 “(B) ALLOCATION OF DISCLOSURE RE-  
5 SPONSIBILITY.—

6 “(i) ORIGINATOR FILINGS.—A digital  
7 asset intermediary may not satisfy the re-  
8 quirements of subsection (d) in lieu of the  
9 applicable ancillary asset originator, if—

10 “(I) the ancillary asset originator  
11 is incorporated, organized, or other-  
12 wise registered under the laws of the  
13 United States or of any State; and

14 “(II) the applicable ancillary  
15 asset is—

16 “(aa) offered, sold, or dis-  
17 tributed after the effective date  
18 of the Digital Asset Market Clar-  
19 ity Act pursuant to—

20 “(AA) an investment  
21 contract that is offered, sold,  
22 or distributed pursuant to  
23 Regulation Crypto, as adopt-  
24 ed pursuant to section 103  
25 of the Lummis-Gillibrand

1 Responsible Financial Inno-  
2 vation Act of 2026;

3 “(BB) the filing of an  
4 effective registration state-  
5 ment under this Act (other  
6 than a registration state-  
7 ment on the form described  
8 in section 239.31 or 239.33  
9 of title 17, Code of Federal  
10 Regulations, or the suc-  
11 cessor to either such form);

12 “(CC) the filing of an  
13 offering statement described  
14 in section 3(b)(2); or

15 “(DD) an offering con-  
16 ducted pursuant to section  
17 4(a)(6); or

18 “(bb) first offered or sold  
19 after the effective date of the  
20 Digital Asset Market Clarity Act  
21 in a transaction described in  
22 paragraph (1)(A)(ii).

23 “(ii) COMMISSION DETERMINATION.—

24 “(I) IN GENERAL.—If, after no-  
25 tice, comment, and the opportunity

1 for a hearing, the Commission deter-  
2 mines that it is in the public interest  
3 or necessary for the protection of in-  
4 vestors, including with respect to an  
5 ancillary asset originator incorporated  
6 or organized in a foreign jurisdiction,  
7 the Commission may require an ancil-  
8 lary asset originator, after a transi-  
9 tion period, to file the disclosures re-  
10 quired under subsection (d).

11 “(II) EXTRATERRITORIAL EF-  
12 FECT.—Subclause (I) shall apply  
13 extraterritorially.

14 “(C) STANDARD OF LIABILITY.—Notwith-  
15 standing any other provision of this Act, it shall  
16 be unlawful for a digital asset intermediary to  
17 file disclosures under subsection (d) pursuant to  
18 this paragraph that contain any material  
19 misstatement or omission to state a material  
20 fact required to be stated therein, or necessary  
21 to make the statements therein not misleading,  
22 unless that digital asset intermediary did not  
23 know (and, in the exercise of reasonable care,  
24 could not have known) of that misstatement or  
25 omission.

1           “(5) FAILURE TO COMPLY.—Subject to the re-  
2           quirements of this section, an ancillary asset shall  
3           not be listed for trading on a digital asset inter-  
4           mediary if the Commission and the Commodity Fu-  
5           tures Trading Commission jointly find that the an-  
6           cillary asset originator that initially offered, sold, or  
7           distributed the ancillary asset after the effective date  
8           of the Digital Asset Market Clarity Act (or, if a digi-  
9           tal asset intermediary is satisfying the requirements  
10          of this subsection in lieu of that ancillary asset origi-  
11          nator in accordance with paragraph (4), such digital  
12          asset intermediary) has materially failed to furnish  
13          the required disclosures under this subsection after  
14          a reasonable opportunity to cure, as provided by  
15          joint rule of the Commission and the Commodity  
16          Futures Trading Commission in a manner that is  
17          consistent with the considerations under subsection  
18          (d)(5).

19          “(d) SPECIFIED INITIAL AND PERIODIC DISCLOSURE  
20          REQUIREMENTS.—

21                 “(1) IN GENERAL.—

22                         “(A) FURNISHING OF INFORMATION.—An  
23                         ancillary asset originator that is subject to the  
24                         requirements of paragraph (1) or (3) of sub-  
25                         section (c), or a digital asset intermediary act-



1                   “(iii) whether the applicable ancillary  
2                   asset and any related distributed ledger  
3                   system is subject to coordinated control, as  
4                   defined by the Commission pursuant to  
5                   rules adopted under section 104(b) of the  
6                   Lummis-Gillibrand Responsible Financial  
7                   Innovation Act of 2026.

8                   “(2) CATEGORIES OF INFORMATION.—The in-  
9                   formation required under paragraph (1) shall in-  
10                  clude the following with respect to the applicable an-  
11                  cillary asset originator and the related ancillary  
12                  asset:

13                  “(A) Basic corporate information regard-  
14                  ing the ancillary asset originator and the ancil-  
15                  lary asset activities of the ancillary asset origi-  
16                  nator, which may include the following items, as  
17                  the Commission shall determine by rule:

18                         “(i) The experience of the ancillary  
19                         asset originator (or persons controlling the  
20                         ancillary asset originator) in developing an-  
21                         cillary assets.

22                         “(ii) If the ancillary asset originator  
23                         (or persons controlling the ancillary asset  
24                         originator) has previously distributed ancil-  
25                         lary assets, information on the subsequent

1 distribution history of those ancillary as-  
2 sets, including price history, if the infor-  
3 mation is publicly available.

4 “(iii) The activities that the ancillary  
5 asset originator has taken in the relevant  
6 disclosure period, and is projecting to take  
7 in the 1-year period following the submis-  
8 sion of the disclosure, with respect to pro-  
9 moting the use, value, or resale of the an-  
10 cillary asset (including any activity to fa-  
11 cilitate the creation or maintenance of a  
12 trading market for the ancillary asset and  
13 any distributed ledger system, application,  
14 or system that uses the ancillary asset).

15 “(iv) The anticipated cost of the ac-  
16 tivities of the ancillary asset originator de-  
17 scribed in clause (iii), whether the ancillary  
18 asset originator has unencumbered, liquid  
19 funds equal to that amount, and, if the an-  
20 cillary asset originator does not have those  
21 funds, the anticipated plan of operations of  
22 the ancillary asset originator for the por-  
23 tion of time where those liquid funds are  
24 less than the anticipated cost of the activi-  
25 ties of the ancillary asset originator.

1           “(v) The experience of the ancillary  
2           asset originator with the use of a distrib-  
3           uted ledger system or distributed ledger  
4           technology.

5           “(vi) The identities and expertise of  
6           the board of directors (or equivalent body)  
7           and senior management of the ancillary  
8           asset originator, the experience or func-  
9           tions of whom are material to the develop-  
10          ment or value of the ancillary asset, as well  
11          as any personnel changes relating to the  
12          ancillary asset originator during the period  
13          covered by the disclosure.

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

16                 “(I) if the aggregate amount of  
17                 such ancillary assets offered, sold, or  
18                 distributed to the public does not ex-  
19                 ceed \$25,000,000 in gross proceeds,  
20                 reviewed by a public accountant that  
21                 is independent of the ancillary asset  
22                 originator; or

23                 “(II) if the aggregate amount of  
24                 such ancillary assets offered, sold, or  
25                 distributed to the public exceeds



1 if those individuals, in the aggregate,  
2 own not less than 5 percent of the an-  
3 cillary asset.

4 “(xi) For any material transactions  
5 involving the ancillary asset between the  
6 ancillary asset originator and any related  
7 person, a description, in the aggregate, of  
8 the parties, the number of ancillary assets  
9 involved, and a summary of any material  
10 features of the transactions, including any  
11 material terms or ongoing obligations.

12 “(xii) A summary, in the aggregate by  
13 year, of transactions in ancillary assets  
14 during the 4-year period preceding the fur-  
15 nishing of the disclosure, by the ancillary  
16 asset originator and persons that directly  
17 or indirectly control the ancillary asset  
18 originator.

19 “(xiii) Purchases or similar acquisi-  
20 tions of ancillary assets by the ancillary  
21 asset originator and affiliates of the ancil-  
22 lary asset originator.

23 “(xiv) A statement, made in good  
24 faith, from the chief financial officer of the  
25 ancillary asset originator or equivalent offi-

1           cial, stating whether the ancillary asset  
2           originator reasonably expects to maintain  
3           or have the financial resources to continue  
4           business as a going concern for the 12-  
5           month period following the furnishing of  
6           the disclosure, absent a change in cir-  
7           cumstances.

8                   “(xv) The current state and timeline  
9           for the development of the distributed ledg-  
10          er system to which the ancillary asset re-  
11          lates, detailing if, how, and when the dis-  
12          tributed ledger system and the related an-  
13          cillary asset are intended to no longer be  
14          subject to coordinated control, including by  
15          related persons, if the distributed ledger  
16          system has not yet received a certification  
17          under section 104(d) of the Lummis-Gilli-  
18          brand Responsible Financial Innovation  
19          Act of 2026.

20                   “(B) Economic and technical information  
21          relating to the ancillary asset, which may in-  
22          clude the following items, as the Commission  
23          shall determine by rule:

24                           “(i) A general description of the ancil-  
25          lary asset and the distributed ledger sys-

1                   tem to which that ancillary asset relates,  
2                   including—

3                   “(I) a plain-English description  
4                   of how the applicable distributed ledg-  
5                   er, distributed ledger system, or dis-  
6                   tributed ledger application functions;

7                   “(II) the intended or known  
8                   functionality and uses of the ancillary  
9                   asset and any associated fees for use  
10                  or disposition of the ancillary asset;

11                  “(III) the market for the ancil-  
12                  lary asset;

13                  “(IV) other assets or services  
14                  that may compete with the ancillary  
15                  asset;

16                  “(V) the total supply of the ancil-  
17                  lary asset or the manner and rate of  
18                  the ongoing production or creation of  
19                  the ancillary asset; and

20                  “(VI) the governance and con-  
21                  sensus mechanism for the ancillary  
22                  asset and that distributed ledger sys-  
23                  tem, if applicable, including for vali-  
24                  dating transactions and implementing  
25                  changes to the distributed ledger sys-

1                   tem, the method of generating or min-  
2                   ing ancillary assets, and any process  
3                   for burning or destroying units of the  
4                   ancillary asset on a distributed ledger  
5                   system.

6                   “(ii) If the ancillary asset originator  
7                   has offered, sold, or otherwise provided an-  
8                   cillary assets to affiliates, investors, em-  
9                   ployees, intermediaries, or resellers, a de-  
10                  scription of the amount of assets offered,  
11                  sold, or otherwise provided to such persons  
12                  and a summary of any material resale re-  
13                  strictions or other material obligations  
14                  arising from related contracts, agreements,  
15                  or other arrangements.

16                  “(iii) If ancillary assets were distrib-  
17                  uted by the ancillary asset originator with-  
18                  out charge or upon meeting certain condi-  
19                  tions, a description of the distributions, in  
20                  the aggregate, along with the identity of  
21                  any recipient that received more than 5  
22                  percent of the total amount of ancillary as-  
23                  sets (calculated as a percentage of the  
24                  total supply of such asset at the time of  
25                  distribution).

1                   “(iv) The amount of ancillary assets  
2 owned by the ancillary asset originator.

3                   “(v) For the 12-month period fol-  
4 lowing the furnishing of the disclosure, a  
5 description of the current state and antici-  
6 pated timeline for the development of the  
7 distributed ledger system to which that an-  
8 cillary asset relates, including—

9                   “(I) plans of the ancillary asset  
10 originator to support (or to cease sup-  
11 porting) the use or development of the  
12 ancillary asset, including markets for  
13 the ancillary asset and that distrib-  
14 uted ledger system;

15                   “(II) the various roles that exist  
16 or are intended to exist in connection  
17 with any applicable distributed ledger,  
18 distributed ledger system, or distrib-  
19 uted ledger application, such as users,  
20 service providers, developers, trans-  
21 action validators, and governance par-  
22 ticipants;

23                   “(III) a discussion of any mecha-  
24 nisms by which control or authority  
25 are exerted with respect to that dis-

1                   tributed ledger system, if applicable,  
2                   or the related ancillary asset; and

3                   “(IV) any critical operational de-  
4                   pendencies of any applicable distrib-  
5                   uted ledger, distributed ledger system,  
6                   or distributed ledger application or of  
7                   the related ancillary asset.

8                   “(vi) Risk factors that may materially  
9                   affect the liquidity of the ancillary asset,  
10                  investor demand with respect to the ancil-  
11                  lary asset, or the market price or value of  
12                  the ancillary asset.

13                  “(vii) To the extent available to the  
14                  ancillary asset originator, the average daily  
15                  price for a constant unit of value of the  
16                  ancillary asset during the relevant report-  
17                  ing period, as well as the 12-month high  
18                  and low prices for the ancillary asset, as  
19                  calculated based on the 3 exchanges with  
20                  the largest trading volume in that ancillary  
21                  asset.

22                  “(viii) If applicable, and subject to cy-  
23                  bersecurity best practices, information re-  
24                  lating to any external audit of the code  
25                  and functionality of the ancillary asset, in-

1 cluding the entity performing the audit  
2 and the experience of the entity in con-  
3 ducting similar audits.

4 “(ix) Information relating to custodial  
5 services available for the ancillary asset.

6 “(x) Information on intellectual prop-  
7 erty rights claimed or disputed relating to  
8 the ancillary asset.

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

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

20 “(C) In addition to the information ex-  
21 pressly required to be included under subpara-  
22 graphs (A) and (B), the ancillary asset origi-  
23 nator or digital asset intermediary, as applica-  
24 ble, shall provide such further material informa-  
25 tion, if any, as may be necessary to ensure that

1 the statements made in the disclosure are not,  
2 in light of the circumstances under which the  
3 statements are made, materially misleading.

4 “(3) TERMINATION OF REQUIREMENTS.—

5 “(A) TERMINATION.—The obligation of an  
6 ancillary asset originator to provide disclosures  
7 under paragraph (1) shall terminate on the  
8 date that a certification becomes effective under  
9 subparagraph (B), including through an ap-  
10 proval or deemed approval.

11 “(B) CERTIFICATION.—

12 “(i) IN GENERAL.—A certification  
13 covered party may submit to the Commis-  
14 sion a certification, based on the knowl-  
15 edge of the certification covered party after  
16 due inquiry and supported by reasonable  
17 evidence, that states—

18 “(I) that—

19 “(aa) during the 180-day  
20 period preceding the date on  
21 which the certification covered  
22 party submits the certification,  
23 and as of the date of submission,  
24 no certification covered party has  
25 engaged in more than a nominal

1 level of entrepreneurial or mana-  
2 gerial efforts (as defined by the  
3 Commission by rule), which shall  
4 not, for the purposes of this  
5 clause, include providing adminis-  
6 trative services alone;

7 “(bb) any efforts described  
8 in item (aa) were not a primary  
9 factor in determining the value of  
10 the related ancillary asset (which  
11 may include that any essential  
12 promises made by the certifi-  
13 cation covered party have been  
14 fulfilled); and

15 “(cc) a certification is effec-  
16 tive under section 104(d) of the  
17 Lummis-Gillibrand Responsible  
18 Financial Innovation Act of  
19 2026;

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

1 certification following the date of the  
2 certification; and

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

11 “(ii) CHANGE IN CIRCUMSTANCES.—

12 “(I) EFFECTIVENESS OF THE  
13 CERTIFICATION.—A certification  
14 under clause (i) shall remain effective  
15 until the date on which any certifi-  
16 cation covered party engages in entre-  
17 preneurial or managerial efforts that  
18 would render the certification covered  
19 party unable to meet the standards of  
20 the certification.

21 “(II) NEW DISCLOSURES RE-  
22 QUIRED.—On and after the date de-  
23 scribed in subclause (I), the certifi-  
24 cation covered party undertaking ef-  
25 forts described in that subclause shall

1 be responsible for furnishing to the  
2 Commission the disclosures required  
3 under paragraph (1), including a de-  
4 scription of the change in cir-  
5 cumstances.

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

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

17 “(iii) COMMISSION DENIAL.—

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

22 “(aa) issuing a written no-  
23 tice of objection to the certifi-  
24 cation submitted under clause (i)  
25 or upon determining that more

1 than a nominal level of entrepre-  
2 neurial or managerial efforts has  
3 been undertaken by any certifi-  
4 cation covered party after the  
5 submission of the certification;  
6 and

7 “(bb) providing to the cer-  
8 tification covered party 10 days  
9 notice of the intent of the Com-  
10 mission to deny that certification,  
11 during which period interested  
12 persons shall have an opportunity  
13 to submit written data, views,  
14 and arguments relating to that  
15 certification.

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

20 “(aa) upon request of the  
21 certification covered party, pro-  
22 vide an opportunity for the oral  
23 presentation of data, views, and  
24 arguments by any interested per-  
25 sons; and

1                   “(bb) have a vote of the  
2                   Commission on whether to grant  
3                   or deny the certification, based  
4                   on a finding as to whether the  
5                   applicable ancillary asset meets  
6                   the standard for certification  
7                   under clause (i).

8                   “(III) FINAL AGENCY ACTION.—  
9                   Denial under this clause constitutes  
10                  final agency action reviewable under  
11                  applicable law.

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

18                  “(v) WITHDRAWAL.—A certification  
19                  covered party may withdraw a certification  
20                  submitted under clause (i) at any time be-  
21                  fore that certification is approved or de-  
22                  nied.

23                  “(vi) DESIGNATED COMMISSION OF-  
24                  FICE.—The Commission shall designate an  
25                  office that shall—



1                   tify the person intending to offer, sell,  
2                   or distribute the applicable network  
3                   token, and that person shall be treat-  
4                   ed as the applicable ancillary asset  
5                   originator for the purposes of this  
6                   subparagraph.

7                   “(viii) TOLLING.—Any applicable pe-  
8                   riod specified in this subparagraph may be  
9                   tolled, for periods of not longer than 60  
10                  days, during the 3-year period following  
11                  the effective date of the Digital Asset Mar-  
12                  ket Clarity Act, upon a showing in writing  
13                  that the submitting certification covered  
14                  party has not substantially responded to a  
15                  request for information from the Commis-  
16                  sion within a reasonable time.

17                  “(ix) MISSTATEMENTS OR OMIS-  
18                  SIONS.—Any material misstatement or  
19                  omission to state a material fact, including  
20                  with respect to continuing compliance, in a  
21                  certification that has become effective  
22                  under this subparagraph shall constitute  
23                  grounds for the Commission, consistent  
24                  with the securities laws (as defined in sec-

1                   tion 3(a) of the Securities Exchange Act of  
2                   1934 (15 U.S.C. 78c(a)), to—

3                   “(I) issue an order denying, sus-  
4                   pending, or revoking the effectiveness  
5                   of that certification; and

6                   “(II) pursue any appropriate en-  
7                   forcement action.

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

16                  “(5) RULEMAKING CONSIDERATIONS.—In  
17                  adopting rules under this subsection, the Commis-  
18                  sion shall—

19                  “(A) require only such information as the  
20                  Commission finds to be necessary and appro-  
21                  priate to protect investors, maintain fair, or-  
22                  derly, and efficient markets, and facilitate cap-  
23                  ital formation, innovation, and efficiency;

24                  “(B) include in any final versions of those  
25                  rules a cost–benefit analysis evaluating the ef-

1           fects of any such rule on innovation, efficiency,  
2           competition, maintaining fair and orderly mar-  
3           kets, and capital formation, including the com-  
4           petitiveness of United States market partici-  
5           pants; and

6                   “(C) act jointly with the Commodity Fu-  
7           tures Trading Commission to establish a proc-  
8           ess for implementing the requirements of this  
9           subsection, including with respect to listing and  
10          disclosures, that is consistent and coordinated  
11          with the listing process for digital asset inter-  
12          mediaries.

13                   “(6) LIMITATIONS.—Rules adopted under this  
14          subsection shall not require the inclusion of financial  
15          statements of an ancillary asset originator, except  
16          with respect to the disclosure of financial informa-  
17          tion under paragraph (2).

18                   “(e) EXEMPTIONS.—The Commission may, by order,  
19          exempt an ancillary asset originator or digital asset inter-  
20          mediary, or any class of ancillary asset originators or dig-  
21          ital asset intermediaries, from specified requirements  
22          under subsection (d) if it is in the public interest or for  
23          the protection of investors, consistent with the purposes  
24          of this section and subject to such conditions as the Com-

1 mission determines necessary to protect investors and in  
2 the public interest.

3 “(f) CONFIDENTIAL TREATMENT OF CERTAIN IN-  
4 FORMATION.—Subject to Commission rules and proce-  
5 dures, an ancillary asset originator required to furnish the  
6 Commission with disclosures under subsection (d), or a  
7 digital asset intermediary furnishing those disclosures in  
8 lieu of such an ancillary asset originator, may submit a  
9 request for confidential treatment of information included  
10 in such disclosures pursuant to procedures the Commis-  
11 sion shall establish and that are modeled on or identical  
12 to section 230.406 of title 17, Code of Federal Regula-  
13 tions, or any successor regulation.

14 “(g) EFFECT OF FAILURE TO COMPLY.—The failure  
15 of an ancillary asset originator or digital asset inter-  
16 mediary to comply with a provision of this section shall  
17 not, by itself, cause an ancillary asset offered, sold, or dis-  
18 tributed by that ancillary asset originator (or that the an-  
19 cillary asset originator caused to be offered, sold, or dis-  
20 tributed) to be a security under any applicable law.

21 “(h) LIABILITY FOR FALSE OR MISLEADING STATE-  
22 MENTS.—

23 “(1) IN GENERAL.—It shall be unlawful for an  
24 ancillary asset originator, in any initial and periodic  
25 disclosure, certification, or other document furnished

1 under this section, to make an untrue statement of  
2 a material fact or omit to state a material fact re-  
3 quired to be stated therein or necessary to make the  
4 statements therein not misleading.

5 “(2) RULE OF CONSTRUCTION.—Nothing in  
6 this subsection may be construed as limiting the ap-  
7 plication of section 240.10b–5 of title 17, Code of  
8 Federal Regulations, or any successor regulation, to  
9 false or misleading disclosure statements or pre-  
10 venting any private right of action otherwise avail-  
11 able under the Federal securities laws.

12 “(i) SPECIAL DISPOSITION RESTRICTIONS BY RE-  
13 LATED PERSONS.—

14 “(1) IN GENERAL.—The Commission shall  
15 adopt rules, consistent with section 104 of the Lum-  
16 mis-Gillibrand Responsible Financial Innovation Act  
17 of 2026, establishing limitations on the disposition  
18 of certain ancillary assets with specified characteris-  
19 tics by related persons.

20 “(2) CONSIDERATIONS.—In adopting rules  
21 under paragraph (1), the Commission shall consider  
22 what is necessary or appropriate to protect investors,  
23 promote capital formation, and maintain fair and or-  
24 derly markets, which may include the prevention of

1 insider self-dealing or other abuses of a privileged  
2 position.

3 “(j) SAFE HARBOR FOR FORWARD-LOOKING STATE-  
4 MENTS.—In any action against an ancillary asset origi-  
5 nator or digital asset intermediary arising under this Act  
6 that is based on an untrue statement of a material fact  
7 or omission of a material fact necessary to make the state-  
8 ment not misleading, no liability shall arise with respect  
9 to any forward-looking statement (including any state-  
10 ment of plans, objectives, projections, expectations, or as-  
11 sumptions concerning future performance, financial posi-  
12 tion, development milestones, asset utility, system adop-  
13 tion, or market conditions) made in an ancillary asset dis-  
14 closure, statement, or other document furnished pursuant  
15 to this section, if the statement is—

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

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

20 “(k) TRANSACTIONS BEFORE EFFECTIVE DATE.—

21 “(1) PRIMARY TRANSACTIONS.—Notwith-  
22 standing any other provision of law, neither the  
23 Commission nor any private plaintiff may initiate,  
24 pursue, or maintain any action, or an appeal of an  
25 action, for a violation of section 5 or 12(a)(1) of this

1 Act arising from any offer, sale, or distribution of  
2 ancillary assets occurring before the effective date of  
3 the Digital Asset Market Clarity Act, provided that  
4 the ancillary asset originator or a certification cov-  
5 ered party complies with any applicable require-  
6 ments under subsection (c)(3).

7 “(2) PRIMARY TRANSACTIONS RELATED TO  
8 FRAUD.—Nothing in paragraph (1) shall limit the  
9 ability of the Commission to bring an action based  
10 on the anti-fraud or anti-manipulation authorities of  
11 the Commission.

12 “(3) SECONDARY TRANSACTIONS.—Notwith-  
13 standing any other provision of law, the offer, sale,  
14 or distribution of a network token by a person occur-  
15 ring before the effective date of the Digital Asset  
16 Market Clarity Act shall be treated as not involving  
17 the offer, sale, or distribution of a security under—

18 “(A) section 2(a)(1);

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

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

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

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

3           “(F) any applicable requirement of State  
4           law that is functionally equivalent to the provi-  
5           sions described in subparagraphs (A) through  
6           (E), including any provision of State law that  
7           directly or indirectly prohibits, limits, or im-  
8           poses any conditions on the use, offer, sale,  
9           transfer, or disposition of a network token in a  
10          manner that is—

11                   “(i) not substantially similar to prohi-  
12                   bitions, limitations, or conditions imposed  
13                   by that State relating to assets that are  
14                   commodities under the laws of that State;  
15                   and

16                   “(ii) inconsistent with this section.

17           “(4) NO INFERENCE OF LIABILITY.—Nothing  
18           in paragraph (1), (2), or (3) may be construed as  
19           an admission, acknowledgment, or inference of liabil-  
20           ity for any act, transaction, or conduct occurring be-  
21           fore the effective date of the Digital Asset Market  
22           Clarity Act.

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

1           “(A) impair vested rights or contractual  
2 obligations lawfully established before the effec-  
3 tive date of the Digital Asset Market Clarity  
4 Act; or

5           “(B) limit the authority of the Commission  
6 to bring an action against an ancillary asset  
7 originator or a related person for securities  
8 fraud or manipulation in connection with a  
9 statement, a disclosure, or conduct by that an-  
10 cillary asset originator or related person, except  
11 that the Commission may not exercise that au-  
12 thority to treat a network token as a security  
13 or regulate secondary market trading.

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

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

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

23           “(3) prohibit the offer, sale, or distribution of  
24 a digital asset in reliance on an exemption from reg-  
25 istration under this Act, other than Regulation

1 Crypto (as adopted pursuant to section 103 of the  
2 Lummis-Gillibrand Responsible Financial Innovation  
3 Act of 2026); or

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

7 “(m) ANTI-EVASION.—

8 “(1) ANTI-EVASION.—The Commission may  
9 issue such regulations as the Commission considers  
10 necessary or appropriate in the public interest or for  
11 the protection of investors to administer and prevent  
12 willful evasion of—

13 “(A) this section;

14 “(B) sections 103 and 104 of the Lummis-  
15 Gillibrand Responsible Financial Innovation Act  
16 of 2026; and

17 “(C) with respect to an ancillary asset  
18 originator and related persons, the Federal se-  
19 curities laws amended by the Lummis-Gilli-  
20 brand Responsible Financial Innovation Act of  
21 2026.

22 “(2) CONSIDERATIONS.—In adopting rules  
23 under this section—

24 “(A) the form, label, and written docu-  
25 mentation of an agreement, contract, or trans-

1           action, or an entity, shall not be dispositive in  
2           determining whether the agreement, contract,  
3           or transaction, or entity, has been entered into  
4           or structured to willfully evade the requirements  
5           of this section;

6           “(B) the Commission may consider if,  
7           based on the totality of facts and cir-  
8           cumstances, the principal purpose of any ar-  
9           rangement, allocation of rights, interposition of  
10          entities, or sequencing of steps is to willfully  
11          circumvent the requirements of this section or  
12          the restrictions set forth in section 104 of the  
13          Lummis-Gillibrand Responsible Financial Inno-  
14          vation Act of 2026, by satisfying the literal  
15          terms while defeating the purpose and policy of  
16          this section;

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

22                  “(i) removal of a disqualifying finan-  
23                  cial right from the instrument coupled with  
24                  its re-introduction through a substantially  
25                  equivalent right held by a related person or

1 controlled vehicle, including, by way of ex-  
2 ample, any nominally independent founda-  
3 tion, decentralized autonomous organiza-  
4 tion, laboratory, or similar arrangement;

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

8 “(iii) timing of steps designed to trig-  
9 ger, accelerate, or delay certification or ter-  
10 mination of disclosure obligations without  
11 a material change in circumstances relat-  
12 ing to the asset; and

13 “(D) the Commission shall provide that  
14 evasion shall not occur if an agreement, con-  
15 tract, or transaction is entered into for a legiti-  
16 mate business purpose and is not structured  
17 with a principal purpose of willfully circum-  
18 venting the requirements of this section.

19 “(n) FIDUCIARY OBLIGATIONS.—

20 “(1) FIDUCIARY DUTIES UNDER STATE LAW.—

21 For the avoidance of doubt, nothing in this section,  
22 or in any rule issued under this section, may be con-  
23 strued to limit, preempt, or otherwise affect any fi-  
24 duciary duty of an ancillary asset originator, or of  
25 any director, officer, or controlling person of an an-

1        cillary asset originator, arising under the laws of any  
2        State.

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

12        “(o) SAVINGS CLAUSE.—Except as provided by the  
13       Digital Asset Market Clarity Act and the amendments  
14       made by that Act, nothing in this section may be con-  
15       strued to limit the authority of the Commission under the  
16       securities laws, as defined in section 3(a) of the Securities  
17       Exchange Act of 1934 (15 U.S.C. 78c(a)).”.

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

1 **SEC. 103. EXEMPTION AND RULEMAKING FOR CERTAIN**  
2 **TRANSACTIONS INVOLVING ANCILLARY AS-**  
3 **SETS.**

4 (a) **ADOPTION OF REGULATION CRYPTO.**—The Com-  
5 mission shall adopt rules under the Securities Act of 1933  
6 (15 U.S.C. 77a et seq.) and the Securities Exchange Act  
7 of 1934 (15 U.S.C. 78a et seq.), which shall be referred  
8 to collectively as “Regulation Crypto”, to implement sub-  
9 sections (b), (c), and (d) of this section.

10 (b) **EXEMPTION FOR CERTAIN TRANSACTIONS IN-**  
11 **VOLVING ANCILLARY ASSETS.**—

12 (1) **EXEMPTION.**—

13 (A) **IN GENERAL.**—Rules adopted by the  
14 Commission under this section shall provide  
15 that the registration requirements of the Secu-  
16 rities Act of 1933 (15 U.S.C. 77a et seq.) shall  
17 not apply to an offer, sale, or distribution of an  
18 investment contract involving an ancillary asset,  
19 if the offer, sale, or distribution does not exceed  
20 the greater of—

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

24 (ii) 10 percent of the total dollar value  
25 of those ancillary assets that are out-

1 standing, as of the date of that offer, sale,  
2 or distribution.

3 (B) CONTINUED APPLICATION OF CERTAIN  
4 PROVISIONS.—Sections 12(a)(2) and 17 of the  
5 Securities Act of 1933 (15 U.S.C. 77l(a)(2),  
6 77q) shall apply with respect to an offer, sale,  
7 or distribution of an investment contract involv-  
8 ing an ancillary asset that is described in sub-  
9 paragraph (A).

10 (2) LIMITATION.—An ancillary asset originator  
11 may not raise more than \$200,000,000 in total  
12 gross proceeds in reliance on Regulation Crypto.

13 (3) REVIEW AND ADJUSTMENT FOR INFLA-  
14 TION.—

15 (A) IN GENERAL.—Not later than 2 years  
16 after the date of enactment of this Act, and  
17 every 2 years thereafter, the Commission  
18 shall—

19 (i) review the amounts described in  
20 paragraphs (1)(A)(i) and (2);

21 (ii) adjust the amounts described in  
22 paragraphs (1)(A)(i) and (2) to account  
23 for inflation; and

24 (iii) increase the amounts described in  
25 paragraphs (1)(A)(i) and (2) as the Com-

1 mission determines appropriate, if that ac-  
2 tion would be in the public interest and  
3 consistent with the protection of investors.

4 (B) REPORT.—If the Commission, after  
5 conducting a review under subparagraph (A),  
6 determines not to increase the amount de-  
7 scribed in paragraph (1)(A)(i) or (2) (other  
8 than to adjust that amount for inflation, as re-  
9 quired under subparagraph (A)(ii) of this para-  
10 graph), the Commission shall submit to the  
11 Committee on Banking, Housing, and Urban  
12 Affairs of the Senate and the Committee on Fi-  
13 nancial Services of the House of Representa-  
14 tives a report detailing the reasons that the  
15 Commission did not increase that amount.

16 (c) CONDITIONS FOR EXEMPTION.—The following  
17 conditions shall apply to the exemption provided under  
18 subsection (b):

19 (1) INITIAL DISCLOSURES.—Not later than 30  
20 days before the date on which the applicable ancil-  
21 lary asset originator, any affiliate of the ancillary  
22 asset originator, or any underwriter of an invest-  
23 ment contract, offers, sells, or distributes an ancil-  
24 lary asset in reliance on Regulation Crypto, the an-  
25 cillary asset originator shall furnish with the Com-

1 mission the disclosures required under section 4B(d)  
2 of the Securities Act of 1933, as added by this Act,  
3 subject to the periodic semiannual disclosure re-  
4 quirements of that section.

5 (2) COORDINATED CONTROL.—If the applicable  
6 ancillary asset is reliant on a distributed ledger sys-  
7 tem that, together with that ancillary asset, is sub-  
8 ject to coordinated control, including by related per-  
9 sons, the restrictions on disposition under section  
10 104 shall apply.

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

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

17 (B) a development stage company that ei-  
18 ther—

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

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

24 (C) an investment company (as defined in  
25 section 3(a) of the Investment Company Act of

1 1940 (15 U.S.C. 80a-3(a))) or a company (as  
2 defined in section 2 of that Act (15 U.S.C.  
3 80a-2)) that would be an investment company  
4 under section 3(a) of that Act (15 U.S.C. 80a-  
5 3(a)) but for the exclusions provided from that  
6 definition by section 3(c) of that Act (15 U.S.C.  
7 80a-3(c)), provided that, solely for the purposes  
8 of evaluating eligibility to rely on the exemption  
9 provided under subsection (b), an ancillary  
10 asset originator shall not be deemed to be an  
11 investment company solely by virtue of invest-  
12 ing, reinvesting, owning, holding, or trading an-  
13 cillary assets, including ancillary assets offered  
14 for sale by the ancillary asset originator;

15 (D) a person issuing fractional undivided  
16 interests in other commodities;

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

23 (F) a person that is or has been disquali-  
24 fied pursuant to section 230.506(d) of title 17,  
25 Code of Federal Regulations, or any successor

1 regulation, unless waived by order of the Com-  
2 mission;

3 (G) a person that is or has been disquali-  
4 fied pursuant to section 230.251 through  
5 230.263 of title 17, Code of Federal Regula-  
6 tions (commonly referred to as “Regulation  
7 A”), or any successor regulations, unless waived  
8 by order of the Commission; or

9 (H) a person convicted of a felony offense  
10 involving insider trading, embezzlement,  
11 cybercrime, money laundering, financing of ter-  
12 rorism, or financial fraud, within the last 10  
13 years.

14 (4) FURNISHING NOTICE OF RELIANCE.—The  
15 applicable ancillary asset originator shall electroni-  
16 cally furnish with the Commission a notice of reli-  
17 ance on Regulation Crypto not fewer than 30 days  
18 before the date on which the ancillary asset origi-  
19 nator first offers, sells, or distributes an ancillary  
20 asset in reliance on Regulation Crypto, which shall  
21 contain the following information:

22 (A) The name of the ancillary asset origi-  
23 nator.

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

4           (C) The website where the summary docu-  
5           ments of the ancillary asset originator, if any,  
6           may be found and made available for public  
7           consumption.

8           (D) An email address at which the ancil-  
9           lary asset originator may be contacted.

10          (5) PUBLIC AVAILABILITY.—The Commission  
11          shall require that the disclosures furnished with the  
12          Commission under section 4B(d) of the Securities  
13          Act of 1933, as added by this Act, be made publicly  
14          available in a manner that provides timely and con-  
15          tinuing access.

16          (6) FORM AND MANNER.—The disclosures fur-  
17          nished with the Commission under section 4B(d) of  
18          the Securities Act of 1933, as added by this Act,  
19          shall be prepared, furnished, and made public in the  
20          form and manner prescribed by the Commission, in-  
21          cluding through the use of electronic furnishing, web  
22          posting, machine-readable formats, and plain-  
23          English legends, as the Commission determines nec-  
24          essary or appropriate in the public interest or for  
25          the protection of investors.

1 (d) STATUS UNDER SECURITIES LAWS.—

2 (1) IN GENERAL.—A disclosure furnished under  
3 section 4B of the Securities Act of 1933, as added  
4 by this Act, including an initial or periodic disclosure  
5 furnished under subsection (d) of such section 4B,  
6 and any other document furnished under Regulation  
7 Crypto, shall be deemed to be—

8 (A) a “prospectus” solely—

9 (i) for purposes of section 12(a)(2) of  
10 the Securities Act of 1933 (15 U.S.C.  
11 77l(a)(2)); and

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

15 (B) a “statement” solely for purposes of—

16 (i) section 17(a) of the Securities Act  
17 of 1933 (15 U.S.C. 77q(a));

18 (ii) section 10(b) of the Securities Ex-  
19 change Act of 1934 (15 U.S.C. 78j(b));  
20 and

21 (iii) section 240.10b–5 of title 17,  
22 Code of Federal Regulations, or any suc-  
23 cessor regulation.

24 (2) REGISTRATION STATEMENT.—

1           (A) IN GENERAL.—A disclosure furnished  
2           under section 4B of the Securities Act of 1933,  
3           as added by this Act, including an initial or  
4           periodic disclosure furnished under subsection  
5           (d) of such section 4B, or any other document  
6           furnished under Regulation Crypto, shall not be  
7           deemed to be a “registration statement” for  
8           purposes of section 11 of the Securities Act of  
9           1933 (15 U.S.C. 77k) or to have been filed  
10          under the Securities Exchange Act of 1934 (15  
11          U.S.C. 78a et seq.).

12          (B) CIVIL LIABILITY.—Liability under sec-  
13          tion 12(a)(2) of the Securities Act of 1933 (15  
14          U.S.C. 77l(a)(2)) relating to a disclosure fur-  
15          nished under section 4B of the Securities Act of  
16          1933, as added by this Act, including an initial  
17          or periodic disclosure furnished under sub-  
18          section (d) of such section 4B, or any other  
19          document furnished under Regulation Crypto,  
20          shall only apply to the person making state-  
21          ments in that disclosure or other document, and  
22          only a person that purchased an ancillary asset  
23          in a transaction involving disclosures provided  
24          under Regulation Crypto shall have a claim  
25          under such section 12(a)(2).

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

18                   (A) identified as forward-looking; and

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

22 **SEC. 104. SPECIAL DISPOSITION RESTRICTIONS BY RE-**  
23 **LATED PERSONS.**

24           (a) DEFINITIONS.—In this section:

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

4                   (A) the ancillary asset originator;

5                   (B) a subsidiary of the ancillary asset  
6 originator;

7                   (C) a related person of the ancillary asset  
8 originator; or

9                   (D) any entity that directly or indirectly  
10 controls or is controlled by a common entity  
11 with an ancillary asset originator.

12           (2) COVERED TOKEN.—The term “covered  
13 token” means any unit of an ancillary asset that was  
14 acquired from the ancillary asset originator with re-  
15 spect to that ancillary asset or an agent or under-  
16 writer thereof.

17           (3) DISTRIBUTED LEDGER CONTROL PERSON.—  
18 The term “distributed ledger control person” means,  
19 with respect to a distributed ledger system, any per-  
20 son or group of persons under common control,  
21 other than a decentralized governance system, that  
22 has the unilateral authority, directly or indirectly,  
23 through any contract, arrangement, understanding,  
24 relationship, or otherwise, to control or materially  
25 alter the functionality, operation, or rules of con-

1       sensus or agreement of the distributed ledger system  
2       or a related ancillary asset.

3       (b) COORDINATED CONTROL.—

4             (1) IN GENERAL.—The Commission shall adopt  
5       rules, based on the criteria described in paragraph  
6       (2), to define the circumstances under which a dis-  
7       tributed ledger system, together with a related ancil-  
8       lary asset, is considered to be under coordinated  
9       control.

10            (2) CONSIDERATIONS.—In adopting rules under  
11       paragraph (1), the Commission shall consider the  
12       following criteria as indicia that a distributed ledger  
13       system described in that paragraph, together with  
14       the related ancillary asset, is considered to be under  
15       coordinated control:

16             (A) OPEN DIGITAL SYSTEM.—The extent  
17       to which the distributed ledger system is not—

18               (i) a distributed ledger, the protocol of  
19       which is freely and publicly available;

20               (ii) a distributed ledger application  
21       the source code of which is—

22                   (I) freely and publicly available  
23       via open-source code; and

24                   (II) recorded on a distributed  
25       ledger described in clause (i); or

1 (iii) an analogue to a distributed ledg-  
2 er or distributed ledger application de-  
3 scribed in clause (i) or (ii), as determined  
4 by the Commission by rule or order.

5 (B) PERMISSIONLESS AND CREDIBLY NEU-  
6 TRAL DIGITAL SYSTEM.—The extent to which a  
7 person or group of persons under common con-  
8 trol has—

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

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

20 (C) DISTRIBUTED DIGITAL NETWORK.—  
21 The extent to which a person or group of per-  
22 sons under common control has beneficial own-  
23 ership of, in the aggregate, more than 49 per-  
24 cent of the total amount of outstanding units of  
25 the ancillary asset or voting power with respect

1 to any governance system that relates to the  
2 distributed ledger system.

3 (D) AUTONOMOUS DISTRIBUTED LEDGER  
4 SYSTEM.—The extent to which—

5 (i) the distributed ledger system has  
6 not yet reached an autonomous state; and

7 (ii) a person or group of persons  
8 under common control has the unilateral  
9 authority, directly or indirectly, to alter or  
10 change the functionality, operation, or  
11 rules of consensus or agreement of the dis-  
12 tributed ledger system.

13 (E) ECONOMIC INDEPENDENCE.—The ex-  
14 tent to which the primary programmatic mecha-  
15 nisms of the distributed ledger system that are  
16 intended to facilitate substantial value accrual  
17 to the ancillary asset through the functioning of  
18 the distributed ledger system are not yet func-  
19 tional.

20 (3) SAFE HARBORS.—

21 (A) IN GENERAL.—The Commission shall  
22 establish safe harbors under which a distributed  
23 ledger system, together with a related ancillary  
24 asset, will not be considered to be under coordi-

1 nated control for the purposes of section  
2 103(c)(2).

3 (B) DECENTRALIZED GOVERNANCE SYS-  
4 TEMS.—

5 (i) IN GENERAL.—For the purposes of  
6 this section, a decentralized governance  
7 system shall not be considered to be a per-  
8 son or a group of persons under common  
9 control.

10 (ii) DISTRIBUTED LEDGER SYS-  
11 TEMS.—For the purposes of this section, a  
12 distributed ledger system, together with  
13 any related ancillary asset, shall not be  
14 precluded from being considered to not be  
15 under coordinated control solely based on a  
16 functional, administrative, clerical, or min-  
17 isterial action of a decentralized govern-  
18 ance system, including any such action  
19 taken by a person acting on behalf of and  
20 at the direction of that decentralized gov-  
21 ernance system, as determined by the  
22 Commission and consistent with the pro-  
23 tection of investors, maintenance of fair,  
24 orderly, and efficient markets, and the fa-  
25 cilitation of capital formation.

1           (C) EMERGENCY MEASURES.—For the  
2 purposes of this section, a pre-defined, tem-  
3 porary, rules-based cybersecurity emergency  
4 measure that is exercised by an incident re-  
5 sponse or security council exclusively in re-  
6 sponse to a specific and documented cybersecu-  
7 rity incident or imminent threat pursuant to  
8 publicly disclosed, on-chain authorization mech-  
9 anisms, that is strictly limited in scope and du-  
10 ration solely to address that cybersecurity inci-  
11 dent or imminent threat, and that is exercised  
12 without unilateral control by any single person,  
13 shall not alone constitute common control or an  
14 agreement to work in concert, if those rules and  
15 mechanisms, including the procedures and oper-  
16 ational limits governing the emergency measure,  
17 are disclosed in publicly available written docu-  
18 mentation reasonably available to the applicable  
19 Federal agency by a decentralized autonomous  
20 organization or similar legal entity sufficiently  
21 in advance of any exercise of the emergency  
22 measure.

23           (D) NONEXCLUSIVE.—The safe harbors  
24 established under subparagraphs (A), (B), and  
25 (C) shall not be exclusive and the Commission

1           shall consider such other circumstances as the  
2           Commission finds in the public interest or for  
3           the protection of investors.

4           (4) EVIDENCE.—The Commission may, in  
5           adopting rules under this subsection, require such  
6           certifications, third party verifications, or other evi-  
7           dence as the Commission determines necessary or  
8           appropriate to determine whether a distributed ledg-  
9           er system is under coordinated control for the pur-  
10          poses of section 103(c)(2).

11          (5) RULE OF CONSTRUCTION.—For purposes of  
12          this subsection—

13                 (A) the existence or termination of coordi-  
14                 nated control shall be determined independently  
15                 of whether entrepreneurial or managerial ef-  
16                 forts described in section 4B of the Securities  
17                 Act of 1933, as added by this Act, have been  
18                 completed; and

19                 (B) the elimination of coordinated control  
20                 shall be a prerequisite to the completion of ef-  
21                 forts described in subparagraph (A).

22          (c) SPECIAL RESTRICTIONS ON DISPOSITION.—The  
23          Commission shall adopt rules that provide that, with re-  
24          spect to transactions involving an ancillary asset for which  
25          disclosures are required pursuant to section 4B(d) of the

1 Securities Act of 1933, as added by this Act, when a sale  
2 of that ancillary asset is made by a related person, the  
3 following restrictions on that sale shall apply:

4 (1) SALES PRIOR TO CERTIFICATION.—If the  
5 covered token was acquired after the effective date  
6 of this Act and principally relies on a distributed  
7 ledger system, the covered token may be sold by a  
8 related person before that distributed ledger system  
9 is certified as not subject to coordinated control,  
10 pursuant to subsection (d), if—

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

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

17 (C) the amount of covered tokens sold in  
18 any 12-month period by the related person is—

19 (i) not greater than an amount to be  
20 determined by the Commission pursuant to  
21 notice and comment rulemaking not later  
22 than 360 days after the date of enactment  
23 of this Act, which rulemaking shall con-  
24 sider what is necessary or appropriate in  
25 the public interest, including, among other

1 things, the protection of investors, whether  
2 the action will promote efficiency, competi-  
3 tion, and capital formation, and how to  
4 foster the development of distributed ledg-  
5 er systems that are not subject to coordi-  
6 nated control; and

7 (ii) in no case equal to or greater than  
8 the amount determined by the Commission  
9 pursuant to the rulemaking described in  
10 paragraph (2)(C).

11 (2) SALES AFTER CERTIFICATION.—If the cov-  
12 ered token was acquired after the effective date of  
13 this Act and principally relies on a distributed ledger  
14 system that is certified as not subject to coordinated  
15 control pursuant to subsection (d), the covered token  
16 may be sold by a related person, if—

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

21 (B) the holder of the covered token has  
22 held the units for not less than 6 months; and

23 (C) the amount of covered tokens sold in  
24 any 12-month period by the related person is  
25 not greater than an amount to be determined

1           by the Commission pursuant to rulemaking that  
2           shall not be less than 10 percent of the total  
3           amount of outstanding units of such ancillary  
4           assets.

5           (3) SALES OF PRE-EXISTING COVERED TO-  
6           KENS.—If the covered token was acquired before the  
7           effective date of this Act and principally relies on a  
8           distributed ledger system, the covered token may be  
9           sold by a related person if—

10           (A) in the case that the distributed ledger  
11           system has not been certified as not subject to  
12           coordinated control pursuant to subsection  
13           (d)—

14           (i) the disclosures required pursuant  
15           to section 4B(d) of the Securities Act of  
16           1933, as added by this Act, have been fur-  
17           nished; and

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

21           (B) in the case that the distributed ledger  
22           system has been certified as not subject to co-  
23           ordinated control pursuant to subsection (d),  
24           the holder of the covered token has held the  
25           units for not less than 6 months.

1           (4) LIMITATIONS ON TRANSACTIONS BY DIS-  
2           TRIBUTED LEDGER CONTROL PERSONS.—If the  
3           holder of an ancillary asset that principally relies on  
4           a distributed ledger system that has been certified as  
5           not subject to coordinated control is a distributed  
6           ledger control person with respect to that distributed  
7           ledger system, that control person may resell that  
8           ancillary asset if—

9                   (A) that control person furnishes notice  
10                  with the Commission, in a form and manner de-  
11                  termined by the Commission, that the person  
12                  has or intends to obtain an authority described  
13                  in subparagraph (B) with respect to the distrib-  
14                  uted ledger system;

15                  (B) that distributed ledger control person  
16                  furnishes disclosures with the Commission, in a  
17                  form and manner determined by the Commis-  
18                  sion, describing the material activities, as deter-  
19                  mined by the Commission, of the control per-  
20                  son;

21                  (C) with respect to that distributed ledger  
22                  system, disclosures have been furnished pursu-  
23                  ant to section 4B(d) of the Securities Act of  
24                  1933, as added by this Act; and

1 (D) that control person has satisfied such  
2 other requirements applicable to that control  
3 person that may be established by the Commis-  
4 sion to prevent manipulation or distortion of  
5 the value of the ancillary asset, including resale  
6 restrictions consistent with those applied to re-  
7 lated persons that are not control persons.

8 (d) CERTIFICATION OF NON-CONTROL BY RELATED  
9 PERSONS.—

10 (1) SUBMISSION.—With respect to an ancillary  
11 asset, a certification covered party may furnish to  
12 the Commission a written certification, in such form  
13 and manner as the Commission may specify by rule  
14 consistent with subsection (b), stating that the dis-  
15 tributed ledger system is not under coordinated con-  
16 trol.

17 (2) AUTOMATIC EFFECTIVENESS.—A certifi-  
18 cation furnished under paragraph (1) shall become  
19 effective, and the distributed ledger system shall be  
20 deemed not to be under coordinated control, on the  
21 date that is the earlier of—

22 (A) the date on which the Commission no-  
23 tifies the certification covered party in writing  
24 that the Commission does not object to the cer-  
25 tification; or

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

6 (3) DENIAL.—

7 (A) IN GENERAL.—The Commission may  
8 deny a certification furnished under paragraph  
9 (1)—

10 (i) only during the 90-day period be-  
11 ginning on the date on which the certifi-  
12 cation is furnished, or such shorter period  
13 as the Commission may determine by rule,  
14 or upon determining, based on reasonable  
15 evidence, that a material change in cir-  
16 cumstances has occurred after the fur-  
17 nishing of the certification; and

18 (ii) by providing to the certification  
19 covered party 10 days notice of the intent  
20 of the Commission to deny that certifi-  
21 cation.

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

1 (i) conduct a hearing before the Com-  
2 mission; and

3 (ii) vote to deny the certification if  
4 there is a finding that the applicable ancil-  
5 lary asset does not meet the standard for  
6 certification that the operations of the dis-  
7 tributed ledger system are not under such  
8 coordinated control.

9 (C) FINAL AGENCY ACTION.—Denial under  
10 this paragraph constitutes final agency action  
11 reviewable under applicable law.

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

15 (e) DISGORGEMENT.—

16 (1) IN GENERAL.—Any profit realized by a re-  
17 lated person from the sale of an ancillary asset in  
18 violation of the restrictions under subsection (c)  
19 shall inure to, and be recoverable by, the holders of  
20 the ancillary asset, irrespective of any intention of  
21 holding the asset.

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

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

4 (i) the applicable ancillary asset origi-  
5 nator;

6 (ii) the owner of any units of the ap-  
7 plicable ancillary asset; or

8 (iii) the owner of any units of the ap-  
9 plicable ancillary asset, in the name and on  
10 behalf of the ancillary asset originator, if  
11 the ancillary asset originator—

12 (I) fails or refuses to bring the  
13 action within 60 days after a written  
14 request by any owner of not less than  
15 5 percent of the total amount of out-  
16 standing units of that ancillary asset;  
17 or

18 (II) fails to diligently prosecute  
19 the action; and

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

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

1 (1) MATERIAL HARDSHIP EXEMPTION.—

2 (A) IN GENERAL.—Subject to subpara-  
3 graph (B), the Commission shall adopt rules  
4 and procedures to exempt parties from related  
5 person restrictions with respect to an ancillary  
6 asset where those restrictions conflict with an  
7 obligation or requirement arising from one of  
8 the following material hardships on a related  
9 person with respect to the ancillary asset or the  
10 ancillary asset originator:

11 (i) The death of the related person.

12 (ii) The bankruptcy or insolvency of  
13 the related person.

14 (iii) The dissolution, merger, or acqui-  
15 sition of a corporate person.

16 (iv) Tax liability relating to the re-  
17 ceipt of the applicable ancillary asset.

18 (v) Such other material hardships as  
19 may be designated by the Commission.

20 (B) REQUIREMENTS.—The rules and pro-  
21 cedures adopted under subparagraph (A) shall  
22 be designed to mitigate the risk that parties  
23 may seek to structure holdings to evade resale  
24 restrictions and exempt or waive the application  
25 of resale restrictions only to the extent nec-

1           essary to address the identified material hard-  
2           ship.

3           (2) LIQUIDITY PROVISION EXEMPTION.—The  
4           Commission shall adopt rules to exempt from dis-  
5           position restrictions parties buying or selling an an-  
6           cillary asset through regular two-sided bidding and  
7           offering for the purposes of providing market liquid-  
8           ity, provided that such activities are not undertaken  
9           for the purpose of evading the requirements of this  
10          section.

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

18          (4) EXCHANGE-TRADED PRODUCT AND PASSIVE  
19          FUND EXEMPTION.—The Commission shall adopt  
20          rules to exempt from disposition restrictions, as ap-  
21          propriate—

22                 (A) exchange-traded products, the shares  
23                 of which are created and redeemed by author-  
24                 ized participants and registered with the Com-  
25                 mission; and

1           (B) passive pooled investment vehicles,  
2           whether or not the shares of which are reg-  
3           istered with the Commission.

4           (g) RELATED PERSON DISCLOSURE REQUIRE-  
5 MENTS.—The Commission shall adopt rules that provide  
6 for reporting to the Commission certain information with  
7 respect to ancillary asset holdings or transactions relating  
8 to ancillary assets by related persons, subject to the dis-  
9 position restrictions provided in subsection (c):

10           (1) DISCLOSURE REPORTS.—

11           (A) DISCLOSURE OF RELATED PERSON  
12 STATUS.—Any person, or group of persons  
13 under common control, directly or indirectly,  
14 that acquire beneficial ownership of 10 percent  
15 or more of the total amount of outstanding  
16 units of any such ancillary asset, measured as  
17 of the end of any calendar quarter, shall furnish  
18 initial and continuing reports as determined by  
19 the Commission.

20           (B) SALES OF COVERED TOKENS BY RE-  
21 LATED PERSON PRIOR TO CERTIFICATION OF  
22 NON-CONTROL.—Quarterly reports relating to  
23 the number of ancillary assets sold by a related  
24 person in a form as required by the Commis-  
25 sion.

1 (C) SALES OF COVERED TOKENS BY RE-  
2 LATED PERSON AFTER CERTIFICATION OF NON-  
3 CONTROL.—Quarterly reports relating to the  
4 number of ancillary assets sold by a related per-  
5 son that holds, at any point during the applica-  
6 ble calendar quarter, in excess of 5 percent of  
7 the total amount of outstanding units of such  
8 ancillary asset in a form as required by the  
9 Commission.

10 (D) SALES OF PRE-EXISTING COVERED TO-  
11 KENS BY RELATED PERSON.—Quarterly reports  
12 relating to the number of ancillary assets sold  
13 by a related person that holds in excess of 5  
14 percent of the total amount of outstanding  
15 units of such ancillary asset in a form as re-  
16 quired by the Commission.

17 (2) CONFIDENTIAL TREATMENT.—The Com-  
18 mission may provide for confidential treatment of in-  
19 formation provided under, or exempt, certain related  
20 persons from the requirement to furnish a report re-  
21 quired under this subsection, pursuant to procedures  
22 the Commission shall establish and that are modeled  
23 on or identical to section 230.406 of title 17, Code  
24 of Federal Regulations, or any successor regulation.

25 (3) GOOD-FAITH FURNISHING STANDARD.—

1 (A) IN GENERAL.—Any obligation to fur-  
2 nish information under this section applies only  
3 to the furnisher acting on its own behalf and is  
4 limited to information that is material and  
5 known, or reasonably knowable after due in-  
6 quiry, to that furnisher.

7 (B) RELIANCE.—A furnisher described in  
8 subparagraph (A) may reasonably rely on pub-  
9 lic sources and third party attestations where  
10 appropriate.

11 (C) LIABILITY.—Furnishing in good faith  
12 pursuant to this section shall not create liability  
13 for information outside the furnisher's posses-  
14 sion, custody, or control, or for omissions of in-  
15 formation the furnisher could not reasonably  
16 obtain without breaching legal privilege, con-  
17 tractual confidentiality, or other applicable law.

18 (D) OTHER PERSONS.—Any person other  
19 than the furnisher may, in good faith and ab-  
20 sent knowledge to the contrary, presume that a  
21 report required under paragraph (1) has been  
22 timely furnished.

23 (4) LIFE CYCLE EVENT CONSIDERATIONS.—The  
24 Commission shall adopt rules establishing stream-  
25 lined processes for the following life cycle events:

1           (A) SUCCESSOR DISCLOSURES IN COR-  
2           PORATE TRANSACTIONS.—The transfer of dis-  
3           closure obligations under this section to a suc-  
4           cessor entity in the event of a merger, acquisi-  
5           tion, or sale of substantially all assets relating  
6           to the ancillary asset activities, including a no-  
7           tice of succession.

8           (B) CESSATION OF WORK.—The cessation  
9           or suspension of ongoing disclosure obligations  
10          under this section where the ancillary asset  
11          originator or related person no longer engages,  
12          and does not reasonably expect to engage, in  
13          entrepreneurial or managerial efforts with re-  
14          spect to the ancillary asset or its associated dis-  
15          tributed ledger system, including a notice of  
16          cessation of work.

17          (C) CONTRACTUAL TERMINATION.—The  
18          termination of disclosure obligations under this  
19          section that attach solely by virtue of a person's  
20          status as a related person when a contractual  
21          arrangement with the ancillary asset originator  
22          or distributed ledger system has concluded, in-  
23          cluding a notice of cessation of contractual rela-  
24          tionship.

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

3 (1) limit or impair the anti-fraud or anti-ma-  
4 nipulation authorities of the Commission; or

5 (2) preclude reliance on Regulation Crypto, as  
6 adopted under section 103, or any other effective  
7 registration statement or exemption from registra-  
8 tion under the Securities Act of 1933 (15 U.S.C.  
9 77a et seq.), as amended by this Act.

10 **SEC. 105. CHARACTERISTICS OF NETWORK TOKENS.**

11 (a) IN GENERAL.—Not later than 1 year after the  
12 date of enactment of this Act, the Commission shall adopt  
13 rules that provide that—

14 (1) a network token shall not be considered as  
15 providing a disqualifying financial right under sec-  
16 tion 4B(a)(7)(B) of the Securities Act of 1933, as  
17 added by this Act, if the market value of the net-  
18 work token is primarily derived, or is reasonably ex-  
19 pected to be primarily derived, from a distributed  
20 ledger system or from the broader adoption and use  
21 of such a system, including where—

22 (A) the mechanisms of the distributed  
23 ledger system collect, receive, accrue, or dis-  
24 tribute consideration from the functioning of  
25 the distributed ledger system;

1 (B) the network token provides governance  
2 capabilities with respect to a distributed ledger  
3 system or a decentralized governance system;

4 (C) the value of the network token appre-  
5 ciates or depreciates due to the use of, or in re-  
6 sponse to the efforts, operations, or financial  
7 performance of, the distributed ledger system to  
8 which the network token relates or its decen-  
9 tralized governance system; or

10 (D) for a network token that meets the  
11 definition of an ancillary asset, the value of the  
12 network token appreciates or depreciates due to  
13 the efforts of the ancillary asset originator or  
14 related person; and

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

20 (b) EFFECT OF RULINGS AND ACTIONS BEFORE  
21 DATE OF ENACTMENT.—

22 (1) IN GENERAL.—If, before the date of enact-  
23 ment of this Act, a court of the United States, in  
24 a non-appealable final judgment, found that a digital  
25 asset transaction was not an offer, sale, or distribu-

1       tion of a security, a digital asset transferred pursu-  
2       ant to that offer, sale, or distribution shall not be  
3       considered to be a security under any provision of  
4       law described in subsection (b)(2) of section 4B of  
5       the Securities Act of 1933, as added by this Act.

6           (2) NETWORK TOKENS.—A network token shall  
7       not be considered to be an ancillary asset, and, for  
8       the avoidance of doubt, shall not be considered to be  
9       a security under any provision of law described in  
10      subsection (b)(2) of section 4B of the Securities Act  
11      of 1933, as added by this Act, if, on January 1,  
12      2026, any units of that network token were the prin-  
13      cipal asset of an exchange-traded product—

14           (A) not registered under the Investment  
15      Company Act of 1940 (15 U.S.C. 80a–1 et  
16      seq.); and

17           (B) the shares of which are listed and  
18      traded on a national securities exchange reg-  
19      istered under section 6 of the Securities Ex-  
20      change Act of 1934 (15 U.S.C. 78f).

21 **SEC. 106. EXEMPTIVE AUTHORITY.**

22      (a) CONTINUED APPLICABILITY.—Nothing in this  
23      Act, or any amendment made by this Act, may be con-  
24      strued to amend, limit, impair, or otherwise affect the au-  
25      thority of the Commission to grant an exemption pursuant

1 to any provision of law that is in effect on the day before  
2 the date of enactment of this Act, including pursuant to  
3 any of the following:

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

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

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

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

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

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

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

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

22 (2) by adding at the end the following: “The  
23 Commission shall, by rule or regulation, determine  
24 the procedures under which an exemptive order  
25 under this section shall be granted and may, in the



1       made by this Act), to the extent that such provision  
2       applies to any digital asset activity, including any  
3       activity involving a security that is issued, recorded,  
4       or transferred using distributed ledger technology, to  
5       the extent that the provision is outdated, unneces-  
6       sary, or unduly burdensome in light of the unique  
7       technological characteristics of digital assets or sub-  
8       stantially similar technology, which may include reg-  
9       ulatory provisions governing—

10               (A) customer protection, including custody  
11               of digital assets or substantially similar tech-  
12               nology;

13               (B) transfer agent rules;

14               (C) books and records, or recordkeeping  
15               requirements;

16               (D) clearance and settlement rules;

17               (E) broker-dealer, alternative trading sys-  
18               tem, and exchange rules;

19               (F) issuer disclosure and ongoing reporting  
20               requirements tailored to digital asset securities  
21               or substantially similar technology involving se-  
22               curities; and

23               (G) the use of vaults, digital asset receipts,  
24               or receipts involving substantially similar tech-

1 nology, vault tokens, or liquidity provider to-  
2 kens; and

3 (2) shall, in imposing future obligations as  
4 those obligations relate to digital assets or substan-  
5 tially similar technology do so in a manner con-  
6 sistent with the requirements described in paragraph  
7 (1).

8 (b) RULE OF CONSTRUCTION.—Nothing in this sec-  
9 tion may be construed to limit the authority of the Com-  
10 mission to pursue fraud, manipulation, or deceptive prac-  
11 tices involving digital assets or substantially similar tech-  
12 nology.

13 (c) USE OF EXISTING AUTHORITY.—When consid-  
14 ering, proposing, adopting, or engaging in any rule or pro-  
15 gram or developing new rules or programs, including those  
16 mandated or authorized under this Act, or any amend-  
17 ment made by this Act, the activities of the Commission  
18 (which may include the solicitation of data and other input  
19 from investors, regulated entities, and market participants  
20 or the representatives of any of those persons) shall be  
21 considered actions taken under subsection (e) of section  
22 19 of the Securities Act of 1933 (15 U.S.C. 77s) and shall  
23 be subject to subsection (f) of that section.

24 (d) CONTINUED APPLICABILITY OF STATE CON-  
25 SUMER PROTECTION LAWS.—Except as expressly pro-

1 vided by this Act, or an amendment made by this Act,  
2 nothing in this Act (or in any such amendment) shall pre-  
3 empt any State consumer protection law, including com-  
4 mon law, or a remedy available under any such law.

5 (e) PREEMPTION FOR EXEMPTIONS AND DIGITAL  
6 ASSET ACTIVITIES UNDER THE SECURITIES ACT.—Sec-  
7 tion 18 of the Securities Act of 1933 (15 U.S.C. 77r) is  
8 amended—

9 (1) in subsection (b)—

10 (A) in paragraph (3)—

11 (i) in the paragraph heading, by in-  
12 serting “IN QUALIFIED TRANSACTIONS OR”  
13 after “SALES”;

14 (ii) in the first sentence, by inserting  
15 “in a qualified transaction or” after “the  
16 security”; and

17 (iii) in the second sentence—

18 (I) by striking “term ‘qualified  
19 purchaser’” and inserting “term  
20 ‘qualified transaction’ and ‘qualified  
21 purchaser’”;

22 (II) by inserting “and categories  
23 of transactions, including secondary  
24 transactions,” after “securities”; and

1 (III) by inserting “and with due  
2 regard to the facilitation of capital  
3 formation and the promotion of inno-  
4 vation” before the period at the end;  
5 and

6 (B) in paragraph (4)—

7 (i) in subparagraph (A), by inserting  
8 “or, if the issuer is not required to file  
9 such reports, where the Commission other-  
10 wise determines, consistent with the public  
11 interest and the protection of investors and  
12 with due regard to the facilitation of cap-  
13 ital formation and the promotion of inno-  
14 vation” before the semicolon at the end;

15 (ii) in subparagraph (D)(ii) after “of-  
16 fered or sold” by inserting “in a qualified  
17 transaction or”;

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

20 (iv) in subparagraph (G), by striking  
21 the period at the end and inserting “; or”;  
22 and

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

24 “(H) Commission rules or regulations  
25 issued under section 28, except that this sub-

1 paragraph does not apply to rules or regula-  
2 tions adopted before the date of enactment of  
3 this subparagraph.”.

4 (f) EXEMPTING NETWORK TOKENS FROM STATE SE-  
5 CURITIES LAWS.—

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

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

12 (2) RULE OF CONSTRUCTION.—Nothing in this  
13 section, section 4B of the Securities Act of 1933 (as  
14 added by this Act), or the amendments made by this  
15 section may be construed to limit the existing au-  
16 thority described in section 18(c)(1) of the Securities  
17 Act of 1933(15 U.S.C. 77r(c)(1)) of a securities  
18 commission (or any agency or office performing like  
19 functions) of any State with respect to a covered se-  
20 curity or any security.

21 (g) PREEMPTION FOR ANCILLARY ASSET ACTIVITIES  
22 UNDER THE SECURITIES ACT OF 1933.—Section 18(b)  
23 of the Securities Act of 1933 (15 U.S.C. 78r(b)) is amend-  
24 ed by adding at the end the following:

1           “(5) LIMITATIONS ON STATE LAW REGARDING  
2           ANCILLARY ASSETS.—

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

6           “(B) EXEMPTION IN CONNECTION WITH  
7           ANCILLARY ASSETS.—An ancillary asset of-  
8           fered, sold, or distributed in reliance on Regula-  
9           tion Crypto, as adopted under section 103 of  
10          the Lummis-Gillibrand Responsible Financial  
11          Innovation Act of 2026, shall be treated as a  
12          covered security.”.

13          (h) PRESERVATION OF REGULATION BEST INTER-  
14          EST.—

15               (1) IN GENERAL.—Subject to paragraph (2),  
16               nothing in this Act, any amendment made by this  
17               Act, or any rule issued under this Act or pursuant  
18               to any such amendment may be construed to limit,  
19               preempt, or otherwise affect the obligations of a  
20               broker or dealer registered with the Commission  
21               under section 15 of the Securities Exchange Act of  
22               1934 (15 U.S.C. 78o) or section 240.15l-1 of title  
23               17, Code of Federal Regulations (commonly known  
24               as “Regulation Best Interest”), or any successor  
25               regulation.

1           (2) APPLICATION.—Paragraph (1) shall not  
2           apply with respect to any person registered with the  
3           Commodity Futures Trading Commission.

4           (i) PRESERVATION OF INVESTMENT ADVISER FIDU-  
5           CIARY DUTIES.—Nothing in this Act, any amendment  
6           made by this Act, or any rule issued under this Act or  
7           pursuant to any such amendment may be construed to  
8           limit, preempt, or otherwise affect the fiduciary duty that  
9           an investment adviser (as defined in section 202 of the  
10          Investment Advisers Act of 1940 (15 U.S.C. 80b–2)) owes  
11          to a client under section 206 of the Investment Advisers  
12          Act of 1940 (15 U.S.C. 80b–6) or any other provision of  
13          Federal or State law, including in connection with invest-  
14          ment advice regarding a digital commodity.

15       **SEC. 109. APPLICATION OF INSIDER TRADING LAWS.**

16          (a) IN GENERAL.—Nothing in this Act, or in any  
17          amendment made by this Act, may be construed to limit,  
18          impair, or otherwise affect the applicability of section  
19          17(a) of the Securities Act of 1933 (15 U.S.C. 77q(a))  
20          or section 10(b) of the Securities Exchange Act of 1934  
21          (15 U.S.C. 78j(b)) (or section 240.10b–5 of title 17, Code  
22          of Federal Regulations, or any successor regulation, as  
23          issued under such section 10(b)) with respect to any offer,  
24          sale, or distribution of a security in which an ancillary  
25          asset is offered, sold, or distributed, including any offer,

1 sale, or distribution conducted pursuant to Regulation  
2 Crypto adopted under section 103, whether conducted by  
3 an ancillary asset originator, a related person, or any  
4 other person.

5 (b) **RULE OF CONSTRUCTION.**—Nothing in sub-  
6 section (a) may be construed to apply section 10(b) of the  
7 Securities Exchange Act of 1934 (15 U.S.C. 78j(b)) (or  
8 section 240.10b–5 of title 17, Code of Federal Regula-  
9 tions, or any successor regulation, as issued under such  
10 section 10(b)) to any transaction in an ancillary asset on  
11 a secondary market that is not otherwise a transaction in  
12 a security.

13 **SEC. 110. SECURITIES INVESTOR PROTECTION CORPORA-**  
14 **TION APPLICABILITY.**

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

19 **TITLE II—PROTECTING AGAINST**  
20 **ILLICIT FINANCE**

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

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

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

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

8           (b) BANK SECRECY ACT REQUIREMENTS.—

9           (1) REGULATIONS.—The Secretary of the  
10          Treasury, acting through the Director of the Finan-  
11          cial Crimes Enforcement Network, and in consulta-  
12          tion with the Commodity Futures Trading Commis-  
13          sion, shall issue requirements consistent with the re-  
14          quirements of futures commission merchants to  
15          apply the Bank Secrecy Act to digital commodity  
16          brokers, digital commodity dealers, and digital com-  
17          modity exchanges that are tailored to the size and  
18          complexity of such entities, including by requiring  
19          each such entity to—

20                 (A) establish and maintain an anti-money  
21                 laundering and countering the financing of ter-  
22                 rorism program, which shall include—

23                         (i) an appropriate risk assessment;

24                         (ii) the development of internal poli-  
25                         cies, procedures, and controls;

1 (iii) the designation of a compliance  
2 officer;

3 (iv) an ongoing employee training pro-  
4 gram; and

5 (v) an independent audit function to  
6 test such program;

7 (B) retain appropriate records of trans-  
8 actions;

9 (C) monitor and report suspicious activity,  
10 which may include use of appropriate distrib-  
11 uted ledger analytics; and

12 (D) maintain an effective customer identi-  
13 fication program to identify and verify account  
14 holders and carry out appropriate customer due  
15 diligence.

16 (2) COMPLIANCE WITH SANCTIONS.—A digital  
17 commodity broker, digital commodity dealer, or dig-  
18 ital commodity exchange shall comply with all laws  
19 and regulations related to United States sanctions  
20 administered by the Office of Foreign Assets Con-  
21 trol.

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

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

2 (a) DEFINITIONS.—In this section:

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

7 (2) FINANCIAL INSTITUTION.—The term “fi-  
8 nancial institution” has the meaning given the term  
9 in section 5312(a)(2) of title 31, United States  
10 Code.

11 (b) EXAMINATION AND REVIEW.—The Secretary of  
12 the Treasury, in consultation with Federal functional reg-  
13 ulators, shall establish, coordinated to the extent feasible,  
14 risk-based examination standards to assess financial insti-  
15 tutions involved in the digital asset sector for compliance  
16 with anti-money laundering and countering the financing  
17 of terrorism requirements under the Bank Secrecy Act.

18 **SEC. 203. PREVENTING ILLICIT FINANCE THROUGH PART-**  
19 **nership Act.**

20 (a) SHORT TITLE.—This section may be cited as the  
21 “Preventing Illicit Finance Through Partnership Act”.

22 (b) DEFINITIONS.—In this section:

23 (1) BANK.—The term “bank” has the meaning  
24 given the term in section 1010.100 of title 31, Code  
25 of Federal Regulations (or any corresponding similar  
26 regulation).

1           (2) CERTIFIED OR RECOGNIZED INFORMATION-  
2 SHARING OR INTERDICTION NETWORK.—The term  
3 “certified or recognized information-sharing or inter-  
4 diction network” means a real-time, secure, public-  
5 private mechanism that—

6           (A) facilitates the detection, interdiction,  
7 and prevention of illicit finance violations  
8 through rapid information exchange between  
9 government and regulated entities; and

10           (B) is—

11           (i) certified by the Secretary of the  
12 Treasury for the purpose of supporting  
13 interdiction and investigative actions con-  
14 sistent with law enforcement or regulatory  
15 authorities; or

16           (ii) recognized by the Secretary of the  
17 Treasury as an existing, effective public-  
18 private partnership network that meets  
19 standards for security, accountability, and  
20 participation that are equivalent to the  
21 standards that would be required by the  
22 Secretary of the Treasury for certification  
23 under clause (i).

24           (3) COVERED AGENCY.—The term “covered  
25 agency” means—

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

4 (B) the Department of the Treasury, in-  
5 cluding the Financial Crimes Enforcement Net-  
6 work, the Internal Revenue Service, and the Of-  
7 fice of Foreign Assets Control; and

8 (C) the Department of Homeland Security.

9 (4) DESIGNATED PRIVATE SECTOR ENTITY.—

10 The term “designated private sector entity” means  
11 a private sector entity designated under subsection  
12 (d).

13 (5) DIRECTOR.—The term “Director” means  
14 the Director of the Financial Crimes Enforcement  
15 Network.

16 (6) ILLICIT FINANCE VIOLATION.—The term  
17 “illicit finance violation” means the illicit use of dig-  
18 ital assets.

19 (7) ILLICIT USE.—The term “illicit use” in-  
20 cludes fraud, money laundering, terrorist financing,  
21 the purchase and sale of illicit goods, trafficking of  
22 fentanyl (including fentanyl precursors and trade in  
23 other illicit drugs), sanctions evasion, theft of funds,  
24 funding of illegal activities, transactions relating to  
25 child sexual abuse material or elder fraud abuse, and

1 any other financial transaction involving the pro-  
2 ceeds of specified unlawful activity, as defined in  
3 section 1956(c) of title 18, United States Code.

4 (8) MONEY SERVICES BUSINESS.—The term  
5 “money services business” has the meaning given  
6 the term in section 1010.100 of title 31, Code of  
7 Federal Regulations (or any corresponding similar  
8 regulation).

9 (c) ESTABLISHMENT OF PROGRAM.—The Secretary  
10 of the Treasury shall establish a pilot program under  
11 which covered agencies and designated private sector enti-  
12 ties securely share information focused on potential illicit  
13 finance violations and threats and emerging risks relating  
14 to illicit finance violations.

15 (d) DESIGNATION OF PRIVATE SECTOR ENTITIES.—

16 (1) REQUIRED ACTION.—

17 (A) INITIAL COMPANIES.—Not later than  
18 90 days after the date of enactment of this Act,  
19 the Director and the Secretary shall designate  
20 10 private sector entities that are money serv-  
21 ices businesses, 10 private sector entities that  
22 are digital commodity brokers, digital com-  
23 modity dealers, or digital commodity exchanges,  
24 and 10 private sector entities that are banks to  
25 participate in the pilot program established

1 under subsection (c), if such entities agree and  
2 volunteer to participate in the program.

3 (B) BIENNIAL REVIEW.—Not less fre-  
4 quently than once every 6 months, the Director  
5 shall review and, as appropriate, replace the  
6 private sector entities designated under this  
7 paragraph.

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

10 (i) requiring an entity to participate  
11 in the pilot program established under this  
12 section; or

13 (ii) enabling the Director to select an  
14 entity to participate in the pilot program  
15 without the consent of such entity.

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

19 (A) 1 or more information sharing and  
20 analysis centers to participate in the pilot pro-  
21 gram;

22 (B) 1 or more participants in a certified or  
23 recognized information-sharing or interdiction  
24 network; or

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

4           (e) INFORMATION SHARING WITH PRIVATE SECTOR  
5 ENTITIES.—A covered agency that initiates an investiga-  
6 tion into a potential illicit finance violation, or identifies  
7 a threat or emerging risk relating to an illicit finance vio-  
8 lation, may share with any designated private sector entity  
9 such information about the investigation, threat, or  
10 emerging risk as the covered agency determines is appro-  
11 priate.

12           (f) USE OF INFORMATION BY PRIVATE SECTOR EN-  
13 TITIES.—Information received by a designated private sec-  
14 tor entity under this section may not be used for any pur-  
15 pose other than identifying and reporting on activities that  
16 may involve illicit finance violations or threats and emerg-  
17 ing risks relating to illicit finance violations, unless other-  
18 wise prescribed by regulation or permitted by the covered  
19 agency sharing the information.

20           (g) MEANS OF SHARING INFORMATION.—The cov-  
21 ered agencies and designated private sector entities may  
22 share information about potential illicit finance violations,  
23 or threats and emerging risks relating to illicit finance vio-  
24 lations, with each other—

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

4 (2) through secure email;

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

7 (4) through a certified or recognized informa-  
8 tion-sharing or interdiction network.

9 (h) LIMITATION ON LIABILITY.—A designated pri-  
10 vate sector entity that transmits, receives, or shares infor-  
11 mation for the purposes of identifying and reporting ac-  
12 tivities that may constitute illicit finance violations, or  
13 threats and emerging risks relating to illicit finance viola-  
14 tions, shall not be liable to any person for such disclosure  
15 or for any failure to provide notice of such disclosure to  
16 the person who is the subject of such disclosure or any  
17 other person identified in such disclosure.

18 (i) SUNSET.—The pilot program established under  
19 subsection (c) shall terminate on the date that is 5 years  
20 after the date of enactment of this Act, unless made per-  
21 manent through notice and comment rulemaking by the  
22 Department of the Treasury.

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

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

1 (b) DEFINITIONS.—In this section:

2 (1) APPROPRIATE CONGRESSIONAL COMMIT-  
3 TEES.—The term “appropriate congressional com-  
4 mittees” means—

5 (A) the Committee on Banking, Housing,  
6 and Urban Affairs of the Senate;

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

9 (C) the Committee on Financial Services of  
10 the House of Representatives; and

11 (D) the Committee on Agriculture of the  
12 House of Representatives.

13 (2) DISTRIBUTED LEDGER ANALYTICS COM-  
14 PANY.—The term “distributed ledger analytics com-  
15 pany” means any business providing software, re-  
16 search, or other services (such as tracing tools,  
17 geofencing, transaction screening, the collection of  
18 business data, and sanctions screening) that—

19 (A) support private and public sector in-  
20 vestigations and risk management activities;  
21 and

22 (B) involve cryptographically secured dis-  
23 tributed ledgers or any similar technology or  
24 implementation.

1           (3) EMERGING TECHNOLOGIES.—The term  
2           “emerging technologies” means the critical and  
3           emerging technology areas listed in the Critical and  
4           Emerging Technologies List developed by the Fast  
5           Track Action Subcommittee on Critical and Emerg-  
6           ing Technologies of the National Science and Tech-  
7           nology Council, including any updates to such list.

8           (4) FOREIGN TERRORIST ORGANIZATION.—The  
9           term “foreign terrorist organization” means an or-  
10          ganization that is designated as a foreign terrorist  
11          organization under section 219 of the Immigration  
12          and Nationality Act (8 U.S.C. 1189).

13          (5) ILLICIT USE.—The term “illicit use” in-  
14          cludes fraud, money laundering, terrorist financing,  
15          the purchase and sale of illicit goods, trafficking of  
16          fentanyl (including fentanyl precursors and trade in  
17          other illicit drugs), sanctions evasion, theft of funds,  
18          funding of illegal activities, transactions related to  
19          child sexual abuse material or elder fraud abuse, and  
20          any other financial transaction involving the pro-  
21          ceeds of specified unlawful activity (as defined in  
22          section 1956(c) of title 18, United States Code).

23          (6) STATE SPONSOR OF TERRORISM.—The term  
24          “state sponsor of terrorism” means a country deter-  
25          mined by the Secretary of State to have repeatedly

1 provided support for acts of international terrorism  
2 under section 40 of the Arms Export Control Act  
3 (22 U.S.C. 2780) or section 620A of the Foreign  
4 Assistance Act of 1961 (22 U.S.C. 2371).

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

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

14 (c) INDEPENDENT FINANCIAL TECHNOLOGY WORK-  
15 ING GROUP TO COMBAT TERRORISM, NARCOTICS TRAF-  
16 FICKING, AND ILLICIT FINANCING.—

17 (1) ESTABLISHMENT.—There is established the  
18 Independent Financial Technology Working Group  
19 to Combat Terrorism, Narcotics Trafficking, and Il-  
20 licit Financing (in this section referred to as the  
21 “Working Group” ), which shall consist of the fol-  
22 lowing:

23 (A) The Secretary of the Treasury or their  
24 designee, who shall serve as the chair of the  
25 Working Group.

1 (B) A senior-level representative from each  
2 of the following:

3 (i) The Department of the Treasury.

4 (ii) The Office of Terrorism and Fi-  
5 nancial Intelligence.

6 (iii) The Internal Revenue Service.

7 (iv) The Department of Justice.

8 (v) The Federal Bureau of Investiga-  
9 tion.

10 (vi) The Drug Enforcement Adminis-  
11 tration.

12 (vii) The Department of Homeland  
13 Security.

14 (viii) The United States Secret Serv-  
15 ice.

16 (ix) The Department of State.

17 (x) The Office of the Director of Na-  
18 tional Intelligence.

19 (C) At least 5 individuals appointed by the  
20 Secretary of the Treasury to represent the fol-  
21 lowing:

22 (i) Digital asset companies.

23 (ii) Distributed ledger analytics com-  
24 panies.

25 (iii) Financial institutions.

1 (iv) Institutions or organizations en-  
2 gaged in research.

3 (v) Institutions or organizations fo-  
4 cused on individual privacy and civil lib-  
5 erties.

6 (D) Such additional individuals as the Sec-  
7 retary of the Treasury may appoint as nec-  
8 essary to accomplish the duties described in  
9 paragraph (2).

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

11 (A) conduct research on the illicit use of  
12 digital assets and other related emerging tech-  
13 nologies, including by terrorists, foreign ter-  
14 rorist organizations, state sponsors of ter-  
15 rorism, and transnational organized crime  
16 groups; and

17 (B) develop legislative and regulatory pro-  
18 posals to improve anti-money laundering,  
19 counter-terrorist, and other counter-illicit fi-  
20 nancing efforts in the United States.

21 (3) REPORTS.—

22 (A) IN GENERAL.—Not later than 1 year  
23 after the date of enactment of this Act, and an-  
24 nually for the 3 years thereafter, the Working  
25 Group shall submit to the Secretary of the

1 Treasury, the heads of each agency represented  
2 in the Working Group pursuant to paragraph  
3 (1)(B), and the appropriate congressional com-  
4 mittees a report containing the findings and de-  
5 terminations made by the Working Group in  
6 the previous year and any legislative and regu-  
7 latory proposals developed by the Working  
8 Group.

9 (B) FINAL REPORT.—Before the date on  
10 which the Working Group terminates under  
11 paragraph (4)(A), the Working Group shall  
12 submit to the appropriate congressional com-  
13 mittees a final report detailing the findings,  
14 recommendations, and activities of the Working  
15 Group, including any final results from the re-  
16 search conducted by the Working Group.

17 (4) SUNSET.—

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

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

22 (ii) the date on which the Working  
23 Group completes any wind-up activities de-  
24 scribed in subparagraph (B).

1           (B) AUTHORITY TO WIND UP ACTIVI-  
2 TIES.—If there are ongoing research, proposals,  
3 or other related activities of the Working Group  
4 ongoing as of the date that is 4 years after the  
5 date of enactment of this Act, the Working  
6 Group may temporarily continue working in  
7 order to wind-up such activities.

8           (C) RETURN OF APPROPRIATED FUNDS.—  
9 On the date on which the Working Group ter-  
10 minates under subparagraph (A), any unobli-  
11 gated funds appropriated to carry out this sub-  
12 section shall be transferred to the Treasury.

13 **SEC. 205. DIGITAL ASSET KIOSKS.**

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

16           (1) in subsection (d)—

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

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

22               “(3) DIGITAL ASSET; DIGITAL ASSET ADDRESS;  
23 DIGITAL ASSET KIOSK; DIGITAL ASSET KIOSK OPER-  
24 ATOR.—The terms ‘digital asset, ‘digital asset ad-  
25 dress’, ‘digital asset kiosk’, and ‘digital asset kiosk

1 operator' have the meanings given those terms, re-  
2 spectively, in section 5337.”; and

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

4 “(f) REGISTRATION OF DIGITAL ASSET KIOSK LOCA-  
5 TIONS.—

6 “(1) IN GENERAL.—Not later than 90 days  
7 after the effective date of this subsection, and not  
8 less than once every 90 days thereafter, the Sec-  
9 retary of the Treasury shall require digital asset  
10 kiosk operators to submit an updated list containing  
11 the physical address of each digital asset kiosk  
12 owned or operated by the digital asset kiosk oper-  
13 ator.

14 “(2) FORM AND MANNER OF REGISTRATION.—  
15 Each submission by a digital asset kiosk operator  
16 pursuant to paragraph (1) shall include—

17 “(A) the legal name of the digital asset  
18 kiosk operator;

19 “(B) any fictitious or trade name of the  
20 digital asset kiosk operator;

21 “(C) the physical address of each digital  
22 asset kiosk owned, operated, or managed by the  
23 digital asset kiosk operator that is located in  
24 the United States or the territories of the  
25 United States;

1           “(D) the start date of operation of each  
2           digital asset kiosk;

3           “(E) the end date of operation of each dig-  
4           ital asset kiosk, if applicable; and

5           “(F) each digital asset address used by the  
6           digital asset kiosk operator.

7           “(3) FALSE AND INCOMPLETE INFORMATION.—  
8           The filing of false or materially incomplete informa-  
9           tion in a submission required under paragraph (1)  
10          shall be deemed a failure to comply with the require-  
11          ments of this subsection.”.

12          (b) PREVENTING FRAUDULENT TRANSACTIONS AT  
13          DIGITAL ASSET KIOSKS.—

14           (1) IN GENERAL.—Subchapter II of chapter 53  
15          of title 31, United States Code, is amended by add-  
16          ing at the end the following:

17          “§ 5337. **Digital asset kiosk fraud prevention**

18           “(a) DEFINITIONS.—In this section:

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

22           “(2) DISTRIBUTED LEDGER ANALYTICS.—The  
23           term ‘distributed ledger analytics’ means the anal-  
24           ysis of data from public distributed ledgers, and as-  
25           sociated transaction information, to provide risk-spe-

1 cific information about digital asset transactions and  
2 digital asset addresses.

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

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

9 “(5) DIGITAL ASSET ADDRESS.—The term ‘dig-  
10 ital asset address’ means an alphanumeric identifier  
11 associated with a digital asset wallet identifying the  
12 location to which digital asset purchased through a  
13 digital asset kiosk can be sent or from which digital  
14 asset sold through a digital asset kiosk can be  
15 accessed.

16 “(6) DIGITAL ASSET KIOSK.—The term ‘digital  
17 asset kiosk’ means a stand-alone machine that is ca-  
18 pable of accepting or dispensing legal tender in ex-  
19 change for digital assets.

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

24 “(8) DIGITAL ASSET KIOSK TRANSACTION.—  
25 The term ‘digital asset kiosk transaction’ means the

1 purchase or sale of digital assets via a digital asset  
2 kiosk.

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

7 “(10) NEW CUSTOMER.—The term ‘new cus-  
8 tomer,’ with respect to a digital asset kiosk operator,  
9 means a customer during the 14-day period begin-  
10 ning on the date of the first digital asset kiosk  
11 transaction of the customer with the digital asset  
12 kiosk operator.

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

18 “(b) DISCLOSURES.—

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

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

1                   “(i) the amount of the digital asset  
2 kiosk transaction;

3                   “(ii) the type and nature of the digital  
4 asset kiosk transaction;

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

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

10                  “(B) a warning relating to consumer fraud  
11 including—

12                   “(i) that consumer fraud often starts  
13 with contact from a stranger, and that the  
14 customer should never send money to  
15 someone they do not know;

16                   “(ii) the most common types of fraud-  
17 ulent schemes involving digital asset ki-  
18 osks, such as—

19                   “(I) impersonation of a govern-  
20 ment official or a bank representative;

21                   “(II) threats of jail time or fi-  
22 nancial penalties;

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

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

3                   “(V) requests for donations to  
4                   charity or disaster relief; or

5                   “(VI) payment to an individual  
6                   the customer has never met; and

7                   “(iii) a statement that the customer  
8                   should contact law enforcement if they sus-  
9                   pect fraudulent activity, such as scams, in-  
10                  cluding contact information for a relevant  
11                  law enforcement or government agency.

12                  “(2) ADDITIONAL DISCLOSURES.—FinCEN  
13                  may adopt rules relating to additional disclosures re-  
14                  quired to be made to customers prior to engaging in  
15                  a transaction.

16                  “(c) ACKNOWLEDGMENT OF DISCLOSURES.—Each  
17                  time a customer uses a digital asset kiosk, the digital asset  
18                  kiosk operator shall ensure acknowledgment of all dislo-  
19                  sures required under subsection (b) via confirmation of  
20                  consent of the customer at the digital asset kiosk.

21                  “(d) RECEIPTS.—Upon completion of each digital  
22                  asset kiosk transaction, the digital asset kiosk operator  
23                  shall provide the customer with a receipt, which shall in-  
24                  clude the following information:

1           “(1) The name and contact information of the  
2 digital asset kiosk operator, including a telephone  
3 number for a customer service helpline.

4           “(2) The name of the customer.

5           “(3) The type, value, date, and precise time of  
6 the digital asset kiosk transaction, transaction hash,  
7 and each applicable digital asset address.

8           “(4) The amount of the digital asset kiosk  
9 transaction expressed in United States dollars.

10          “(5) All fees charged.

11          “(6) A statement that the customer should con-  
12 tact law enforcement if they suspect fraudulent ac-  
13 tivity, such as scams, including contact information  
14 for a relevant law enforcement or government agen-  
15 cy.

16          “(7) The exchange rate applied.

17          “(8) Any additional information the digital  
18 asset kiosk operator determines appropriate.

19          “(e) PHYSICAL RECEIPTS REQUIRED.—The physical  
20 receipt required under subsection (d) shall be issued to  
21 the customer at the time of the digital asset kiosk trans-  
22 action if the customer opts for the receipt.

23          “(f) ANTI-FRAUD POLICY.—

24                 “(1) IN GENERAL.—Each digital asset kiosk op-  
25 erator shall establish, maintain, and implement a

1 written anti-fraud policy if required by, and con-  
2 sistent with, applicable State law in those States  
3 where the digital asset kiosk operator is licensed.

4 “(2) FEDERAL STANDARD.—A digital asset  
5 kiosk operator operating in any State that does not  
6 require an anti-fraud policy under paragraph (1),  
7 shall establish, maintain, and implement an anti-  
8 fraud policy that, at a minimum, includes—

9 “(A) the identification and assessment of  
10 fraud related areas;

11 “(B) procedures and controls to protect  
12 against risks identified under subparagraph  
13 (A);

14 “(C) allocation of responsibility for moni-  
15 toring the risks identified under subparagraph  
16 (A); and

17 “(D) procedures for the periodic evaluation  
18 and revision of the anti fraud procedures, con-  
19 trols, and monitoring mechanisms under sub-  
20 paragraphs (B) and (C).

21 “(g) APPOINTMENT OF COMPLIANCE OFFICER.—  
22 Each digital asset kiosk operator shall designate and em-  
23 ploy a compliance officer who—

1           “(1) is qualified to coordinate and monitor com-  
2           pliance with this section and all other applicable  
3           Federal and State laws, rules, and regulations;

4           “(2) is employed full-time by the digital asset  
5           kiosk operator;

6           “(3) is not the chief executive officer of the dig-  
7           ital asset kiosk operator; and

8           “(4) does not own or control more than 10 per-  
9           cent of any interest in the digital asset kiosk oper-  
10          ator.

11          “(h) USE OF DISTRIBUTED LEDGER ANALYTICS AND  
12          WALLET PINNING.—

13                 “(1) IN GENERAL.—Each digital asset kiosk op-  
14                 erator shall use distributed ledger analytics to pre-  
15                 vent sending digital asset to a digital asset wallet  
16                 known to be affiliated with fraudulent activity at the  
17                 time of a digital asset kiosk transaction and to de-  
18                 tect transaction patterns indicative of fraud or other  
19                 illicit activities.

20                 “(2) WALLET PINNING.—Each digital asset  
21                 kiosk operator shall maintain restrictions that pre-  
22                 vent more than one customer of the digital asset  
23                 kiosk operator from using the same digital wallet ad-  
24                 dress.

1           “(3) COMPLIANCE.—The Director of FinCEN  
2           may request evidence from any digital asset kiosk  
3           operator to confirm compliance with this subsection.

4           “(i) CONFIRMATION REQUIRED BEFORE NEW CUS-  
5           TOMER TRANSACTIONS.—Before entering into a digital  
6           asset kiosk transaction valued at \$500 or more with a new  
7           customer, the digital asset kiosk operator shall obtain con-  
8           firmation from the new customer that—

9           “(1) the new customer wishes to proceed with  
10          the digital asset kiosk transaction; and

11          “(2) the new customer is not being fraudulently  
12          induced into engaging in the transaction.

13          “(j) HOLDING PERIOD.—No digital asset kiosk oper-  
14          ator shall execute a transaction on behalf of a new cus-  
15          tomer that sends digital assets to a specific wallet address  
16          unless at least 72 hours have elapsed since the initiation  
17          of the transaction by the new customer.

18          “(k) TRANSACTION LIMITS WITH RESPECT TO NEW  
19          CUSTOMERS.—The Secretary of the Treasury shall pre-  
20          scribe by regulation the threshold amounts for reporting  
21          or limiting digital asset kiosk transactions, including ag-  
22          gregate or single-day deposit and withdrawal limits, as the  
23          Secretary determines are reasonably necessary to deter  
24          fraud and illicit finance. Such regulations shall consider  
25          the unique risks and functionalities of digital asset kiosks

1 and may provide for exceptions, adjustments, or exclusions  
2 as deemed appropriate by the Secretary.

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

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

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

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

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

17 “(B) the transaction hash of the digital  
18 asset kiosk transaction or information sufficient  
19 to establish the type, value, date, and time of  
20 the digital asset kiosk transaction; and

21 “(C) a copy of a report to a state or local  
22 law enforcement or government agency made  
23 not later than 30 days after the digital asset  
24 kiosk transaction.

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

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

19           “(p) CIVIL PENALTIES AND STATE ENFORCE-  
20 MENT.—Any State regulator may bring a civil action or  
21 other appropriate proceeding to enforce the provisions of  
22 this section and may assess or collect civil penalties or  
23 other remedies for violations of this section, as provided  
24 under applicable State law.

1       “(q) **RULE OF CONSTRUCTION.**—For the avoidance  
2 of doubt, nothing in this section may be construed to pro-  
3 hibit a State from enacting a law, rule or regulation, that  
4 provides greater protection to customers.”.

5           (2) **TECHNICAL AND CONFORMING AMEND-**  
6 **MENT.**—The table of sections for subchapter II of  
7 chapter 53 of title 31, United States Code, is  
8 amended by adding at the end the following:

“5337. Digital asset kiosk fraud prevention.”.

9 **SEC. 206. STUDY ON ILLICIT USE OF DIGITAL ASSETS.**

10       (a) **DEFINITIONS.**—In this section:

11           (1) **FOREIGN TERRORIST ORGANIZATION.**—The  
12 term “foreign terrorist organization” means an or-  
13 ganization that is designated as a foreign terrorist  
14 organization under section 219 of the Immigration  
15 and Nationality Act (8 U.S.C. 1189).

16           (2) **TRANSNATIONAL ORGANIZED CRIMINAL.**—  
17 The term “transnational organized criminal” means  
18 an individual who participates in transnational orga-  
19 nized crime, as defined in section 284(i) of title 10,  
20 United States Code.

21       (b) **REVIEW.**—Not later than 1 year after the date  
22 of enactment of this Act, the Secretary of the Treasury,  
23 in consultation with the Attorney General, shall conduct  
24 a comprehensive review of how foreign terrorist organiza-

1 tions and transnational organized criminals utilize digital  
2 assets in connection with illicit activities.

3 (c) REPORT.—Not later than 180 days after com-  
4 pleting the review under subsection (b), the Secretary of  
5 the Treasury shall submit to the Committee on Agri-  
6 culture, Nutrition, and Forestry and the Committee on  
7 Banking, Housing, and Urban Affairs of the Senate and  
8 the Committee on Agriculture and the Committee on Fi-  
9 nancial Services of the House of Representatives a report  
10 on the findings of the Secretary, including—

11 (1) an assessment of how foreign terrorist orga-  
12 nizations and transnational organized criminals uti-  
13 lize digital assets in connection with illicit activities;  
14 and

15 (2) recommendations to assist the Commission  
16 and the Commodity Futures Trading Commission in  
17 strengthening compliance and enforcement of digital  
18 assets-related entities registered with their respective  
19 agencies.

20 (d) ADDITIONAL AGENCIES.—The Secretary of the  
21 Treasury may, in the sole discretion of the Secretary of  
22 the Treasury, solicit input for the report required under  
23 subsection (c) from any or all of the Federal functional  
24 regulators, as defined in section 509 of the Gramm-Leach-

1 Bliley Act (15 U.S.C. 6809), and the Commodity Futures  
2 Trading Commission.

3 (e) CLASSIFIED ANNEX.—The report required under  
4 subsection (c) may include a classified annex, as appro-  
5 priate.

6 **TITLE III—RESPONSIBLE INNO-**  
7 **VATION IN DECENTRALIZED**  
8 **FINANCE**

9 **SEC. 301. RULEMAKING ON APPLICATION OF EXISTING SE-**  
10 **CURITIES INTERMEDIARY REQUIREMENTS**  
11 **AND EXISTING BANK SECRECY ACT REQUIRE-**  
12 **MENTS TO NON-DECENTRALIZED FINANCE**  
13 **TRADING PROTOCOLS.**

14 (a) DEFINITIONS.—In this section:

15 (1) DECENTRALIZED FINANCE TRADING PRO-  
16 TOCOL.—The term “decentralized finance trading  
17 protocol” means a distributed ledger system through  
18 which multiple participants can execute a financial  
19 transaction—

20 (A) in accordance with an automated rule  
21 or algorithm that is predetermined and non-dis-  
22 cretionary; and

23 (B) without reliance on a person other  
24 than the user to maintain custody or control of

1           any digital assets subject to the financial trans-  
2           action.

3           (2) NON-DECENTRALIZED FINANCE TRADING  
4           PROTOCOL.—

5           (A) IN GENERAL.—The term “non-decen-  
6           tralized finance trading protocol” means a de-  
7           centralized finance trading protocol that meets  
8           1 or more of the following:

9                   (i) A person or group of persons  
10                   under common control, or acting pursuant  
11                   to an agreement to act in concert, has the  
12                   authority, directly or indirectly, through  
13                   any contract, arrangement, understanding,  
14                   relationship, or otherwise, to control or  
15                   materially alter the functionality, oper-  
16                   ation, or rules of consensus or agreement  
17                   of the decentralized finance trading pro-  
18                   tocol.

19                   (ii) The decentralized finance trading  
20                   protocol does not operate, execute, and en-  
21                   force its operations and transactions based  
22                   solely on pre-established, transparent rules  
23                   encoded directly within the source code of  
24                   the distributed ledger system.

1 (iii) A person or group of persons  
2 under common control has the authority,  
3 via operation of the decentralized finance  
4 trading protocol, to restrict, censor, or pro-  
5 hibit the use of the decentralized finance  
6 trading protocol, including any applicable  
7 system-based user activity.

8 (B) SPECIAL RULE.—For purposes of sub-  
9 paragraph (A), a decentralized governance sys-  
10 tem, solely by virtue of the operation of the de-  
11 centralized governance system, shall not be con-  
12 sidered to be a person or a group of persons  
13 under common control or acting pursuant to an  
14 agreement to act in concert.

15 (C) EXCLUSIONS.—For purposes of this  
16 section, the term “non-decentralized finance  
17 trading protocol” does not include any protocol  
18 by reason of engaging in any of the following  
19 activities, whether singly or in combination, in  
20 relation to the operation of a distributed ledger  
21 system or any component of a distributed ledg-  
22 er system:

23 (i) Compiling network transactions or  
24 relaying, searching, sequencing, validating,  
25 or acting in a similar capacity.

1 (ii) Providing computational work, op-  
2 erating a node or oracle service, or pro-  
3 curing, offering, or utilizing network band-  
4 width, or providing other similar incidental  
5 services.

6 (iii) Participating in an incident re-  
7 sponse or security council, as provided by  
8 subsection (f).

9 (b) RULES.—

10 (1) IN GENERAL.—The Commission, in con-  
11 sultation with the Department of the Treasury, shall  
12 adopt tailored, clear, and specific rules, after notice  
13 and comment, that clarify how a person, or group of  
14 persons under common control, or acting pursuant  
15 to an agreement to act in concert, that controls a  
16 non-decentralized finance trading protocol and is  
17 subject to the Securities Exchange Act of 1934 (15  
18 U.S.C. 78a et seq.), as amended by this Act, shall  
19 comply with applicable requirements under that Act,  
20 including with respect to registration, conduct, dis-  
21 closure, recordkeeping, supervision, and other re-  
22 quirements under the securities laws.

23 (2) REQUIREMENTS.—The rulemaking required  
24 under paragraph (1) shall—

1 (A) ensure that the rules adopted pursuant  
2 to that rulemaking are consistent with the pur-  
3 poses of the securities laws, including the public  
4 interest, the protection of investors, and the  
5 maintenance of fair and orderly markets;

6 (B) protect the rights of software devel-  
7 opers, publishers, and users to create, publish,  
8 and use code and software in a manner con-  
9 sistent with the First Amendment to the Con-  
10 stitution of the United States;

11 (C) provide legal clarity for the develop-  
12 ment, publication, and operation of distributed  
13 ledger systems and the components therein in a  
14 manner consistent with the purposes of this sec-  
15 tion; and

16 (D) result in, by operation of law, the ap-  
17 plication and enforcement by the Department of  
18 the Treasury, where applicable and pursuant to  
19 existing law, of anti-money laundering and  
20 countering the financing of terrorism require-  
21 ments under the Bank Secrecy Act and other  
22 Federal law with respect to any person or group  
23 of persons that the Commission determines,  
24 through that rulemaking, is required to register  
25 with, or comply as a registrant under, the Secu-

1 securities Exchange Act of 1934 (15 U.S.C. 78a et  
2 seq.).

3 (3) APPLICATION.—

4 (A) IN GENERAL.—Any person or group of  
5 persons determined under this subsection to be  
6 required to register with, or comply as a reg-  
7 istrant under, the Securities Exchange Act of  
8 1934 (15 U.S.C. 78a et seq.) (referred to in  
9 this paragraph as the “Exchange Act”) shall be  
10 subject to that Act and the Bank Secrecy Act  
11 to the extent applicable under existing law, as  
12 of the day before the date of enactment of this  
13 Act, consistent with the treatment of similarly  
14 situated participants under the Exchange Act.

15 (B) RULEMAKING.—The Secretary of the  
16 Treasury, in consultation with the Commission,  
17 shall promulgate tailored, clear, and specific  
18 rules, after providing notice and the opportunity  
19 to comment, that define compliance with obliga-  
20 tions under the Bank Secrecy Act and other  
21 Federal laws relating to anti-money laundering  
22 and countering the financing of terrorism with  
23 respect to any person, or group of persons  
24 under common control (or acting pursuant to

1 an agreement, arrangement, or understanding  
2 to act in concert), that—

3 (i) controls the operation of a non-de-  
4 centralized finance trading protocol identi-  
5 fied in the rulemaking conducted under  
6 paragraph (1);

7 (ii) is required to register with, or  
8 comply as a registrant under, the Ex-  
9 change Act, as determined in the rule-  
10 making conducted under paragraph (1);  
11 and

12 (iii) is caused to be treated as a finan-  
13 cial institution under the Bank Secrecy Act  
14 pursuant to existing law as a result of reg-  
15 istration or compliance described in clause  
16 (ii).

17 (c) **ACTIVITY-BASED APPLICATION.**—Rules adopted  
18 under subsection (b)(1) shall require the Commission to  
19 determine the applicable requirements only with respect  
20 to securities-related activities, based on the functions per-  
21 formed by the controlling person or group of persons, in-  
22 cluding brokerage, dealing, trading, execution, clearing, or  
23 custody of securities, without regard to technological form,  
24 distributed architecture, or purportedly decentralized  
25 characterization.

1 (d) RULES OF CONSTRUCTION.—

2 (1) REGISTRATION NOT REQUIRED.—Nothing  
3 in this section, nor any rule adopted under this sec-  
4 tion, may be construed to—

5 (A) require a distributed ledger system or  
6 any software code to register with the Commis-  
7 sion in its own capacity; or

8 (B) prohibit the launch, deployment, or op-  
9 eration of a distributed ledger system.

10 (2) NO EXPANSION OF STATUTORY AUTHOR-  
11 ITY.—Notwithstanding any rulemaking required  
12 under subsection (b) or (c), and notwithstanding any  
13 action the Commission or the Secretary of the  
14 Treasury may take under either such subsection,  
15 nothing in this section, including any such rule-  
16 making, may be construed to—

17 (A) expand or contract the statutory au-  
18 thority of the Commission or the Department of  
19 the Treasury, as in effect on the day before the  
20 date of enactment of this Act, under the Bank  
21 Secrecy Act;

22 (B) apply to non-controlling developers or  
23 providers, as defined in section 604(b)(3); or

24 (C) limit the use of the authority described  
25 in subparagraph (A) to determine, pursuant to

1           that rulemaking, the applicability of existing  
2           statutory requirements to persons or activities  
3           described in this section.

4           (3) NO PRESUMPTION OF APPLICABILITY.—

5           Nothing in this section may be construed to create  
6           a presumption that any person or activity described  
7           in this section is or is not subject to the Securities  
8           Exchange Act of 1934 (15 U.S.C. 78a et seq.) or  
9           the Bank Secrecy Act absent a determination made  
10          pursuant to a rulemaking required under this sec-  
11          tion.

12          (e) PRESERVATION OF EXISTING AUTHORITIES.—

13          Nothing in this section may be construed to—

14                 (1) limit the authority of the Commission under  
15                 the securities laws to investigate violations, bring ac-  
16                 tions, or issue subpoenas with respect to persons de-  
17                 termined, pursuant to rulemaking, to be subject to  
18                 the securities laws under this section; or

19                 (2) limit the authority of the Secretary of the  
20                 Treasury under the Bank Secrecy Act, including to  
21                 investigate violations or bring actions with respect to  
22                 persons determined, pursuant to rulemaking, to be  
23                 subject to the Bank Secrecy Act.

24          (f) NON-DECENTRALIZED FINANCE TRADING PRO-

25          TOCOLS.—

1           (1) IN GENERAL.—In adopting rules under sub-  
2           section (b), the Commission shall treat a decentral-  
3           ized governance system and any person participating  
4           in the decentralized governance system as a separate  
5           person unless such person is under common control  
6           or acting pursuant to an agreement to act in con-  
7           cert.

8           (2) EMERGENCY MEASURES.—

9           (A) IN GENERAL.—For the avoidance of  
10          doubt, pre-defined, temporary rules-based cy-  
11          bersecurity emergency measures exercised by an  
12          incident-response or security council exclusively  
13          in response to a specific and documented cyber-  
14          security incident or imminent threat and pursu-  
15          ant to publicly disclosed, on-chain authorization  
16          mechanisms, strictly limited in scope and dura-  
17          tion solely to address such specific and docu-  
18          mented cybersecurity incident or imminent  
19          threat, and without unilateral control by any  
20          single person, shall not, by themselves, con-  
21          stitute common control or an agreement to act  
22          in concert, provided that such rules and au-  
23          thorities, including the procedures and oper-  
24          ational limits governing such emergency meas-  
25          ures, are disclosed in publicly available written

1 documentation reasonably available to the appli-  
2 cable Federal regulator, by a decentralized gov-  
3 ernance system or similar legal entity suffi-  
4 ciently in advance of any exercise of such emer-  
5 gency powers.

6 (B) PROHIBITION.—The emergency meas-  
7 ures described in subparagraph (A) may not be  
8 used to implement protocol upgrades, govern-  
9 ance decisions, or economic changes that are  
10 unrelated to the mitigation of the applicable cy-  
11 bersecurity incident or imminent threat, as de-  
12 scribed in that subparagraph.

13 (3) STANDARDS.—The standards criteria for  
14 temporary rules-based cybersecurity emergency  
15 measures under paragraph (2) or multi-signature ar-  
16 rangement under subsection (a)(3) shall be estab-  
17 lished by rulemaking pursuant to subsection (b).

18 **SEC. 302. ILLICIT FINANCE OBLIGATIONS FOR DISTRIB-**

19 **UTED LEDGER MESSAGING SYSTEMS.**

20 (a) DEFINITIONS.—In this section:

21 (1) DISTRIBUTED LEDGER MESSAGING SYS-  
22 TEM.—The term “distributed ledger messaging sys-  
23 tem”—

24 (A) means a web-hosted software applica-  
25 tion that provides a user with the ability to cre-

1           ate or submit an instruction, communication, or  
2           message to a distributed ledger application or  
3           decentralized finance trading protocol for the  
4           purpose of executing a transaction by the user;  
5           and

6                   (B) does not include—

7                           (i) a distributed ledger application;

8                           (ii) a distributed ledger protocol;

9                           (iii) a distributed ledger system;

10                          (iv) a decentralized finance trading  
11                          protocol;

12                          (v) any client, node, validator, or  
13                          other form of computational infrastructure  
14                          with respect to a distributed ledger system;

15                          or

16                          (vi) any software or hardware wallet  
17                          that facilitates the custody of an individual  
18                          of their digital assets.

19                   (2) UNITED STATES SANCTION LAW.—The term  
20                   “United States sanction law” means any law impos-  
21                   ing, or authorizing the imposition of, economic sanc-  
22                   tions.

23                   (b) GUIDANCE.—Not later than 360 days after the  
24                   date of enactment of this Act, the Secretary of the Treas-  
25                   ury shall issue guidance with respect to the economic sanc-

1 tions and anti-money laundering and countering the fi-  
2 nancing of terrorism obligations, risk management prac-  
3 tices, or compliance considerations, applicable to a distrib-  
4 uted ledger messaging system that is owned or operated  
5 by a United States person, as defined in any law imposing  
6 or authorizing the imposition of economic sanctions, which  
7 may include—

8           (1) the use of commercially reasonable distrib-  
9 uted ledger-analytics screening measures, through  
10 industry-standard distributed ledger-analytics tools,  
11 to identify wallet addresses that are owned by sanc-  
12 tioned persons, involve jurisdictions or financial in-  
13 stitutions subject to United States sanctions, or ac-  
14 tivity prohibited by United States sanctions;

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

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

1           (4) implementing and maintaining risk-based  
2           measures, consistent with applicable law, to identify,  
3           mitigate, and address anti-money laundering and  
4           countering the financing of terrorism risks, includ-  
5           ing—

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

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

14           (c) ENFORCEMENT AND PENALTIES.—The Secretary  
15           of the Treasury and any other Federal agency with rel-  
16           evant jurisdiction have the authority, as applicable, to en-  
17           force this section using their existing authorities under ap-  
18           plicable law.

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

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

1 (2) expand or contract the applicability of—

2 (A) economic sanctions, anti-money laun-  
3 dering, or any other illicit finance laws in effect  
4 as of the day before the date of enactment of  
5 this Act to any person, including any person  
6 that owns or operates a distributed ledger mes-  
7 saging system; or

8 (B) the definition of a “financial institu-  
9 tion” under applicable laws, which shall not  
10 apply to non-controlling developers or providers  
11 as defined in section 604(b)(3); or

12 (3) restrict the authority of the Secretary of the  
13 Treasury to implement, administer, and enforce, in-  
14 cluding imposing civil money penalties, any law im-  
15 posing or authorizing the imposition of economic  
16 sanctions or any law to prevent money laundering or  
17 illicit finance otherwise provided by Federal law to  
18 the Secretary of the Treasury.

19 **SEC. 303. SPECIAL MEASURE RELATING TO CERTAIN**  
20 **TRANSMITTAL OF FUNDS.**

21 Section 5318A of title 31, United States Code, is  
22 amended—

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

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

3           “(6) SPECIAL MEASURE FOR CERTAIN TRANS-  
4 MITTALS OF FUNDS.—If the Secretary of the Treas-  
5 ury finds that a jurisdiction outside of the United  
6 States, 1 or more financial institutions operating  
7 outside of the United States, or 1 or more classes  
8 of transactions within, or involving, a jurisdiction  
9 outside of the United States is of primary money  
10 laundering concern in connection with illicit finance  
11 through the use of digital assets, as defined in sec-  
12 tion 2 of the GENIUS Act (12 U.S.C. 5901), the  
13 Secretary may, by order, regulation, or otherwise as  
14 permitted by law, prohibit, or impose conditions  
15 upon, certain transmittals of funds (to be defined by  
16 the Secretary by regulation) by any domestic finan-  
17 cial institution or domestic financial agency, if such  
18 transmittal of funds involves any such institution,  
19 class of transaction, or type of account.”.

20 **SEC. 304. OFFSHORE STABLECOIN REPORT.**

21 (a) DEFINITIONS.—In this section:

22           (1) MATERIAL VOLUME OF TRANSACTIONS.—  
23 The term “material volume of transactions” means  
24 a sustained level of transaction activity that is—

25           (A) publicly observable;

1 (B) exceeds de minimis usage over a 12-  
2 month period; and

3 (C) is reasonably likely to affect the illicit  
4 finance or national security risk exposure of the  
5 United States.

6 (2) PAYMENT STABLECOIN.—The term “pay-  
7 ment stablecoin” has the meaning given the term in  
8 section 2 of the GENIUS Act (12 U.S.C. 5901).

9 (3) UNITED STATES-DEPENDENT OFFSHORE  
10 STABLECOIN.—The term “United States-dependent  
11 offshore stablecoin” means a payment stablecoin  
12 that—

13 (A) is not issued by a permitted payment  
14 stablecoin issuer or any foreign payment  
15 stablecoin issuer registered with the Comp-  
16 troller (as those terms are defined in section 2  
17 of the GENIUS Act (12 U.S.C. 5901));

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

20 (C) the value of which is supported or  
21 backed by a reserve of assets that has a sub-  
22 stantial nexus to the United States, which may  
23 include—

24 (i) obligations of the United States,  
25 including United States Treasury securi-

1 ties and repurchase agreements backed by  
2 United States Treasury securities and  
3 funds held as deposits at any bank subject  
4 to the jurisdiction of the United States;

5 (ii) deposits maintained at a banking  
6 entity or insured depository institution lo-  
7 cated in the United States, including cor-  
8 respondent or payable-through accounts;

9 (iii) securities issued or guaranteed by  
10 the United States or any agency or instru-  
11 mentality thereof; or

12 (iv) assets custodied, cleared, or set-  
13 tled through payment, clearing, or settle-  
14 ment systems located in the United States.

15 (b) REPORT.—Not later than June 30 of the second  
16 calendar year that begins after the date of enactment of  
17 this Act, and every 4 years thereafter for not more than  
18 3 reports, the Secretary of the Treasury shall submit to  
19 the Committee on Banking, Housing, and Urban Affairs  
20 of the Senate and the Committee on Financial Services  
21 of the House of Representatives, and make available on  
22 the website of the Department of the Treasury, a report  
23 assessing whether there is credible, articulable, and pub-  
24 licly supportable evidence of significant illicit finance  
25 threats or vulnerabilities associated with any United

1 States-dependent offshore stablecoin employed in a mate-  
2 rial volume of transactions.

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

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

8 (2) an assessment of the controls employed by  
9 the issuers of United States-dependent offshore  
10 stablecoins to address the use of such stablecoins in  
11 illicit finance, as available;

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

16 (4) a general description of the relationships be-  
17 tween United States-dependent offshore stablecoins  
18 and the financial system of the United States, in-  
19 cluding principal channels of interaction; and

20 (5) such other information or analysis as the  
21 Secretary of the Treasury deems relevant to assess-  
22 ing the illicit finance risks of United States-depend-  
23 ent offshore stablecoins.

1 (d) CLASSIFIED ANNEX.—Each report required  
2 under subsection (b) shall be submitted in unclassified  
3 form, but may contain a classified annex.

4 (e) NATIONAL STRATEGY.—The reporting require-  
5 ment under subsection (b) may be met as part of the na-  
6 tional strategy for combating terrorist and other illicit fi-  
7 nancing required under sections 261 and 262 of the Coun-  
8 tering America’s Adversaries Through Sanctions Act  
9 (Public Law 115–44; 131 Stat. 934) for the reporting  
10 years.

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

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

15 (2) the collection or use of any information  
16 other than publicly available data or information  
17 lawfully obtained by the Department of the Treasury  
18 under existing authorities.

19 **SEC. 305. TEMPORARY HOLD FOR CERTAIN DIGITAL ASSET**  
20 **TRANSACTIONS.**

21 (a) DEFINITIONS.—In this section:

22 (1) COVERED AGENCY.—The term “covered  
23 agency” means any State or Federal law enforce-  
24 ment agency, including the Department of the  
25 Treasury.

1           (2) COVERED PERSON.—The term “covered  
2 person” means a person that is—

3           (A) a permitted payment stablecoin issuer;

4           (B) a foreign payment stablecoin issuer  
5 registered with the Office of the Comptroller of  
6 the Currency pursuant to section 18(c) of the  
7 GENIUS Act (12 U.S.C. 5916(c)); or

8           (C) a digital asset service provider, as that  
9 term is defined in section 2 of the GENIUS Act  
10 (12 U.S.C. 5901).

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

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

20           (A) identifies a specific wallet, address, ac-  
21 count, or transaction reasonably suspected of  
22 being linked to illicit activity;

23           (B) requests a covered person initiate an  
24 action with respect to the specified wallet, ad-  
25 dress, account, or transaction reasonably sus-



1 action, conversion, or withdrawal relates to  
2 an action or attempted violation of state or  
3 Federal law; or

4 (ii) implements the temporary hold  
5 after receiving a qualified written request  
6 from a covered agency;

7 (B) the covered person—

8 (i) makes reasonable efforts to notify  
9 the affected customer of the temporary  
10 hold;

11 (ii) reasonably determines that notifi-  
12 cation would impede actual or potential  
13 law enforcement efforts; or

14 (iii) receives a qualified written re-  
15 quest from a covered agency that requests  
16 notification not be attempted; and

17 (C) the covered person notifies as soon as  
18 reasonably practicable an appropriate State or  
19 Federal law enforcement agency or the Federal  
20 Trade Commission, provided that such notifica-  
21 tion is not required when the covered person  
22 has received a qualified written request from a  
23 covered agency.

24 (2) DOCUMENTATION.—A covered person  
25 shall—

1 (A) maintain for the 3-year period fol-  
2 lowing the implementation of a temporary hold  
3 documentation of the basis for applying a tem-  
4 porary hold; and

5 (B) make available the documentation de-  
6 scribed in subparagraph (A) upon the request  
7 of a covered agency, the Federal Trade Com-  
8 mission, or the Secretary of the Treasury.

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

11 (1) compel or require any covered person to  
12 take action to freeze, seize, or block digital assets  
13 that is not otherwise required under existing Federal  
14 or State law;

15 (2) limit or alter the authority of any govern-  
16 ment agency, including with respect to authority to  
17 pursue enforcement actions; or

18 (3) limit or affect the application of—

19 (A) section 5318(g)(3) of title 31, United  
20 States Code, and any regulation requiring any  
21 financial institution to report suspicious activ-  
22 ity; or

23 (B) any lawful authority to seize or freeze  
24 assets pursuant to a lawful order or sanctions  
25 designation.

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

5           (d) REPORTING.—The Attorney General and the  
6           Federal Trade Commission may issue regulations or guid-  
7           ance relating to any notification by covered persons pursu-  
8           ant to this section to the Department of Justice and the  
9           Federal Trade Commission, respectively.

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

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

17                (2) specifies the payment stablecoins or ac-  
18                counts subject to blocking with reasonable particu-  
19                larity; and

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

22          **SEC. 306. VOLUNTARY CYBERSECURITY PROGRAM FOR DE-**  
23                               **CENTRALIZED FINANCE TRADING PROTO-**  
24                               **COLS.**

25          (a) DEFINITIONS.—In this section:

1           (1) COVERED ACTIVITIES.—The term “covered  
2 activities” means the activities described in section  
3 15H(b) of the Securities Exchange Act of 1934, as  
4 added by section 601.

5           (2) DECENTRALIZED FINANCE TRADING PRO-  
6 TOCOL.—The term “decentralized finance trading  
7 protocol” has the meaning given the term in section  
8 15H(a) of the Securities Exchange Act of 1934, as  
9 added by section 601.

10          (3) DIRECTOR.—The term “Director” means  
11 the Director of NIST.

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

14          (b) ESTABLISHMENT OF PROGRAM.—The Director  
15 shall, in consultation with the Commission and the Com-  
16 modity Futures Trading Commission, establish a vol-  
17 untary program for the adoption by persons developing de-  
18 centralized finance trading protocols or engaging in cov-  
19 ered activities of applicable cybersecurity standards pub-  
20 lished by NIST.

21          (c) DEVELOPMENT OF PROGRAM CRITERIA.—

22           (1) REQUEST FOR INFORMATION.—The Direc-  
23 tor shall issue a request for information in the Fed-  
24 eral Register to gather input from experts and in-  
25 dustry stakeholders on—

1 (A) cybersecurity threats, vulnerabilities,  
2 and risks to decentralized finance trading pro-  
3 tocols;

4 (B) auditing and code security standards,  
5 including best practices for code audits;

6 (C) consumer protection and code trans-  
7 parency best practices on decentralized finance  
8 trading protocols; and

9 (D) existing NIST standards and their ap-  
10 plicability to decentralized finance trading pro-  
11 tocols.

12 (2) REPORT.—The Director shall develop a re-  
13 port on the software development of decentralized fi-  
14 nance protocols to assess technical input from para-  
15 graph (1).

16 (3) PUBLICATION OF PROGRAM CRITERIA.—  
17 After evaluating input, the Director shall release a  
18 special publication containing a detailed evaluation  
19 of cybersecurity best practices and existing applica-  
20 ble standards for decentralized finance trading pro-  
21 tocols, to provide program criteria to software devel-  
22 opers and industry stakeholders under the voluntary  
23 program, which shall include a summary of public  
24 comments and responses as to how input was incor-  
25 porated.

1 (4) REQUESTS FOR REVISION.—

2 (A) IN GENERAL.—After the Director pub-  
3 lishes the program criteria under paragraph  
4 (3), the Director shall issue a request for com-  
5 ment in the Federal Register to gather input on  
6 the workability of the program.

7 (B) PETITION.—The public may petition  
8 the Director to reevaluate certain aspects of the  
9 program criteria published under paragraph  
10 (3).

11 (5) PROGRAM UPDATES.—As the technology un-  
12 derpinning decentralized finance trading protocols  
13 evolves, the Director shall update the special publi-  
14 cation under paragraph (3) in compliance with sub-  
15 section (d).

16 (d) PROGRAM.—

17 (1) APPLICATION.—A person seeking evaluation  
18 of a decentralized finance trading protocol or a cov-  
19 ered activity under the program established under  
20 subsection (b) shall submit to the Director an appli-  
21 cation at such time and in such manner as the Di-  
22 rector considers appropriate for purposes of the pro-  
23 gram.

24 (2) REVIEW.—In carrying out the program es-  
25 tablished under subsection (b), the Director shall re-

1 view each application submitted by a person under  
2 paragraph (1) of this subsection.

3 (3) DETERMINATION.—In carrying out a review  
4 under paragraph (2) of an application regarding a  
5 decentralized finance trading protocol or covered ac-  
6 tivity, the Director shall determine whether the pro-  
7 tocol or activity is in compliance with existing appli-  
8 cable standards, frameworks, and guidelines pub-  
9 lished by the Director under subsection (c).

10 (4) NOTICE.—For each determination made  
11 under paragraph (3) pursuant to an application by  
12 a person of a decentralized finance trading protocol  
13 or covered activity, the Director shall transmit to the  
14 person a notice of the determination.

15 (e) BENEFITS OF PROGRAM.—

16 (1) DISPLAY.—A person that receives notice  
17 under subsection (d)(4) that the Director has deter-  
18 mined that a decentralized finance trading protocol  
19 or a covered activity has adopted the applicable cy-  
20 bersecurity standards published by NIST, the person  
21 may publicly display a designation, seal, or other  
22 identifier issued by the Director.

23 (2) TREATMENT OF ADOPTION.—In adopting a  
24 regulation or guidance relating to this section, a  
25 Federal agency shall consider adoption of cybersecu-

1 rity standards under the program required by sub-  
2 section (b) as evidence of good faith compliance with  
3 the law.

4 (f) **RULE OF CONSTRUCTION RELATING TO PREEMP-**  
5 **TION.**—Nothing in this section may be construed to pre-  
6 empt any otherwise applicable provision of law of a State.

7 **SEC. 307. AMENDMENTS TO MONETARY INSTRUMENT DEFINI-**  
8 **NITION.**

9 (a) **DEFINITIONS.**—In this section:

10 (1) **SELF-HOSTED WALLET.**—The term “self-  
11 hosted wallet” means a digital interface—

12 (A) that is used to secure and transfer dig-  
13 ital assets; and

14 (B) under which the owner of digital assets  
15 secured and transferred under subparagraph  
16 (A) retains independent control over those dig-  
17 ital assets.

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

21 (b) **MONETARY INSTRUMENTS.**—Section  
22 5312(a)(3)(D) of title 31, United States Code, is amended  
23 by inserting “, including digital assets (as defined in sec-  
24 tion 2 of the GENIUS Act (12 U.S.C. 5901)), as may  
25 be applicable,” after “value”.

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

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

9           (2) the effectiveness of and gaps in existing  
10 methods, techniques, and strategies used by regu-  
11 lated financial institutions in detecting illicit activity,  
12 such as money laundering, involving self-hosted wal-  
13 lets;

14           (3) any illicit actors, including nation state ac-  
15 tors, that pose a high risk of facilitating illicit activ-  
16 ity through the use of self-hosted wallets;

17           (4) the benefits of the use of self-hosted wallets  
18 to—

19           (A) enhance user privacy and civil liberties  
20 through direct asset custody; and

21           (B) expand financial inclusion and access  
22 for communities underserved by traditional fi-  
23 nancial institutions;

1           (5) end user and counterparty risks associated  
2           with self-hosted wallets, including consumer fraud,  
3           cybersecurity, and identity verification;

4           (6) the use of hardware self-hosted wallets to  
5           smuggle digital assets for financing cross-border il-  
6           licit activity;

7           (7) the use of hardware self-hosted wallets for  
8           tax evasion and asset concealment; and

9           (8) other considerations the Secretary may de-  
10          termine appropriate.

11          (d) GUIDANCE.—The Secretary of the Treasury may  
12          issue guidance for financial institutions that transact with  
13          self-hosted wallets based on the results of the research on  
14          benefits and risks required under subsection (c), which  
15          shall not—

16                (1) require a regulated entity to collect, with re-  
17                spect to any transaction, personally identifiable in-  
18                formation about the controller of a self-hosted wallet  
19                when the controller is not both the customer of the  
20                regulated entity and a party to such transaction, ex-  
21                cept as required by Federal law, including United  
22                States sanctions laws and regulations or lawful proc-  
23                ess; or

24                (2) be construed to hinder, restrict, or other-  
25                wise impair the authority of any Federal agency to

1 investigate, detect, counteract, or prevent illegal ac-  
2 tivity.

3 **SEC. 308. RISK MANAGEMENT STANDARDS FOR DIGITAL**  
4 **ASSET INTERMEDIARIES.**

5 (a) IN GENERAL.—Before conducting trading activity  
6 (including routing orders and executing trades) through  
7 a decentralized finance trading protocol, a digital asset  
8 intermediary shall implement risk management standards  
9 as described in subsection (b) with respect to trading  
10 using that decentralized finance trading protocol.

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

14 (1) Conducting an effective risk analysis with  
15 respect to the decentralized finance trading protocol,  
16 including—

17 (A) money laundering and sanctions eva-  
18 sion risks, including whether trading will in-  
19 volve activity relating to a primary money laun-  
20 dering concern;

21 (B) fraud and market manipulation;

22 (C) operational and cybersecurity risk, in-  
23 cluding settlement; and

1 (D) implementing robust policies and pro-  
2 cedures to mitigate the risks identified under  
3 this paragraph.

4 (2) Disclosing the risks identified under para-  
5 graph (1) using plain language to customers.

6 (3) Maintaining robust, risk-based capability to  
7 detect market manipulation, fraud, money laun-  
8 dering, and sanctions evasion occurring on the de-  
9 centralized finance trading protocol, which may in-  
10 clude the use of alternative tools that will properly  
11 target such risks, including distributed ledger ana-  
12 lytics tools.

13 (4) Implementing an effective risk-based proce-  
14 dure for determining whether to execute, reject, or  
15 suspend an incoming or outgoing transaction relat-  
16 ing to the decentralized finance trading protocol, as  
17 applicable, including a determination based on sus-  
18 pected risk of money laundering, sanctions evasion,  
19 fraud, or market manipulation.

20 (5) Consistent with this subsection, imple-  
21 menting other reasonable standards which may be  
22 required by rule.

23 (c) EXAMINATIONS.—

24 (1) COMPLIANCE.—The Commission or the  
25 Commodity Futures Trading Commission, or other

1 appropriate self-regulatory organization, shall verify  
2 compliance with the requirements of this section as  
3 part of a regular examination of the digital asset  
4 intermediary at the frequency and under the condi-  
5 tions otherwise provided by law or rule.

6 (2) RULE OF CONSTRUCTION.—Nothing in this  
7 section may be construed to limit the authority of  
8 the Financial Crimes Enforcement Network or the  
9 Office of Foreign Assets Control from conducting  
10 examinations, investigations, or enforcement actions  
11 relating to this section as otherwise provided by law.

12 (d) RULEMAKING.—Rules shall be adopted to imple-  
13 ment this section as follows:

14 (1) The Department of the Treasury, in con-  
15 sultation with the Commission and the Commodity  
16 Futures Trading Commission, shall adopt rules to  
17 implement the money laundering and sanctions eva-  
18 sion risk analysis standards of this section.

19 (2) The Commission and the Commodity Fu-  
20 tures Trading Commission shall adopt rules to im-  
21 plement this section other than the provisions de-  
22 scribed in paragraph (1).

23 (3) Rules adopted under this paragraph shall be  
24 reasonably tailored to the size of the applicable dig-  
25 ital asset intermediary and risks of the digital asset

1 intermediary that are reasonably knowable to the  
2 digital asset intermediary.

3 **SEC. 309. STUDY ON DIGITAL ASSET MIXERS AND TUM-**  
4 **BLERS.**

5 (a) DIGITAL ASSET MIXER AND TUMBLER DE-  
6 FINED.—In this section, the term “digital asset mixer and  
7 tumbler” means a smart contract, or set of smart con-  
8 tracts, that obfuscate or eliminate the source or other  
9 forms of identification of the holder of a digital asset, in-  
10 cluding by pooling assets from different holders and redis-  
11 tributing those assets among holders.

12 (b) REPORT.—Not later than 1 year after the date  
13 of enactment of this Act, the Secretary of the Treasury  
14 shall submit to the Committee on Banking, Housing, and  
15 Urban Affairs of the Senate and the Committee on Finan-  
16 cial Services of the House of Representatives a report that  
17 analyzes the following issues:

18 (1) Current (as of the date on which the report  
19 is submitted) typologies of digital asset mixers and  
20 tumblers and historical transaction volume.

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

24 (3) Estimates of the reliance, and financial ex-  
25 posure, of centralized exchanges and traditional fi-

1 financial institutions to digital asset mixers and tum-  
2 blers, and the extent to which centralized exchanges  
3 and traditional financial institutions are adequately  
4 implementing anti-money laundering and economic  
5 sanctions compliance with respect to digital asset  
6 mixers and tumblers.

7 (4) An assessment of potential non-illicit uses  
8 of mixers and tumblers described in paragraph (1),  
9 including privacy benefits.

10 (5) Analysis of regulatory approaches employed  
11 by other jurisdictions relating to digital asset mixers  
12 and tumblers.

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

15 **SEC. 310. GAO STUDY ON INTERMEDIARIES IN FOREIGN JU-**  
16 **RISDICTIONS.**

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

20 (1) assess the risks posed by digital asset inter-  
21 mediaries that are primarily located in foreign juris-  
22 dictions that lack regulatory requirements that are  
23 substantially similar to the requirements of the  
24 Bank Secrecy Act that provide services to United  
25 States persons; and

1           (2) provide any regulatory or legislative rec-  
2           ommendations to address these risks under para-  
3           graph (1).

4           (b) REPORT.—Not later than 1 year after the date  
5 of enactment of this Act, the Comptroller General of the  
6 United States shall submit to Congress a report con-  
7 taining all findings and determinations made in carrying  
8 out the study required under subsection (a).

9 **SEC. 311. STUDIES ON FOREIGN ADVERSARY ACTIVITIES.**

10          (a) DEFINITIONS.—In this section:

11           (1) FOREIGN ADVERSARY.—The term “foreign  
12           adversary” means a foreign government or foreign  
13           nongovernment person determined by the Secretary  
14           of Commerce to be a foreign adversary under section  
15           7.4(a) of title 15, Code of Federal Regulations, or  
16           any successor regulation.

17           (2) RELEVANT CONGRESSIONAL COMMIT-  
18           TEES.—The term “relevant congressional commit-  
19           tees” means—

20                   (A) the Committee on Banking, Housing,  
21                   and Urban Affairs of the Senate;

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

24                   (C) the Select Committee on Intelligence of  
25                   the Senate;

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

3 (E) the Committee on Agriculture of the  
4 House of Representatives; and

5 (F) the Permanent Select Committee on  
6 Intelligence of the House of Representatives.

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

13 (1) identifies any digital asset intermediary that  
14 is controlled by a government of a foreign adversary,  
15 or by individuals or entities acting at the direction  
16 of a foreign adversary;

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

20 (3) evaluates whether any proprietary intellec-  
21 tual property of digital asset intermediaries is being  
22 misused or stolen by any government of a foreign  
23 adversary.

24 (c) GAO STUDY AND REPORT.—Not later than 1  
25 year after the date of enactment of this Act, the Comp-

1 troller General shall conduct a study and submit a report  
2 to the relevant congressional committees, which may in-  
3 clude a classified annex, that—

4 (1) identifies any digital asset intermediary that  
5 is owned by a government of a foreign adversary, or  
6 by individuals or entities acting at the direction of  
7 a foreign adversary;

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

11 (3) evaluates whether any proprietary intellec-  
12 tual property of digital asset intermediaries is being  
13 misused or stolen by any government of a foreign  
14 adversary.

15 **SEC. 312. TREASURY STUDY ON CYBERSECURITY STAND-**  
16 **ARDS.**

17 (a) STUDY.—The Secretary of the Treasury, in con-  
18 sultation with the Director of the Cybersecurity and Infra-  
19 structure Security Agency, the Director of the National  
20 Security Agency, and the Director of the National Insti-  
21 tute of Standards and Technology, shall conduct a study  
22 on cybersecurity standards applicable to digital asset  
23 smart contracts, custody, key management, and smart  
24 contract deployment.

25 (b) REPORT.—



1 (ii) the use of such protocols to obtain  
2 leverage or financing;

3 (iii) the effects of such protocols on  
4 the pricing and trading of financial instru-  
5 ments, including descriptions of any link-  
6 ages between such protocols and tradi-  
7 tional financial instrument; and

8 (iv) the types and volumes of financial  
9 activity conducted through such protocols;

10 (B) the risks of decentralized finance pro-  
11 tocols to financial stability, fair and orderly  
12 markets, and otherwise to the financial system  
13 to the United States, which shall include a  
14 quantification of those risks, to the extent pos-  
15 sible;

16 (C) the strategies and guardrails regu-  
17 lators and market participants have used and  
18 are using to mitigate risks arising from the use  
19 of decentralized finance protocols; and

20 (D) an assessment of whether the regu-  
21 latory framework adequately controls any risk  
22 with respect to decentralized finance protocols;

23 (2) conduct a separate study examining the  
24 risks to financial stability and orderly markets aris-  
25 ing from the extension and maintenance of credit

1 with respect to digital assets by digital asset service  
2 providers, including—

3 (A) the effect of gaps in the regulatory  
4 framework for credit extended on digital assets,  
5 such as risks arising from the extension and  
6 maintenance of credit on digital assets; and

7 (B) the interconnections between leverage  
8 in the market for digital assets and the finan-  
9 cial system; and

10 (3) submit to the Committee on Banking,  
11 Housing, and Urban Affairs of the Senate, the Com-  
12 mittee on Agriculture, Nutrition, and Forestry of  
13 the Senate, the Committee on Financial Services of  
14 the House of Representatives, and the Committee on  
15 Agriculture of the House of Representatives a report  
16 on the studies conducted under paragraphs (1) and  
17 (2), which—

18 (A) shall include legislative and regulatory  
19 recommendations, as appropriate; and

20 (B) may include a classified annex.

21 **TITLE IV—RESPONSIBLE**  
22 **BANKING INNOVATION**

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

24 (a) DEFINITIONS.—In this section:

1           (1) FEDERAL CREDIT UNION.—The term “Fed-  
2           eral credit union” has the meaning given the term  
3           in section 101 of the Federal Credit Union Act (12  
4           U.S.C. 1752).

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

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

13          (4) STATE CREDIT UNION.—The term “State  
14          credit union” has the meaning given the term in sec-  
15          tion 101 of the Federal Credit Union Act (12 U.S.C.  
16          1752).

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

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

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

5           (3) RULE OF CONSTRUCTION.—Nothing in this  
6           subsection may be construed to exempt the perform-  
7           ance, provision, or delivery by a financial holding  
8           company of an activity, function, product, or service  
9           from a requirement that would apply if the activity  
10          were not performed, provided, or delivered using a  
11          digital asset or distributed ledger system, such as by  
12          requiring a financial holding company, in order to  
13          conduct an activity described in subsection (g)(13)  
14          with respect to a digital asset that is a security, de-  
15          rivative, swap, or security-based swap, to comply  
16          with any prohibition, restriction, registration, limita-  
17          tion, or other similar requirement placed on an ac-  
18          tivity conducted by a financial holding company  
19          through securities, derivatives, swaps, or security-  
20          based swaps that would apply if the activity were  
21          not performed, provided, delivered, or conducted  
22          using a digital asset or distributed ledger system.

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

25                 (1) IN GENERAL.—

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

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

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

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

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

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

20      (e) AUTHORIZED ACTIVITIES FOR FEDERAL CREDIT  
21      UNIONS.—

22              (1) IN GENERAL.—A Federal credit union may  
23      use a digital asset or distributed ledger system to  
24      perform, provide, or deliver any activity, function,  
25      product, or service that the Federal credit union is

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

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

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

17 (f) CREDIT UNIONS.—The activities authorized for a  
18 Federal credit union under subsection (e) shall be permis-  
19 sible for a State credit union, subject to State law and  
20 any limitations imposed by the National Credit Union Ad-  
21 ministration with respect to insured credit unions.

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

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

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

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

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

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

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

17 (h) OTHER REQUIREMENTS.—There shall be no  
18 other prior notice or approval requirements to engage in  
19 the activities described in subsections (b) through (g) of  
20 this section other than those required under the National  
21 Bank Act (12 U.S.C. 38 et seq.), the Federal Reserve Act  
22 (12 U.S.C. 226 et seq.), the Bank Holding Company Act  
23 of 1956 (12 U.S.C. 1841 et seq.), or the Federal Credit  
24 Union Act (12 U.S.C. 1751 et seq.).

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

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

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

8 (3) limit the authority of a Federal banking  
9 agency or the National Credit Union Administration  
10 to determine that activities other than those activi-  
11 ties described in subsection (g) are permissible  
12 through interpretations, guidance, or rulemaking;

13 (4) limit the authority of an appropriate Fed-  
14 eral or State banking agency to supervise and take  
15 enforcement action with respect to an insured depos-  
16 itory institution (or, to the extent applicable, a fi-  
17 nancial holding company) engaging in a digital asset  
18 activity authorized by this section that the Federal  
19 or State banking agency determines, pursuant to ap-  
20 plicable law, to be unsafe or unsound; or

21 (5) limit the authority of the National Credit  
22 Union Administration or a State credit union super-  
23 visor to supervise and take enforcement action with  
24 respect to an insured credit union engaging in a dig-  
25 ital asset activity authorized under this section that

1 the National Credit Union Administration or a State  
2 credit union supervisor determines, pursuant to ap-  
3 plicable law, to be unsafe or unsound.

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

6 **SEC. 402. JOINT RULES FOR PORTFOLIO MARGINING DE-**  
7 **TERMINATIONS.**

8 (a) IN GENERAL.—The Commodity Futures Trading  
9 Commission and the Commission shall jointly issue rules  
10 to facilitate portfolio margining of securities (including re-  
11 lated extensions of credit), security-based swaps, futures  
12 contracts for future delivery, options on futures contracts  
13 for future delivery, swaps, and digital commodities, or any  
14 subset thereof, for persons registered with either such  
15 Commission, in—

16 (1) a securities account carried by a registered  
17 broker or dealer or a security-based swap account  
18 carried by a registered security-based swap dealer;

19 (2) a futures or cleared swap account carried by  
20 a registered futures commission merchant;

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

22 (4) a digital commodity account carried by a  
23 registered digital commodity broker or digital com-  
24 modity dealer that is also registered in such other  
25 capacity as is necessary to also carry the other cus-

1        tomer or counterparty positions being held in the ac-  
2        count.

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

5            (1) describe the treatment of any account to  
6        which the rules relate, and any assets that may be  
7        held therein, in a proceeding under title 11, United  
8        States Code, the Securities Investor Protection Act  
9        of 1970 (15 U.S.C. 78aaa et seq.), title II of the  
10        Dodd-Frank Wall Street Reform and Consumer Pro-  
11        tection Act (12 U.S.C. 5381 et seq.), or other appli-  
12        cable insolvency law with respect to the person car-  
13        rying the account;

14            (2) be issued only if that issuance is in the pub-  
15        lic interest and provides for the appropriate protec-  
16        tion of customers, including appropriate disclosures  
17        to each current and potential customer concerning  
18        the treatment of any account to which the rules re-  
19        late, and any assets that may be held therein, in a  
20        proceeding under title 11, United States Code, the  
21        Securities Investor Protection Act of 1970 (15  
22        U.S.C. 78aaa et seq.), title II of the Dodd-Frank  
23        Wall Street Reform and Consumer Protection Act  
24        (12 U.S.C. 5381 et seq.), or other applicable insol-

1 vency law with respect to the person carrying the ac-  
2 count;

3 (3) require the Commission and the Commodity  
4 Futures Trading Commission to consider the public  
5 interest of, and the protection of investors by, those  
6 rules through the solicitation of public comments;  
7 and

8 (4) require the Commission and the Commodity  
9 Futures Trading Commission to—

10 (A) consult with other relevant foreign or  
11 domestic regulators, including the Board of  
12 Governors of the Federal Reserve System, the  
13 Federal Deposit Insurance Corporation, and the  
14 Office of the Comptroller of the Currency and  
15 State bank supervisors, as appropriate; and

16 (B) if the rules pertain to a securities ac-  
17 count carried by a registered broker or dealer  
18 that is a member of the Securities Investor Pro-  
19 tection Corporation, consult with the Securities  
20 Investor Protection Corporation.

21 **SEC. 403. CAPITAL REQUIREMENTS TO ADDRESS NETTING**

22 **AGREEMENTS.**

23 (a) DEFINITIONS.—In this section, the terms “depos-  
24 itory institution holding company” and “insured deposi-  
25 tory institution” have the meanings given those terms in

1 section 3 of the Federal Deposit Insurance Act (12 U.S.C.  
2 1813).

3 (b) CAPITAL REQUIREMENTS.—Not later than 360  
4 days after the date of enactment of this Act, the Board  
5 of Governors of the Federal Reserve System, the Comp-  
6 troller of the Currency, and the Chair of the Federal De-  
7 posit Insurance Corporation shall develop risk-based and  
8 leverage capital requirements for insured depository insti-  
9 tutions, depository institution holding companies, and  
10 nonbank financial companies supervised by the Board of  
11 Governors of the Federal Reserve System that address  
12 netting agreements that provide for termination and close-  
13 out netting across multiple types of financial transactions,  
14 consistent with section 402, in the event of the default  
15 of a counterparty.

16 **SEC. 404. PROHIBITING INTEREST AND YIELD ON PAYMENT**  
17 **STABLECOINS.**

18 (a) DEFINITIONS.—In this section:

19 (1) AFFILIATE.—The term “affiliate” means  
20 any entity that controls, is controlled by, or is under  
21 common control with another entity.

22 (2) COMMISSIONS.—The term “Commissions”  
23 means the Commission and the Commodity Futures  
24 Trading Commission.

1           (3) COVERED PARTY.—The term “covered  
2 party” means any digital asset service provider, to-  
3 gether with all of its affiliates, but in each case ex-  
4 cluding any permitted payment stablecoin issuer or  
5 foreign payment stablecoin issuer registered with the  
6 Comptroller.

7           (4) DEPOSIT.—The term “deposit” has the  
8 meaning given the term in section 3 of the Federal  
9 Deposit Insurance Act (12 U.S.C. 1813).

10          (5) RESTRICTED RECIPIENT.—The term “re-  
11 stricted recipient” means a United States person  
12 that is a customer or user of a covered party.

13          (6) UNITED STATES PERSON.—The term  
14 “United States person” means a person that is resi-  
15 dent in the United States or is organized or incor-  
16 porated under the laws of the United States.

17          (7) OTHER DEFINITIONS.—The terms “Comp-  
18 troller”, “digital asset service provider”, “foreign  
19 payment stablecoin issuer”, “payment stablecoin”,  
20 and “permitted payment stablecoin issuer” have the  
21 meanings given those terms in section 2 of the GE-  
22 NIUS Act (12 U.S.C. 5901).

23          (b) SENSE OF CONGRESS.—It is the sense of Con-  
24 gress that—

1           (1) depository institutions provide financial  
2 services that are integral to the strength of the econ-  
3 omy of the United States and that the payment of  
4 consideration by digital asset service providers to  
5 United States customers or users based on their  
6 payment stablecoin balances in a manner that is eco-  
7 nomically or functionally equivalent to the payment  
8 of interest or yield on an interest-bearing bank de-  
9 posit may inhibit depository institutions' key func-  
10 tions in the economy of the United States; and

11           (2) payment stablecoins represent a significant  
12 innovation in financial infrastructure that can  
13 strengthen the United States payments system and  
14 the primacy of the United States dollar and that ac-  
15 tivity-based rewards and incentives tied to the use of  
16 payment stablecoins and participation in distributed  
17 ledger systems are critical to enabling innovation,  
18 competition, and consumer adoption.

19           (c) PROHIBITION ON INTEREST AND YIELD.—

20           (1) IN GENERAL.—No covered party shall, di-  
21 rectly or indirectly, pay any form of interest or yield  
22 (whether in cash, tokens, or other consideration) to  
23 a restricted recipient—

1 (A) solely in connection with the holding of  
2 such restricted recipient's payment stablecoins;  
3 or

4 (B) on a payment stablecoin balance in a  
5 manner that is economically or functionally  
6 equivalent to the payment of interest or yield on  
7 an interest-bearing bank deposit.

8 (2) ACTIVITY-BASED OR TRANSACTION-BASED  
9 REWARDS AND INCENTIVES PERMITTED.—

10 (A) IN GENERAL.—The prohibition under  
11 paragraph (1) shall not apply with respect to  
12 rewards or incentives based on bona fide activi-  
13 ties or bona fide transactions that are not eco-  
14 nomically or functionally equivalent to the pay-  
15 ment of interest or yield on an interest-bearing  
16 bank deposit pursuant to the regulations pro-  
17 mulgated under paragraph (3).

18 (B) EQUIVALENCE TO BANK DEPOSITS.—  
19 Except as permitted under subparagraph (A),  
20 the prohibition under paragraph (1) shall apply  
21 to the payment of interest or yield (whether in  
22 cash, tokens, or other consideration) by a cov-  
23 ered party to a restricted recipient in connec-  
24 tion with a loyalty, promotional, subscription, or  
25 incentive program that is economically or func-

1           tionally equivalent to the payment of interest or  
2           yield on an interest-bearing bank deposit.

3           (3) RULEMAKING.—

4                   (A) IN GENERAL.—Not later than 1 year  
5           after the date of enactment of this Act, the  
6           Commissions and the Secretary of the Treasury  
7           shall jointly promulgate regulations through no-  
8           tice and comment rulemaking to clarify the cir-  
9           cumstances under which the prohibition and  
10          permissible rewards and incentives in para-  
11          graphs (1) and (2) shall apply. Such rule-  
12          making shall include a non-exhaustive list of  
13          permissible activity-based or transaction-based  
14          rewards or incentives, including payments to re-  
15          stricted recipients in connection with or in com-  
16          pensation for any of the following, provided  
17          such payments are not economically or func-  
18          tionally equivalent to the payment of interest or  
19          yield on an interest-bearing bank deposit:

20                   (i) A transaction, payment, transfer,  
21                  conversion, remittance, or settlement activ-  
22                  ity, including a rebate or incentive pro-  
23                  vided in connection with the acceptance or  
24                  use of a payment stablecoin.

1 (ii) Providing liquidity for market-  
2 marking activity, posting of collateral in  
3 connection with trading, or otherwise put-  
4 ting assets at credit or investment risk.

5 (iii) The use of any product or service,  
6 including participation in governance, vali-  
7 dation, staking, or a loyalty, promotional,  
8 subscription, or incentive program.

9 (B) CALCULATION BY REFERENCE.—For  
10 the avoidance of doubt, payments to restricted  
11 recipients of consideration, rewards, or benefits  
12 that are permissible pursuant to paragraph (2)  
13 and subparagraph (A) of this paragraph may be  
14 calculated by reference to a balance, duration,  
15 tenure, or any combination of the foregoing.

16 (4) EVASION.—It shall be unlawful for a cov-  
17 ered party to violate the prohibition under para-  
18 graph (1) or rules promulgated pursuant to para-  
19 graph (3). A covered party may not circumvent or  
20 evade such prohibition or rules. The Commissions  
21 and the Secretary may jointly issue such rules as  
22 may be necessary or appropriate to prevent cir-  
23 cumvention or evasion of the prohibition under para-  
24 graph (1) or the rules promulgated pursuant to  
25 paragraph (3).

1           (5) GOOD FAITH RELIANCE.—A covered party  
2           that structures a program in good faith reliance on  
3           paragraphs (2) and (3) shall not be subject to pen-  
4           alties if a subsequent rulemaking or adjudication de-  
5           termines the program falls outside paragraphs (2)  
6           and (3), provided—

7                   (A) the covered party comes into compli-  
8                   ance within 90 days of such determination; and

9                   (B) the violation is not substantially simi-  
10                  lar to a past violation by the covered party.

11          (d) PROHIBITION ON SPECIFIED REPRESENTA-  
12          TIONS.—

13           (1) CERTAIN MARKETING PRACTICES.—No cov-  
14           ered party shall represent that—

15                   (A) payment stablecoins are investment  
16                   products, deposits, backed by the full faith and  
17                   credit of the United States, guaranteed by the  
18                   United States Government, subject to deposit  
19                   insurance by the Federal Deposit Insurance  
20                   Corporation, or subject to share insurance by  
21                   the National Credit Union Administration; or

22                   (B) any compensation (whether in cash, to-  
23                   kens, or other consideration) paid to a re-  
24                   stricted recipient in connection with the hold-

1           ing, use, or retention of such restricted recipi-  
2           ent's payment stablecoins is—

3                   (i) paid or generated by the payment  
4                   stablecoin itself, a permitted payment  
5                   stablecoin issuer, or a foreign payment  
6                   stablecoin issuer registered with the Comp-  
7                   troller;

8                   (ii) risk-free or comparable to interest  
9                   paid on a deposit; or

10                  (iii) offered, administered, or paid by  
11                  a person other than the covered party.

12                  (2) MISLEADING.—No covered party shall omit  
13                  material information necessary to prevent that mar-  
14                  keting, promotion, or description from being mis-  
15                  leading.

16                  (e) DISCLOSURES.—

17                   (1) IN GENERAL.—Not later than 1 year after  
18                   the date of enactment of this Act, the Commissions  
19                   and the Secretary of the Treasury shall jointly pro-  
20                   mulgate rules requiring clear and conspicuous disclo-  
21                   sure, in plain English, of any compensation (whether  
22                   in cash, tokens, or other consideration) paid by a  
23                   covered party in connection with the holding, use, or  
24                   retention of a restricted recipient's payment

1 stablecoins in a manner that is consistent with sub-  
2 section (d).

3 (2) REQUIREMENTS.—In promulgating rules  
4 under paragraph (1), the Commissions and the Sec-  
5 retary of the Treasury shall require that any re-  
6 quired disclosure of compensation described in that  
7 paragraph, and any related term, representation, or  
8 description—

9 (A) is presented in a clear, factual, nonpro-  
10 motional, and non-misleading manner;

11 (B) clearly identifies the circumstances  
12 under which such compensation can be paid;

13 (C) clearly identifies the person or persons  
14 responsible for offering, administering, and pay-  
15 ing such compensation, including whether such  
16 persons are affiliated with the issuer of associ-  
17 ated payment stablecoins;

18 (D) outlines all material terms with respect  
19 to such compensation; and

20 (E) includes a statement that payment  
21 stablecoins are not investment products, depos-  
22 its, backed by the full faith and credit of the  
23 United States, guaranteed by the United States  
24 Government, subject to deposit insurance by the  
25 Federal Deposit Insurance Corporation, or sub-

1           ject to share insurance by the National Credit  
2           Union Administration.

3           (3) PROHIBITION.—After the date on which the  
4           rules promulgated under paragraph (1) become ef-  
5           fective, no covered party shall market the offering of  
6           compensation (whether in cash, tokens, or other con-  
7           sideration) paid by such covered party in connection  
8           with the holding, use, or retention of a restricted re-  
9           cipient’s payment stablecoins unless the covered  
10          party has provided the disclosures required under  
11          this subsection.

12          (4) SATISFACTION OF REQUIREMENT.—A cov-  
13          ered party that provides the disclosures required  
14          under this subsection shall be deemed not to have  
15          made a representation that is prohibited under sub-  
16          section (d), provided that—

17                (A) any marketing, promotion, or descrip-  
18                tion with respect to the applicable compensation  
19                does not contradict those disclosures; and

20                (B) those disclosures are presented in plain  
21                English and in a clear and conspicuous manner.

22          (f) PENALTY.—

23                (1) CIVIL MONETARY PENALTY.—Whoever  
24                knowingly and willfully participates in a violation of  
25                subsection (c)(1), (d)(1), (d)(2), or (e)(3), or rules

1 issued under subsection (c)(4), shall be subject to a  
2 civil monetary penalty by the Department of the  
3 Treasury of not more than \$5,000,000 for each such  
4 violation.

5 (2) DETERMINATION OF THE NUMBER OF VIO-  
6 LATIONS.—For purposes of determining the number  
7 of violations for this subsection, separate acts of  
8 noncompliance are a single violation when the acts  
9 are a result of—

10 (A) a common or substantially overlapping  
11 originating cause; or

12 (B) the same statement or publication.

13 (g) REFERRAL TO SECRETARY OF THE TREASURY.—  
14 If the Commission or the Commodity Futures Trading  
15 Commission has reason to believe that any covered party  
16 has knowingly and willfully violated subsection (c)(1),  
17 (d)(1), (d)(2), or (e)(3), or rules issued under subsection  
18 (c)(4), it shall refer the matter to the Secretary of the  
19 Treasury.

20 (h) REPORT TO CONGRESS.—Not later than 2 years  
21 after the date of enactment of this Act, the Board of Gov-  
22 ernors of the Federal Reserve System, the Comptroller of  
23 the Currency, the Federal Deposit Insurance Corporation,  
24 the National Credit Union Administration, and the Sec-  
25 retary of the Treasury shall jointly submit to the Com-

1 mittee on Banking, Housing, and Urban Affairs of the  
2 Senate and the Committee on Financial Services of the  
3 House of Representatives a report on payment stablecoin  
4 activity that—

5 (1) analyzes and quantifies—

6 (A) the adoption of United States dollar-  
7 denominated payment stablecoins and of other  
8 payment stablecoins issued by permitted pay-  
9 ment stablecoin issuers and foreign payment  
10 stablecoin issuers registered with the Comp-  
11 troller;

12 (B) the effect of United States dollar-de-  
13 nominated payment stablecoins on the average  
14 yields of, and demand for, United States Treas-  
15 ury securities of various durations;

16 (C) the effect of United States dollar-de-  
17 nominated payment stablecoins on the dollar's  
18 use in global foreign exchange transactions,  
19 global foreign exchange reserves, and global  
20 trade;

21 (D) the effect of United States dollar-de-  
22 nominated payment stablecoins on increasing  
23 access to financial services for unbanked and  
24 underbanked persons, both domestically and  
25 globally;

1 (E) the effect of United States dollar-de-  
2 nominated payment stablecoins on payment  
3 costs of consumers and merchants; and

4 (F) the adoption of non-United States dol-  
5 lar-denominated stablecoins, including foreign  
6 central bank digital currencies, and their effect  
7 on the dollar's use in global foreign exchange  
8 transactions, global foreign exchange reserves,  
9 and global trade;

10 (2) describes how compensation, if any, is paid  
11 by covered parties to restricted recipients with re-  
12 spect to restricted recipients' payment stablecoins,  
13 including through rewards, incentives, or similar  
14 programs; and

15 (3) analyzes and quantifies the effect of any  
16 compensation described in paragraph (2) and the ef-  
17 fect of prohibitions on the payment of interest or  
18 yield by covered parties under this Act and by  
19 issuers of payment stablecoins under section  
20 4(a)(11) of the GENIUS Act (12 U.S.C.  
21 5903(a)(11)) on—

22 (A) the volume, stickiness, composition,  
23 and concentration of deposits at depository in-  
24 stitutions, including any deposit outflows from  
25 depository institutions and the extent to which

1 community banks and credit unions are dis-  
2 proportionately affected thereby;

3 (B) net interest margin accrued to deposi-  
4 tory institutions;

5 (C) the average rate of interest paid to de-  
6 positors at depository institutions;

7 (D) consumer and business access to cred-  
8 it;

9 (E) financial arrangements between deposi-  
10 tory institutions and digital asset service pro-  
11 viders and issuers of payment stablecoins; and

12 (F) the items described in paragraph (1).

13 (i) NO DEEMING OF PAYMENT OF INTEREST OR  
14 YIELD.—For purposes of this section, a covered party  
15 shall not be deemed to violate the prohibition in subsection  
16 (c) solely because an unaffiliated third party independ-  
17 ently makes a payment with respect to a payment  
18 stablecoin, unless the covered party directs or maintains  
19 significant influence over the offering of such consider-  
20 ation and the offering of such consideration would other-  
21 wise violate the prohibition in subsection (c).

22 (j) CLARIFICATION OF SCOPE AND REGULATORY AU-  
23 THORITY.—

24 (1) COMPENSATION.—The prohibitions under  
25 subsections (c), (d), and (e) shall only apply to com-

1       pensation paid in connection with a payment  
2       stablecoin or payment stablecoin balance.

3           (2) OTHER ASSETS.—Nothing in this section  
4       shall be construed to authorize the Commissions or  
5       the Secretary of the Treasury to regulate, restrict,  
6       or prohibit the payment of any compensation paid in  
7       connection with any asset other than a payment  
8       stablecoin.

9           (k) NON-APPLICABILITY.—Nothing in this section  
10      shall—

11           (1) modify, alter, or extend prohibitions on the  
12      payment of yield, interest, or consideration applica-  
13      ble to permitted payment stablecoin issuers or for-  
14      eign payment stablecoin issuers, including under sec-  
15      tion 4(a)(11) of the GENIUS Act (12 U.S.C.  
16      5903(a)(11)); or

17           (2) prohibit the disclosure by covered parties of  
18      truthful, non-misleading factual information or any  
19      information otherwise required by Federal law or  
20      regulation.

21           **TITLE V—RESPONSIBLE**  
22           **REGULATORY INNOVATION**

23      **SEC. 501. CFTC-SEC MICRO-INNOVATION SANDBOX.**

24           (a) DEFINITIONS.—In this section:

1           (1) COMMISSION.—The term “Commission”  
2 means either of the Commissions, as the context re-  
3 quires.

4           (2) COMMISSIONS.—The term “Commissions”  
5 means the Securities and Exchange Commission and  
6 the Commodity Futures Trading Commission.

7           (3) ELIGIBLE FIRM.—The term “eligible firm”  
8 means a person that is eligible to participate in the  
9 Sandbox, in accordance with the requirements under  
10 this section.

11           (4) INNOVATIVE.—The term “innovative”  
12 means new or emerging technology, or a novel appli-  
13 cation of technology, including artificial intelligence,  
14 that—

15                   (A) provides a financial product, service,  
16 business model, or delivery mechanism to the  
17 public; and

18                   (B) lacks—

19                           (i) a substantially comparable, widely  
20 available analogue in common use in the  
21 United States; and

22                           (ii) an analogous Federal regulatory  
23 regime.

24           (5) PERSON.—The term “person” means a per-  
25 son, as defined in section 3(a) of the Securities Ex-

1 change Act of 1934 (15 U.S.C. 78c(a)) or section 1a  
2 of the Commodity Exchange Act (7 U.S.C. 1a).

3 (6) SANDBOX.—The term “Sandbox” means  
4 the CFTC-SEC Micro-Innovation Sandbox estab-  
5 lished under subsection (b).

6 (7) SELF-REGULATORY ORGANIZATION.—The  
7 term “self-regulatory organization” means a self-  
8 regulatory organization, as defined in—

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

11 (B) section 1.52(a)(2) of title 17, Code of  
12 Federal Regulations, or any successor regula-  
13 tion.

14 (b) ESTABLISHMENT.—Not later than 360 days after  
15 the date of enactment of this Act, the Commissions shall,  
16 by joint notice and comment rulemaking, establish a  
17 CFTC-SEC Micro-Innovation Sandbox to enable eligible  
18 firms to test innovative activities within the United States,  
19 subject to—

20 (1) applicable Federal and State securities and  
21 commodities laws;

22 (2) other State laws that are not specific to the  
23 regulation of securities or commodities; and

24 (3) the limitations of this section.

25 (c) ELIGIBLE FIRM.—

1           (1) IN GENERAL.—A United States-based per-  
2           son shall be an eligible firm, and shall be eligible to  
3           participate in the Sandbox, if the person—

4                   (A) submits an application under sub-  
5                   section (e) that is approved under that sub-  
6                   section;

7                   (B) seeks to conduct an eligible and lawful  
8                   innovative activity in the United States;

9                   (C) is not subject to—

10                           (i) a statutory disqualification, as de-  
11                           fined in section 3(a) of the Securities Ex-  
12                           change Act of 1934 (15 U.S.C. 78c(a));

13                           (ii) a disqualification under section  
14                           8(a)(2) of the Commodity Exchange Act (7  
15                           U.S.C. 12(a)(2)); or

16                           (iii) a disqualification under State  
17                           law;

18                   (D) does not have a criminal conviction for  
19                   fraud;

20                   (E) agrees to submit to the jurisdiction  
21                   and oversight of the Commissions, to the extent  
22                   that the person is not subject to that jurisdic-  
23                   tion or oversight, for purposes of, and while  
24                   participating in, the Sandbox;

1 (F) designates to the Commissions an indi-  
2 vidual as a point of contact with respect to ac-  
3 tivities that the person undertakes as an appli-  
4 cant and participant with respect to the Sand-  
5 box;

6 (G) employs not more than 25 employees;  
7 and

8 (H) has annual gross revenues of not more  
9 than \$10,000,000 in any fiscal year.

10 (2) APPLICATION OF REQUIREMENTS.—The re-  
11 quirements under paragraph (1) shall be satisfied  
12 during the entire period in which an eligible firm  
13 participates in the Sandbox.

14 (d) ELIGIBLE ACTIVITIES AND ACTIVITY CEIL-  
15 INGS.—

16 (1) LIST OF ELIGIBLE ACTIVITIES.—

17 (A) IN GENERAL.—After providing notice  
18 and an opportunity for public comment, the  
19 Commissions shall maintain and publish a list  
20 of eligible innovative activities (which may in-  
21 clude activities relating to artificial intel-  
22 ligence), which shall be—

23 (i) updated once every 2 years after  
24 providing notice and an opportunity for  
25 public comment;

1 (ii) reasonably tailored to include ac-  
2 tivities that—

3 (I) further the purposes of this  
4 section; and

5 (II) are consistent with the inter-  
6 ests of the public and the protection  
7 of investors;

8 (iii) sufficiently flexible to accommo-  
9 date evolving technological developments,  
10 including distributed ledger-based products  
11 and services; and

12 (iv) focused exclusively on activities  
13 for which specific provisions of the securi-  
14 ties and commodities laws may create a  
15 material impediment to the proposed inno-  
16 vative activity.

17 (B) IDENTIFICATION OF REQUIRE-  
18 MENTS.—

19 (i) IN GENERAL.—For each eligible  
20 innovative activity, the Commissions shall,  
21 consistent with existing statutory and reg-  
22 ulatory precedent concerning the respective  
23 jurisdiction of each Commission, identify  
24 the requirements that each Commission  
25 will administer.

1                   (ii) JOINT JURISDICTION.—With re-  
2                   spect to an eligible innovative activity that  
3                   is subject to the jurisdiction of both Com-  
4                   missions, the rulemaking under subsection  
5                   (b) shall specify which requirements each  
6                   Commission will administer and any co-  
7                   ordinated conditions needed to protect in-  
8                   vestors and market integrity.

9                   (2) ACTIVITY CEILINGS.—For each eligible in-  
10                  novative activity, the Commissions shall, after public  
11                  input and consultation, establish individual customer  
12                  and monetary ceilings, which shall provide that an  
13                  eligible firm may not raise or commit more than  
14                  \$20,000,000 in aggregate customer, investor, or  
15                  counterparty funds in connection with Sandbox ac-  
16                  tivities.

17                  (3) ANNUAL PARTICIPATION CAP.—Each of the  
18                  Commissions may approve not more than 20  
19                  projects per year.

20                  (e) APPLICATION.—

21                  (1) IN GENERAL.—An eligible firm seeking to  
22                  participate in the Sandbox shall submit to the Com-  
23                  mission or Commissions, as applicable, an applica-  
24                  tion that—

1 (A) describes the proposed innovative ac-  
2 tivity and the desired outcomes;

3 (B) subject to approval of the applicable  
4 Commission, identifies the provisions of the se-  
5 curities laws, or of the Commodity Exchange  
6 Act (7 U.S.C. 1 et seq.), from which the eligible  
7 firm proposes to be exempt during the period in  
8 which the eligible firm participates in the Sand-  
9 box, which—

10 (i) shall not include any Federal or  
11 State anti-fraud law or any other law that  
12 is not specific to the regulation of securi-  
13 ties or commodities; and

14 (ii) shall be subject to the limitations  
15 of this section;

16 (C) sets forth how relief from the provi-  
17 sions of law identified under subparagraph (B)  
18 is reasonably necessary to engage in the innova-  
19 tive activity;

20 (D) identifies material risks to investors,  
21 customers, or market integrity and how the eli-  
22 gible firm will mitigate those risks;

23 (E) certifies that the eligible firm will com-  
24 ply with applicable Federal and State anti-fraud  
25 laws;

1           (F) states an exit objective of the eligible  
2 firm involving action from the applicable Com-  
3 mission, which may include registration, an ex-  
4 emptive order, interpretive guidance, a no-ac-  
5 tion letter, or a rulemaking petition, together  
6 with milestones and metrics the eligible firm  
7 will use to demonstrate readiness for that exit;

8           (G) states the agreement of the eligible  
9 firm to submit to the jurisdiction and oversight  
10 of the Commissions, to the extent that the eligi-  
11 ble firm is not otherwise subject to that juris-  
12 diction and oversight, for purposes of, and while  
13 participating in, the Sandbox;

14           (H) designates to the Commissions an in-  
15 dividual as a point of contact with respect to  
16 activities that the eligible firm undertakes as an  
17 applicant and participant with respect to the  
18 Sandbox; and

19           (I) states the agreement of the eligible firm  
20 to abide by any condition that either of the  
21 Commissions may impose for engaging in an el-  
22 igible innovative activity in the Sandbox.

23           (2) DEADLINE FOR DECISION.—Not later than  
24 180 business days after the date on which an eligible  
25 firm submits an application under this subsection,

1 the Commission or Commissions, as applicable, shall  
2 make a decision with respect to the application, after  
3 which the eligible firm submitting the application  
4 may commence eligible innovative activities in the  
5 Sandbox unless the application is denied.

6 (3) UPDATES AND STATUS REPORTS.—Each eli-  
7 gible firm shall submit to the applicable Commission  
8 or to the Commissions, on a semi-annual basis while  
9 participating in the Sandbox, an updated application  
10 that—

11 (A) describes any material changes to the  
12 information originally provided under para-  
13 graph (1); and

14 (B) reports the progress of the eligible  
15 firm toward the stated exit objective described  
16 in paragraph (1)(F), including milestones  
17 achieved, remaining impediments, and any  
18 pending requests for official action before the  
19 applicable Commission or the Commissions.

20 (4) UNREDACTED AND REDACTED VERSIONS.—

21 (A) IN GENERAL.—An eligible firm that  
22 submits an initial or updated application under  
23 this subsection may submit to the applicable  
24 Commission or the Commissions an unredacted  
25 version, together with a request for confidential

1 treatment, pursuant to procedures the applica-  
2 ble Commission shall establish that are modeled  
3 on the rules of that Commission relating to the  
4 confidential treatment of information, which  
5 shall include—

6 (i) for the Securities and Exchange  
7 Commission, sections 200.83, 230.406, and  
8 240.24b-2 of title 17, Code of Federal  
9 Regulations, or any successor regulations;  
10 and

11 (ii) for the Commodity Futures Trad-  
12 ing Commission, section 145.9 of title 17,  
13 Code of Federal Regulations, or any suc-  
14 cessor regulations.

15 (B) OMITTED INFORMATION.—An eligible  
16 firm may omit information granted confidential  
17 treatment under subparagraph (A) from any  
18 public posting under subsection (h) in accord-  
19 ance with the procedures established under sub-  
20 paragraph (A).

21 (C) INDICATION OF CONFIDENTIAL INFOR-  
22 MATION.—Any omission in a public posting  
23 under subsection (h) shall be clearly indicated  
24 by brackets with a prominent legend stating  
25 that—

1 (i) confidential information has been  
2 omitted; and

3 (ii) an unredacted version has been  
4 filed with the applicable Commission or the  
5 Commissions.

6 (f) DURATION OF PARTICIPATION.—

7 (1) DURATION.—Except as provided in para-  
8 graph (2), an eligible firm may participate in the  
9 Sandbox for a period of not more than 2 years, pro-  
10 vided that the eligible firm does not exceed the ceil-  
11 ings established under subsection (d)(2).

12 (2) EXTENSION.—

13 (A) SOLE JURISDICTION.—Where an eligi-  
14 ble innovative activity is subject only to the ju-  
15 risdiction of 1 Commission, that Commission  
16 may extend participation by an eligible firm in  
17 the Sandbox by not more than 1 additional  
18 year, if the eligible firm—

19 (i) is actively pursuing the exit objec-  
20 tive described in subsection (e)(1)(F) in  
21 good faith;

22 (ii) is making demonstrable progress  
23 toward achieving such an exit; and

24 (iii) establishes that such an extension  
25 is necessary to achieve such an exit.

1                   (B) JOINT JURISDICTION.—Where an eligi-  
2                   ble innovative activity is subject to the jurisdic-  
3                   tion of both Commissions, an extension of par-  
4                   ticipation by an eligible firm in the Sandbox by  
5                   not more than 1 additional year shall be by  
6                   joint order of the Commissions after making  
7                   the findings described in clauses (i) through  
8                   (iii) of subparagraph (A).

9                   (g) CONDITIONS AND ENFORCEMENT.—

10                  (1) CONDITIONS.—An eligible firm shall comply  
11                  with applicable regulatory conditions approved by  
12                  the applicable Commission or the Commissions  
13                  under subsection (e)(1)(B), which shall be consistent  
14                  with applicable Federal and State anti-fraud laws.

15                  (2) MONITORING.—The Commissions shall  
16                  monitor Sandbox activities and enforce compliance  
17                  with applicable regulatory conditions and Federal  
18                  anti-fraud laws.

19                  (3) COORDINATION.—

20                  (A) IN GENERAL.—The Commissions shall  
21                  coordinate supervision, information requests,  
22                  and examinations to avoid duplication while  
23                  each Commission retains full authority under  
24                  the provisions of law that such Commission ad-  
25                  ministers.

1           (B) COOPERATION WITH STATES.—The  
2           Commissions may cooperate with any State in  
3           enforcing compliance with applicable regulatory  
4           conditions and Federal and State anti-fraud  
5           laws with respect to the operation of the Sand-  
6           box.

7           (4) SELF-REGULATORY ORGANIZATIONS.—Each  
8           self-regulatory organization shall recognize and re-  
9           spect Sandbox conditions that are applicable to a  
10          participant in the Sandbox.

11          (5) CESSATION OF ACTIVITIES.—The Commis-  
12          sions may, at any time during the participation of  
13          an eligible firm in the Sandbox, disqualify the eligi-  
14          ble firm from continued participation in the Sand-  
15          box, order the eligible firm to cease engaging in a  
16          permitted activity in the Sandbox, revoke a grant of  
17          exemptive relief, or impose additional or more strin-  
18          gent conditions on continuing participation or en-  
19          gagement in a permitted activity in the Sandbox, if  
20          the Commissions find that the eligible firm has  
21          failed to comply with—

22                  (A) the requirements of this section;

23                  (B) the terms or conditions of participa-  
24          tion established by the Commissions; or

25                  (C) other applicable law.

1 (h) PUBLIC DISCLOSURE.—

2 (1) INITIAL POSTING.—Each eligible firm shall  
3 post, in a prominent location on a public website of  
4 the eligible firm, the information required under  
5 subsection (e)(1), subject to confidential treatment  
6 under subsection (e)(4), not later than the date on  
7 which the notice becomes effective under subsection  
8 (e)(3).

9 (2) UPDATES.—Each eligible firm shall post, in  
10 the same manner as under paragraph (1), the infor-  
11 mation required under subsection (e)(3), subject to  
12 confidential treatment under subsection (e)(4), con-  
13 currently with submission to the applicable Commis-  
14 sion or the Commissions.

15 (3) DISCLOSURE REQUIREMENTS.—Each post  
16 under this subsection shall satisfy the disclosure re-  
17 quirements of both Commissions where the jurisdic-  
18 tions of both Commissions are implicated.

19 (i) USE OF DATA BY COMMISSIONS.—Each Commis-  
20 sion may collect and share data from Sandbox activities  
21 with the other Commission to inform permanent, prin-  
22 ciples-based regulatory frameworks that advance the mis-  
23 sions of the Commissions.

24 (j) PUBLICATION BY COMMISSIONS.—Not less fre-  
25 quently than annually, each Commission shall publish on

1 the public website of the Commission a report summa-  
2 rizing the activities conducted under this section, includ-  
3 ing—

4 (1) the number and general nature of eligible  
5 firms participating in the Sandbox;

6 (2) the categories of innovative activities tested;

7 (3) the impact of Sandbox participation on in-  
8 novation, investor protection, market integrity, and  
9 the public interest;

10 (4) the disclosures posted by eligible firms  
11 under subsection (h)(1); and

12 (5) exit outcomes, including the types of relief  
13 requested and actions taken by the Commissions.

14 (k) RELATIONSHIP OF SANDBOX PARTICIPATION TO  
15 STATE LAW.—

16 (1) LIMITED PREEMPTION FOR SANDBOX PAR-  
17 TICIPANTS.—Participation in the Sandbox, and any  
18 exemption or relief granted under this section, shall  
19 supersede any State securities or commodities law  
20 requiring registration, qualification, or licensing as a  
21 condition of engaging in an approved activity or oth-  
22 erwise regulating that activity as a security or com-  
23 modity.

24 (2) STATE ENFORCEMENT PRESERVED.—Noth-  
25 ing in this section may be construed to prohibit or

1       limit any State securities or commodities regulator,  
2       any State bank regulator, or any State law enforce-  
3       ment agency from conducting an investigation or  
4       bringing an administrative, civil, or criminal enforce-  
5       ment action under—

6               (A) a State law prohibiting fraud or deceit,  
7               or fraudulent, deceptive, manipulative, uneth-  
8               ical, dishonest, or other unlawful conduct or  
9               practices, in connection with securities or secu-  
10              rities transactions;

11             (B) the anti-fraud provisions of the Com-  
12             modity Exchange Act (7 U.S.C. 1 et seq.) or  
13             State commodities laws; or

14             (C) any State law of general applicability,  
15             including such a law relating to banking, con-  
16             sumer protection, contracts, property, or crimi-  
17             nal conduct.

18             (3) NOTICE FILINGS.—A State may require no-  
19             tice of any document filed with either of the Com-  
20             missions in connection with participation in the  
21             Sandbox, together with consent to service of process  
22             and reasonable fees, consistent with section 18(c) of  
23             the Securities Act of 1933 (15 U.S.C. 77r(c)).

1 **SEC. 502. INTERNATIONAL COOPERATION.**

2 (a) DEFINITIONS.—In this section, the term “Com-  
3 missions” means the Securities and Exchange Commission  
4 and the Commodity Futures Trading Commission.

5 (b) COOPERATION.—In order to promote United  
6 States leadership in effective, reciprocal, and innovative  
7 global regulation of digital assets, and to advance the stra-  
8 tegic economic and policy interests of the United States,  
9 the Commissions, as appropriate—

10 (1) shall consult and coordinate with foreign  
11 regulatory authorities or other relevant international  
12 organizations on the application of consistent inter-  
13 national standards with respect to the regulation of  
14 digital assets;

15 (2) may enter into such information sharing ar-  
16 rangements as may be determined to be necessary or  
17 appropriate in the public interest or for the protec-  
18 tion of investors, customers, and users of digital as-  
19 sets;

20 (3) shall pursue reciprocal arrangements with  
21 foreign regulatory authorities that ensure United  
22 States-based digital asset firms, exchanges, and in-  
23 frastructure providers receive treatment equivalent  
24 to that granted to foreign counterparts operating  
25 within the United States;

1           (4) shall advocate in international fora for the  
2           development and adoption of technology-neutral,  
3           open standards that preserve lawful access to public  
4           distributed ledger infrastructure, support dollar-de-  
5           nominated digital asset usage, and safeguard indi-  
6           vidual rights, including self-custody and privacy; and

7           (5) may, as appropriate, engage in, at the least,  
8           cooperative enforcement, supervisory coordination,  
9           and joint technical assistance, in a manner that pro-  
10          motes responsible innovation in digital financial  
11          markets.

12          (c) **CROSS-BORDER SANDBOX.**—The Commissions  
13          may leverage the activities described in paragraphs (1)  
14          through (5) of subsection (b) to establish or participate  
15          in cross-border regulatory sandboxes that build upon the  
16          Micro-Innovation Sandbox established pursuant to section  
17          501.

18          **SEC. 503. AUTOMATED REGULATORY COMPLIANCE STUDY.**

19          (a) **DEFINITIONS.**—In this section:

20                (1) **AUTOMATED REGULATORY COMPLIANCE.**—  
21                The term “automated regulatory compliance” means  
22                the use of technology, including data standards, au-  
23                tomation, and distributed ledger or smart contract  
24                functionality, to automate, tag, or otherwise stream-

1 line regulatory reporting, disclosure, supervisory, or  
2 other compliance obligations.

3 (2) INNOVATIVE.—The term “innovative” has  
4 the meaning given the term in section 501(a).

5 (b) STUDY REQUIRED.—The Comptroller General of  
6 the United States shall, in consultation with the Depart-  
7 ment of the Treasury (including the Financial Crimes En-  
8 forcement Network, the Office of Foreign Assets Control,  
9 and the Office of Financial Research), the Office of the  
10 Comptroller of the Currency, the Federal Deposit Insur-  
11 ance Corporation, the National Credit Union Administra-  
12 tion, the Commission, the Commodity Futures Trading  
13 Commission, the Bureau of Consumer Financial Protec-  
14 tion, and the Federal Housing Finance Agency, carry out  
15 a study of distributed ledger-based compliance tools  
16 that—

17 (1) to the extent feasible, identifies and evalu-  
18 ates—

19 (A) the landscape of existing distributed  
20 ledger-based compliance tools for—

21 (i) statutory and regulatory disclo-  
22 sures;

23 (ii) real-time reporting and audit-trail  
24 logging; and

1 (iii) anti-money-laundering practices,  
2 sanctions screening, and customer-identi-  
3 fication checks;

4 (B) the feasibility, benefits, and risks of al-  
5 lowing regulated entities to satisfy applicable  
6 regulatory obligations through on-chain, code-  
7 based, or other automated mechanisms;

8 (C) the potential for interoperability with  
9 automated regulatory compliance mechanisms  
10 across and among each of those agencies;

11 (D) the data collection systems of each of  
12 those agencies; and

13 (E) standards or taxonomies, or other  
14 common data elements, if any, that those agen-  
15 cies could publish or adopt to support the inter-  
16 operability described in subparagraph (C) in  
17 order to ensure consistency and regulatory ac-  
18 cess;

19 (2) recommends pilot programs, guidance, rule  
20 changes, or amendments to statutes that would be  
21 needed to implement effective automated regulatory  
22 compliance approaches and any other related ap-  
23 proaches addressed in the study;

24 (3) identifies the costs and benefits to issuers of  
25 different sizes, secondary market intermediaries,

1 regulators, investors, and other applicable parties,  
2 including differential impacts on smaller entities and  
3 options to reduce those burdens;

4 (4) benchmarks international efforts with re-  
5 spect to automated regulatory compliance mecha-  
6 nisms and consults with any appropriate State, Fed-  
7 eral, or foreign regulators; and

8 (5) evaluates whether existing oversight, en-  
9 forcement, and liability frameworks are sufficient  
10 to—

11 (A) ensure accountability, transparency,  
12 fairness, and consumer protection; and

13 (B) prevent misuse of distributed ledger-  
14 based compliance tools.

15 (c) REPORT.—Not later than 1 year after the date  
16 of enactment of this Act, the Comptroller General of the  
17 United States shall make publicly available a report that  
18 includes the results of the study conducted under sub-  
19 section (b).

20 **SEC. 504. REPORT ON LEGISLATIVE RECOMMENDATIONS.**

21 (a) DEFINITIONS.—In this section:

22 (1) APPROPRIATE COMMITTEES OF CON-  
23 GRESS.—The term “appropriate committees of Con-  
24 gress” means—

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

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

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

7 (D) the Committee on Agriculture of the  
8 House of Representatives.

9 (2) FEDERAL FINANCIAL REGULATOR.—The  
10 term “Federal financial regulator” means—

11 (A) the Board of Governors of the Federal  
12 Reserve System;

13 (B) the Commodity Futures Trading Com-  
14 mission;

15 (C) the Department of the Treasury;

16 (D) the Federal Deposit Insurance Cor-  
17 poration;

18 (E) the Federal Housing Finance Agency;

19 (F) the National Credit Union Administra-  
20 tion;

21 (G) the Office of the Comptroller of the  
22 Currency;

23 (H) the Bureau of Consumer Financial  
24 Protection; and

25 (I) the Commission.

1 (b) REQUIREMENT.—Not later than 1 year after the  
2 date of enactment of this Act, and every 3 years thereafter  
3 for a total of not fewer than 12 years after the date of  
4 enactment of this Act, each Federal financial regulator  
5 shall submit to the appropriate committees of Congress  
6 a report that includes—

7 (1) a description of the implementation of this  
8 Act and the amendments made by this Act (includ-  
9 ing the adoption of rules and guidance, and the ap-  
10 proval or rejection of applications submitted, under  
11 this Act and the amendments made by this Act),  
12 where applicable to the Federal financial regulator;  
13 and

14 (2) any legislative recommendations for the fur-  
15 ther effective implementation of this Act and the  
16 amendments made by this Act.

17 **SEC. 505. TOKENIZATION OF SECURITIES.**

18 (a) DEFINITIONS.—In this section:

19 (1) TOKENIZATION.—The term “tokenization”  
20 means the process of creating a digital representa-  
21 tion of all rights, obligations, or interests in a tan-  
22 gible or intangible asset on a distributed ledger or  
23 comparable technology.

1           (2) TOKENIZED.—The term “tokenized”, with  
2           respect to an asset, means that the asset has under-  
3           gone tokenization.

4           (b) SENSE OF CONGRESS.—It is the sense of Con-  
5           gress that States should promptly consider and adopt com-  
6           mercial law frameworks under the Uniform Commercial  
7           Code that provide clear and uniform rules for the owner-  
8           ship, control, and enforceability of rights relating to digital  
9           assets.

10          (c) STUDY.—Not later than 360 days after the date  
11          of enactment of this Act, the Commission shall conduct  
12          a comprehensive study of the regulatory treatment of  
13          tokenized securities, including custody standards, inter-  
14          agency coordination, cross-border coordination, and con-  
15          sumer protection.

16          (d) PARITY IN REGULATORY TREATMENT.—

17                (1) IN GENERAL.—Subject to paragraph (2), a  
18                tokenized security shall be treated, for all regulatory  
19                purposes, as the security that the tokenized security  
20                represents, except as otherwise provided by—

21                        (A) section 106(a); or

22                        (B) a rule, regulation, or order issued by  
23                the Commission.

24                (2) REQUIREMENT.—A rule, regulation, or  
25                order described in paragraph (1)(B) may only be

1 issued by the Commission to adapt the manner in  
2 which the applicable regulatory requirements are  
3 satisfied, to the extent necessary or appropriate—

4 (A) in light of the unique technological or  
5 other characteristics of digital assets or sub-  
6 stantially similar technology; or

7 (B) consistent with—

8 (i) what is necessary or appropriate in  
9 the public interest; and

10 (ii) protecting investors, maintaining  
11 fair, orderly, and efficient markets, and fa-  
12 cilitating capital formation.

13 (e) PROHIBITION ON MISREPRESENTATION.—Any  
14 statement or omission with respect to any material fact  
15 that is made by a person in connection with the offer, sale,  
16 or other representation regarding a tokenized security  
17 shall be subject to the Federal securities laws, including  
18 applicable anti-fraud or anti-manipulation provisions  
19 under the Federal securities laws.

20 (f) AGENCY ACTION FOR TOKENIZED SECURITIES.—

21 (1) IN GENERAL.—The Commission may issue  
22 rules governing tokenized securities pursuant to the  
23 requirements of this section.

24 (2) REQUIREMENTS.—Rules issued under this  
25 subsection may address, consistent with sections 106

1 and 107, how requirements applicable to an under-  
2 lying security apply to custody, books and records,  
3 reconciliation with transfer agents or other record-  
4 keepers, auditability, settlement finality, treatment  
5 of chain reorganizations, and other operational risks  
6 arising from the use of distributed ledger technology  
7 or comparable technology.

8 (g) RULE OF CONSTRUCTION REGARDING ENFORCE-  
9 MENT.—Nothing in this section may be construed to pre-  
10 vent the Commission from enforcing the anti-fraud and  
11 anti-manipulation provisions of the Federal securities  
12 laws, and the rules issued under the Federal securities  
13 laws, with respect to tokenized securities, provided that  
14 the elements of those provisions are satisfied.

15 (h) SAVINGS CLAUSES.—

16 (1) TOKENIZED SECURITY.—Any asset that is a  
17 security under the Federal securities laws shall not  
18 cease to be a security solely because the asset is  
19 issued, recorded, represented, or transferred using  
20 distributed ledger technology or comparable tech-  
21 nology.

22 (2) EFFECT ON STATE LAW.—Nothing in this  
23 section may be construed, interpreted, or applied in  
24 a manner that preempts, supersedes, invalidates, or  
25 otherwise affects any State property transfer rules,

1 laws, regulations, or common law principles relating  
2 to the transfer or recording of real tangible or intan-  
3 gible assets or interests therein.

4 (3) RULEMAKINGS, ORDERS, AND OTHER AC-  
5 TIONS.—Notwithstanding any other provision of this  
6 section, section 106 shall apply to any rulemaking,  
7 order, or other action of the Commission under this  
8 section.

9 (4) NO LIMIT OF ABILITY TO OFFER OR  
10 SELL.—Nothing in this section, or any rule, regula-  
11 tion, or order promulgated under this section, may  
12 be construed to limit the ability of any person to  
13 offer or sell any tokenized security, consistent with  
14 the Federal securities laws.

15 **SEC. 506. VOLUNTARY ADOPTION OF NATIONAL INSTITUTE**  
16 **OF STANDARDS AND TECHNOLOGY POST-**  
17 **QUANTUM CRYPTOGRAPHY STANDARDS.**

18 (a) DEFINITIONS.—In this section:

19 (1) APPROPRIATE CONGRESSIONAL COMMIT-  
20 TEES.—The term “appropriate congressional com-  
21 mittees” means—

22 (A) the Committee on Banking, Housing,  
23 and Urban Affairs of the Senate;

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

1 (C) the Committee on Commerce, Science,  
2 and Transportation of the Senate;

3 (D) the Committee on Financial Services  
4 of the House of Representatives;

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

7 (F) the Committee on Energy and Com-  
8 merce of the House of Representatives.

9 (2) DIRECTOR.—The term “Director” means  
10 the Under Secretary of Commerce for Standards  
11 and Technology.

12 (b) SENSE OF CONGRESS.—Congress finds the fol-  
13 lowing:

14 (1) Technical standards with respect to digital  
15 assets ensure quality, interoperability, and reliability  
16 in products, processes, and services and facilitate in-  
17 novation.

18 (2) The digital asset ecosystem should harness  
19 standards to solve coordination problems and foster  
20 innovation, not through regulation, but through vol-  
21 untary, market-driven measures.

22 (3) Advances in quantum computing threaten  
23 existing cryptographic standards and the security of  
24 digital assets.

1 (c) VOLUNTARY ADOPTION.—The Director, in con-  
2 sultation with the Secretary of Homeland Security and the  
3 heads of sector risk management agencies, as appropriate,  
4 shall promote the voluntary adoption and deployment of  
5 post-quantum cryptography standards, including by—

6 (1) disseminating and making publicly available  
7 guidance and resources to help organizations adopt  
8 and deploy those standards;

9 (2) providing technical assistance, as prac-  
10 ticable, to entities that are at high risk of quantum  
11 cryptography analytic attacks, such as entities deter-  
12 mined to be critical infrastructure or digital infra-  
13 structure providers; and

14 (3) conducting such other activities determined  
15 necessary by the Director to promote the adoption  
16 and deployment of those standards across the  
17 United States.

18 (d) INDUSTRY CONSULTATION.—In implementing  
19 subsection (c), the Director shall, at a minimum—

20 (1) solicit regular input from a broad range of  
21 industry stakeholders regarding the feasibility and  
22 practical challenges of adopting the standards de-  
23 scribed in that subsection;

24 (2) facilitate ongoing dialogue between the Na-  
25 tional Institute of Standards and Technology and in-

1 industry participants to identify, assess, and address  
2 barriers to the adoption of the standards described  
3 in that subsection;

4 (3) not later than 2 years after the date of en-  
5 actment of this Act, and biennially thereafter until  
6 2035, submit to the appropriate congressional com-  
7 mittees a report on the implementation of subsection  
8 (c), including stakeholder engagement with respect  
9 to those actions and continued challenges in adopt-  
10 ing the standards described in that subsection; and

11 (4) not later than 5 years after the date of en-  
12 actment of this Act, make available to the public a  
13 report on stakeholder engagement and lessons  
14 learned in implementing subsection (c).

15 **SEC. 507. INTERNATIONAL COORDINATION TO COMBAT**  
16 **DIGITAL ASSET ILLICIT FINANCE.**

17 (a) DEFINITION.—In this section, the term “Strat-  
18 egy” means the National Strategy to Combat Inter-  
19 national Digital Asset Illicit Finance submitted under sub-  
20 section (d).

21 (b) INTERAGENCY INITIATIVE.—The Secretary of the  
22 Treasury, in coordination with the Secretary of State, the  
23 Attorney General, the Secretary of Homeland Security,  
24 and the heads of such other Federal departments and  
25 agencies as the President may designate, shall lead an

1 interagency initiative to strengthen international coopera-  
2 tion to prevent the misuse of digital assets for illicit fi-  
3 nance, sanctions evasion, terrorist financing, or other na-  
4 tional-security threats.

5 (c) OBJECTIVES.—The initiative established under  
6 subsection (b) shall—

7 (1) engage foreign counterparts, including fi-  
8 nance ministries, central banks, and financial intel-  
9 ligence units, to promote anti-money-laundering,  
10 sanctions evasion, and counter-terrorist financing  
11 standards applicable to digital asset activities, con-  
12 sistent with United States standards and the frame-  
13 work established under the Strategy;

14 (2) encourage the adoption and enforcement of  
15 effective regulatory and supervisory frameworks for  
16 digital asset service providers to ensure transparency  
17 and prevent illicit use;

18 (3) identify and prioritize jurisdictions of con-  
19 cern that present significant risk of facilitating illicit  
20 digital asset activity and develop coordinated diplo-  
21 matic, economic, and law enforcement strategies to  
22 address those risks;

23 (4) support technical assistance and capacity-  
24 building programs for partner jurisdictions to en-  
25 hance anti-money laundering, sanctions evasion, and

1 counter-terrorist financing supervision, enforcement,  
2 and information sharing relating to digital assets;  
3 and

4 (5) report annually to Congress on progress  
5 made toward the objectives described in paragraphs  
6 (1) through (4), including a list of cooperative and  
7 non-cooperative jurisdictions and any recommenda-  
8 tions for additional actions or sanctions.

9 (d) NATIONAL STRATEGY TO COMBAT INTER-  
10 NATIONAL DIGITAL ASSET ILLICIT FINANCE.—Not later  
11 than 270 days after the date of enactment of this Act,  
12 the Secretary of the Treasury, in coordination with the  
13 Secretary of State, the Attorney General, and the Director  
14 of National Intelligence, shall submit to the Committee on  
15 Banking, Housing, and Urban Affairs, the Committee on  
16 Foreign Relations, and the Committee on Homeland Secu-  
17 rity and Governmental Affairs of the Senate, and the  
18 Committee on Financial Services, the Committee on For-  
19 eign Affairs, and the Committee on Homeland Security  
20 of the House of Representatives a National Strategy to  
21 Combat International Digital Asset Illicit Finance, which  
22 shall—

23 (1) assess global vulnerabilities with respect to  
24 the digital assets framework set out in the Strategy;

1           (2) set measurable goals and timelines for mul-  
2           tilateral engagement with respect to digital assets;

3           (3) recommend resource and staffing require-  
4           ments for Treasury attaches, financial intelligence li-  
5           aisons, and other personnel necessary to implement  
6           the Strategy; and

7           (4) identify standards for combating money  
8           laundering, sanctions evasion, and terrorist financ-  
9           ing with respect to digital asset activities applicable  
10          to foreign jurisdictions, which shall be informed by  
11          United States law, regulation, and supervisory  
12          standards, including standards relating to—

13                 (A) anti-money laundering and countering  
14                 the financing of terrorism laws and regulations  
15                 that identify, prioritize, and mitigate illicit fi-  
16                 nance threats, including preventive measures  
17                 for financial institutions and other entities cov-  
18                 ered by those laws and regulations, including  
19                 measures relating to customer due diligence,  
20                 recordkeeping, internal controls, and the report-  
21                 ing of suspicious transactions;

22                 (B) money laundering offenses, asset sei-  
23                 zure, and confiscation to recover proceeds of  
24                 crime;

1 (C) terrorist financing and proliferation-fi-  
2 nancing offenses and related targeted financial  
3 sanctions; and

4 (D) regulation, supervision, and enforce-  
5 ment by competent authorities, including finan-  
6 cial intelligence, law enforcement, and sanctions  
7 measures.

8 **SEC. 508. ANNUAL REPORT ON FOREIGN DIGITAL ASSET**  
9 **TRADING VOLUME, COMPLIANCE WITH**  
10 **UNITED STATES STANDARDS AND REMEDI-**  
11 **ATION ACTIONS.**

12 (a) IN GENERAL.—Not later than 1 year after the  
13 date of enactment of this Act, and annually thereafter for  
14 a period of 4 years, the Secretary of the Treasury shall  
15 submit to the Committee on Banking, Housing, and  
16 Urban Affairs of the Senate and the Committee on Finan-  
17 cial Services of the House of Representatives a report  
18 that—

19 (1) lists the top 20 foreign jurisdictions by vol-  
20 ume of digital asset trading activity on foreign dig-  
21 ital asset service providers during the calendar year  
22 immediately preceding the year of the report;

23 (2) assesses the degree to which each foreign  
24 jurisdiction listed under paragraph (1) has imple-  
25 mented anti-money laundering, sanctions evasion,

1 and counter-terrorist financing laws, regulations, or  
2 standards applicable to digital asset activities con-  
3 sistent with the standards and framework identified  
4 under the National Strategy to Combat Inter-  
5 national Digital Asset Illicit Finance submitted  
6 under section 507; and

7 (3) identifies foreign jurisdictions with—

8 (A) material deficiencies in the implemen-  
9 tation or enforcement of the standards de-  
10 scribed in paragraph (2); and

11 (B) trading volumes that present systemic  
12 illicit finance risk to the United States.

13 (b) FORM.—Each report required under subsection  
14 (a) shall be submitted in unclassified form, but may in-  
15 clude a classified annex, as appropriate.

16 (c) REMEDIATION AND ENGAGEMENT REPORT.—For  
17 each foreign jurisdiction identified pursuant to subsection  
18 (a)(3), the Secretary of the Treasury shall include in the  
19 applicable report—

20 (1) a description of bilateral diplomatic, regu-  
21 latory, or law enforcement engagements undertaken  
22 during the calendar year immediately preceding the  
23 year in which the report is submitted to remedy the  
24 deficiencies of the foreign jurisdiction;

1           (2) a summary of actions taken by the United  
2 States individually, or in conjunction with any appli-  
3 cable international body, to identify high-risk or  
4 non-cooperative jurisdictions with respect to digital  
5 asset illicit finance, including public statements iden-  
6 tifying those jurisdictions and measures to support  
7 their remediation;

8           (3) any commitments obtained from the foreign  
9 jurisdiction to address identified deficiencies, includ-  
10 ing timeliness and benchmarks; and

11           (4) an assessment of progress made toward full  
12 implementation of the standards identified under the  
13 National Strategy to Combat International Digital  
14 Asset Illicit Finance submitted under section 507.

15 **TITLE VI—PROTECTING SOFT-**  
16 **WARE DEVELOPERS AND**  
17 **SOFTWARE INNOVATION**

18 **SEC. 601. PROTECTING SOFTWARE DEVELOPERS.**

19           (a) AMENDMENT TO THE SECURITIES ACT OF  
20 1933.—The Securities Act of 1933 (15 U.S.C. 77a et  
21 seq.) is amended by inserting after section 27B (15 U.S.C.  
22 77z–2a) the following:

23 **“SEC. 27C. APPLICATION TO SOFTWARE DEVELOPERS.**

24           “(a) DISTRIBUTED LEDGER SYSTEM DEFINED.—In  
25 this section, the term ‘distributed ledger system’ has the

1 meaning given the term in section 2 of the Digital Asset  
2 Market Clarity Act.

3 “(b) APPLICATION TO SOFTWARE DEVELOPERS.—  
4 Notwithstanding any other provision of this Act, a person  
5 shall not be subject to this Act and the regulations pro-  
6 mulgated under this Act solely based on the person engag-  
7 ing in any of the following activities, whether singly or  
8 in combination, in relation to the operation of a distrib-  
9 uted ledger system or any component thereof:

10 “(1) Compiling network transactions or relay-  
11 ing, searching, sequencing, validating, or acting in a  
12 similar capacity.

13 “(2) Providing computational work, operating a  
14 node or oracle service, or procuring, offering, or uti-  
15 lizing network bandwidth, or providing other similar  
16 incidental services.”.

17 (b) AMENDMENT TO THE SECURITIES EXCHANGE  
18 ACT OF 1934.—The Securities Exchange Act of 1934 (15  
19 U.S.C. 78a et seq.) is amended by inserting after section  
20 15G (15 U.S.C. 78o–11) the following:

21 **“SEC. 15H. APPLICATION TO SOFTWARE DEVELOPERS.**

22 “(a) DEFINITIONS.—In this section:

23 “(1) CONSTITUTE.—The term ‘constitute’  
24 means to compile, assemble, integrate, or otherwise

1 combine software components into a complete soft-  
2 ware system.

3 “(2) DECENTRALIZED FINANCE TRADING PRO-  
4 TOCOL.—

5 “(A) IN GENERAL.—The term ‘decentral-  
6 ized finance trading protocol’ means a distrib-  
7 uted ledger system through which multiple par-  
8 ticipants can execute a financial transaction—

9 “(i) in accordance with an automated  
10 rule or algorithm that is predetermined  
11 and non-discretionary; and

12 “(ii) without reliance on a person  
13 other than the user to maintain custody or  
14 control of the digital assets subject to the  
15 financial transaction.

16 “(B) EXCLUSIONS.—

17 “(i) IN GENERAL.—The term ‘decen-  
18 tralized finance trading protocol’ does not  
19 include a distributed ledger system if—

20 “(I) a person or group of persons  
21 under common control or acting pur-  
22 suant to an agreement to act in con-  
23 cert has the authority, directly or in-  
24 directly, through any contract, ar-  
25 rangement, understanding, relation-

1 ship, or otherwise, to control or mate-  
2 rially alter the functionality, oper-  
3 ation, or rules of consensus or agree-  
4 ment of the distributed ledger system;  
5 or

6 “(II) the distributed ledger sys-  
7 tem does not operate, execute, and en-  
8 force its operations and transactions  
9 based solely on pre-established, trans-  
10 parent rules encoded directly within  
11 the source code of the distributed  
12 ledger system.

13 “(III) a person or group of per-  
14 sons under common control has the  
15 unilateral authority, via operation of  
16 the distributed ledger system, to re-  
17 strict, censor, or prohibit the use of  
18 the distributed ledger system, includ-  
19 ing any applicable system-based user  
20 activity.

21 “(ii) SPECIAL RULE.—For purposes of  
22 clause (i), a decentralized governance sys-  
23 tem shall not be considered to be a person  
24 or a group of persons under common con-

1                    trol or acting pursuant to an agreement to  
2                    act in concert.

3                    “(3) DEPLOY.—The term ‘deploy’ means to  
4                    bring software or hardware onto a distributed ledger  
5                    system for active use.

6                    “(4) DIGITAL ASSET; DISTRIBUTED LEDGER  
7                    APPLICATION; DISTRIBUTED LEDGER SYSTEM; DIS-  
8                    TRIBUTED LEDGER PROTOCOL; DECENTRALIZED  
9                    GOVERNANCE SYSTEM; SMART CONTRACT.—The  
10                    terms ‘digital asset’, ‘distributed ledger application’,  
11                    ‘distributed ledger system’, ‘distributed ledger pro-  
12                    tocol’, ‘decentralized governance system’, and ‘smart  
13                    contract’ have the meanings given those terms in  
14                    section 2 of the Digital Asset Market Clarity Act.

15                    “(5) DECENTRALIZED FINANCE MESSAGING  
16                    SYSTEM.—

17                    “(A) IN GENERAL.—The term ‘decentral-  
18                    ized finance messaging system’ means a soft-  
19                    ware application that provides a user with the  
20                    ability to create or submit an instruction, com-  
21                    munication, or message to a decentralized fi-  
22                    nance trading protocol.

23                    “(B) ADDITIONAL REQUIREMENTS.—The  
24                    term ‘decentralized finance messaging system’

1 does not include any system that provides any  
2 person other than the user with —

3 “(i) control over the funds of the user;

4 or

5 “(ii) the authority to execute any of  
6 the transaction of the user.

7 “(b) APPLICATION TO SOFTWARE DEVELOPERS.—

8 Notwithstanding any other provision of this Act, a person  
9 shall not be subject to this Act and the regulations pro-  
10 mulgated under this Act solely based on the person engag-  
11 ing in any of the following activities, whether singly or  
12 in combination, in relation to the operation of a distrib-  
13 uted ledger system or any component thereof:

14 “(1) Compiling network transactions or relay-  
15 ing, searching, sequencing, validating, or acting in a  
16 similar capacity.

17 “(2) Providing computational work, operating a  
18 node or oracle service, or procuring, offering, or uti-  
19 lizing network bandwidth, or providing other similar  
20 incidental services.

21 “(3) Developing, publishing, or constituting—

22 “(A) a distributed ledger system; or

23 “(B) software or systems that create or  
24 utilize hardware or software, including wallets  
25 or other systems, that facilitate the ability of a

1 user to keep, safeguard, or have custody of the  
2 digital assets or private keys of the user.

3 “(c) RULE OF CONSTRUCTION.—Subsection (b)(3)  
4 does not extend to any activity covered in any of the activi-  
5 ties described in subparagraphs (A) through (D) of sub-  
6 section (d)(1), including activity taken following deploy-  
7 ment of such software or hardware.

8 “(d) CLARIFICATION.—

9 “(1) IN GENERAL.—The Commission shall, pur-  
10 suant to notice and comment rulemaking, clarify the  
11 circumstances under which a person shall not be  
12 subject to this Act by reason of engaging solely in  
13 1 or more of the following activities in relation to  
14 the operation of a decentralized finance trading pro-  
15 tocol or any component thereof:

16 “(A) Providing a user interface that en-  
17 ables a user to read and access data.

18 “(B) Administering, maintaining, or other-  
19 wise distributing a decentralized governance  
20 system relating to a decentralized finance trad-  
21 ing protocol, or a decentralized finance trading  
22 protocol.

23 “(C) Administering, maintaining, or other-  
24 wise distributing a decentralized finance mes-  
25 saging system or operating or participating in

1 a smart contract-based liquidity pool in a de-  
2 centralized finance trading protocol.

3 “(D) Administering, maintaining, or other-  
4 wise distributing software or systems that cre-  
5 ate or deploy hardware or software, including  
6 wallets or other systems, that facilitate the abil-  
7 ity of a user to keep, safeguard, or custody the  
8 digital assets or related private keys of the  
9 user.

10 “(2) CONSIDERATIONS.—In providing the clari-  
11 fication under paragraph (1) the Commission shall—

12 “(A) ensure that the rules are consistent  
13 with the purposes of the securities laws, includ-  
14 ing the public interest, the protection of inves-  
15 tors, and the maintenance of fair and orderly  
16 markets;

17 “(B) provide that section 108(a) of the  
18 Lummis-Gillibrand Responsible Financial Inno-  
19 vation Act of 2026 shall apply to such rules;

20 “(C) protect the rights of software devel-  
21 opers, publishers, and users to create, publish,  
22 and use code and software in a manner con-  
23 sistent with the First Amendment to the Con-  
24 stitution of the United States; and

1           “(D) provide legal clarity for the develop-  
2           ment, publication, and operation of distributed  
3           ledger systems and the components therein in a  
4           manner consistent with the purposes of this sec-  
5           tion.

6           “(3) RULE OF CONSTRUCTION.—Nothing in  
7           this subsection may be construed to grant the Com-  
8           mission authority over persons, systems, software, or  
9           activities that do not otherwise fall within the juris-  
10          diction of the Commission under this Act, or to cre-  
11          ate a presumption that any such activity is subject  
12          to this Act.

13          “(e) ANTI-FRAUD, ANTI-MANIPULATION, AND FALSE  
14          REPORTING.—The determination to be not subject to this  
15          Act under subsections (b) and (d) shall not apply to the  
16          anti-fraud, anti-manipulation, or false reporting enforce-  
17          ment authorities of the Commission.

18          “(f) RULE OF CONSTRUCTION.—For the avoidance of  
19          doubt, nothing in this Act or the rules and regulations  
20          promulgated under this Act may be construed to apply any  
21          requirement of the securities laws to a digital commodity,  
22          as defined in section 2 of the Digital Asset Market Clarity  
23          Act, or expand the authority of the Commission beyond  
24          that which the Commission had before the date of enact-

1 ment of the Digital Asset Market Clarity Act to regulate  
2 the activities described in subsection (d)(1).

3 “(g) FEDERAL PREEMPTION.—

4 “(1) IN GENERAL.—Notwithstanding any other  
5 provision of law, no securities, commodities, or dig-  
6 ital assets law of any State (or of any political sub-  
7 division of a State) shall apply to an activity de-  
8 scribed in subsection (b).

9 “(2) RULE OF CONSTRUCTION.—Nothing in  
10 paragraph (1) may be construed to apply to the  
11 anti-money laundering, anti-fraud, or anti-manipula-  
12 tion authorities of a State (or of any political sub-  
13 division of a State).”.

14 (c) APPLICABILITY.—This section, and the amend-  
15 ments made by this section, shall apply to conduct occur-  
16 ring before, on, or after the date of enactment of this Act.

17 **SEC. 602. SAFE HARBOR FOR NONFUNGIBLE TOKENS.**

18 (a) DEFINITIONS.—In this section:

19 (1) NONFUNGIBLE TOKEN.—The term “non-  
20 fungible token” means a digital asset recorded on a  
21 distributed ledger that—

22 (A) is individually identifiable and distin-  
23 guishable from any other digital asset;

24 (B) represents ownership of, or rights in,  
25 a work of authorship, art, a collectible, a mem-

1           bership, an access credential, a certificate of au-  
2           thenticity, an in-game or in-application item, or  
3           another similar specific item or discrete digital  
4           or physical good, service, or benefit;

5           (C) is not interchangeable on a 1-to-1  
6           basis with any other token or digital asset; and

7           (D) may be bought, sold, or transferred for  
8           consideration.

9           (2) PROMOTER.—The term “promoter” means  
10          a person or group that manages, controls, or oper-  
11          ates an enterprise in which capital is invested, or  
12          any person or group acting on behalf of such a per-  
13          son or group with respect to such an enterprise, in-  
14          cluding an affiliate, agent, or coordinated actor that  
15          contributes to the capital raising efforts of the enter-  
16          prise.

17          (b) SAFE HARBOR.—

18           (1) IN GENERAL.—Except as provided in para-  
19          graph (3), the offer, sale, resale, transfer, or convey-  
20          ance of a nonfungible token shall not be deemed to  
21          constitute an offer, sale, or distribution of a security  
22          or investment contract under the Securities Act of  
23          1933 (15 U.S.C. 77a et seq.), the Securities Ex-  
24          change Act of 1934 (15 U.S.C. 78a et seq.), or any  
25          equivalent State law, unless the transaction, in sub-

1 stance, involves all of the elements of an investment  
2 contract.

3 (2) RULES OF CONSTRUCTION.—Neither of the  
4 following shall be considered to be a security under  
5 the Securities Act of 1933 (15 U.S.C. 77a et seq.)  
6 or the Securities Exchange Act of 1934 (15 U.S.C.  
7 78a et seq.):

8 (A) The resale or secondary market trans-  
9 fer of a nonfungible token, where the payment  
10 for that resale or transfer does not flow to a  
11 promoter or is not used to raise new capital for  
12 an enterprise.

13 (B) A nonfungible token that serves as a  
14 collectible, membership right, event ticket, ac-  
15 cess credential, or other non-investment-based  
16 use case solely because the nonfungible token  
17 may appreciate in value or depend in part on  
18 continued efforts or the reputation of the cre-  
19 ator or issuer of the nonfungible token.

20 (3) EXCEPTIONS.—The safe harbor under para-  
21 graph (1) shall not apply to—

22 (A) a mass-minted series of items with  
23 substantially similar or nearly identical traits  
24 that are marketed or sold interchangeably;

1 (B) a fractionalized interest in a nonfun-  
2 gible token; or

3 (C) an interest representing a beneficial or  
4 economic claim on a nonfungible token or an  
5 asset that a nonfungible token represents.

6 (4) RELIANCE; PROSPECTIVE EFFECT.—

7 (A) RELIANCE.—A person, other than an  
8 originator or related person, that reasonably  
9 and in good faith relies on the safe harbor  
10 under this subsection shall not be subject to  
11 any civil or administrative penalties.

12 (B) PROSPECTIVE EFFECT.—Any deter-  
13 mination by the Commission that the safe har-  
14 bor under this subsection does not apply to a  
15 particular circumstance shall—

16 (i) be prospective only; and

17 (ii) take effect not earlier than 60  
18 days after the date on which the Commis-  
19 sion publicly posts that determination.

20 **SEC. 603. STUDY ON NONFUNGIBLE TOKENS.**

21 (a) DEFINITION.—In this section, the term “nonfun-  
22 gible token” has the meaning given the term in section  
23 602.

1 (b) STUDY.—The Comptroller General of the United  
2 States shall carry out a study of nonfungible tokens that  
3 analyzes—

4 (1) the nature, size, role, purpose, and use of  
5 nonfungible tokens;

6 (2) the similarities and differences between non-  
7 fungible tokens and other digital commodities, in-  
8 cluding digital commodities and payment stablecoins,  
9 and how the markets for those digital commodities  
10 intersect;

11 (3) how nonfungible tokens are minted by  
12 issuers and subsequently administered to purchasers;

13 (4) how nonfungible tokens are stored after  
14 being purchased by a consumer;

15 (5) the interoperability of nonfungible tokens  
16 between different distributed ledger systems;

17 (6) the scalability of different nonfungible token  
18 marketplaces;

19 (7) the benefits of nonfungible tokens, including  
20 verifiable digital ownership;

21 (8) the risks of nonfungible tokens, including—

22 (A) intellectual property rights;

23 (B) cybersecurity risks; and

24 (C) market risks;

1           (9) whether and how nonfungible tokens have  
2           been, or could be, integrated with traditional mar-  
3           ketplaces, including marketplaces for music, real es-  
4           tate, gaming, events, and travel;

5           (10) whether and how nonfungible tokens have  
6           been, or could be, used to facilitate commerce or  
7           other activities through the representation of docu-  
8           ments, identification, contracts, licenses, and other  
9           commercial, governmental, or personal records;

10          (11) any risks to traditional markets from the  
11          integration described in paragraph (9); and

12          (12) the levels and types of illicit activity in  
13          nonfungible token markets.

14          (c) REPORT.—Not later than 1 year after the date  
15          of enactment of this Act, the Comptroller General of the  
16          United States shall make publicly available a report that  
17          includes the results of the study required under subsection  
18          (b).

19          **SEC. 604. BLOCKCHAIN REGULATORY CERTAINTY ACT.**

20          (a) SHORT TITLE.—This section may be cited as the  
21          “Blockchain Regulatory Certainty Act”.

22          (b) DEFINITIONS.—In this section:

23                  (1) DEVELOPER OR PROVIDER.—The term “de-  
24                  veloper or provider” means any person or business  
25                  that creates or publishes software to facilitate the

1 creation of, or provide maintenance to, a distributed  
2 ledger, or a service associated with a distributed  
3 ledger.

4 (2) DISTRIBUTED LEDGER SERVICE.—The term  
5 “distributed ledger service” means any information,  
6 transaction, or computing service or system that  
7 provides or enables access to a distributed ledger  
8 system by multiple users, including a service or sys-  
9 tem that enables users to send, receive, exchange, or  
10 store digital assets described by distributed ledger  
11 systems.

12 (3) NON-CONTROLLING DEVELOPER OR PRO-  
13 VIDER.—The term “non-controlling developer or pro-  
14 vider” means a developer or provider of a distributed  
15 ledger service that, in the regular course of oper-  
16 ations, does not have the legal right or the unilateral  
17 and independent ability to control, initiate upon de-  
18 mand, or effectuate transactions involving digital as-  
19 sets to which users are entitled, without the ap-  
20 proval, consent, or direction of any other third  
21 party.

22 (c) TREATMENT.—Notwithstanding any other provi-  
23 sion of law, a non-controlling developer or provider—

24 (1) shall not be treated as—

1 (A) a money transmitting business, as de-  
2 fined in section 5330 of title 31, United States  
3 Code, and the regulations promulgated under  
4 that section; or

5 (B) engaged in money transmitting, as de-  
6 fined in section 1960 of title 18, United States  
7 Code, as amended by this Act; and

8 (2) on or after the date of enactment of this  
9 Act, shall not be otherwise subject to any registra-  
10 tion requirement that is substantially similar to a re-  
11 quirement (as in effect on the day before the date  
12 of enactment of this Act) that applies to an entity  
13 described in subparagraph (A) or (B) of paragraph  
14 (1), solely on the basis of—

15 (A) creating or publishing software to fa-  
16 cilitate the creation of, or providing mainte-  
17 nance services to, a distributed ledger or a serv-  
18 ice associated with a distributed ledger;

19 (B) providing hardware or software to fa-  
20 cilitate a customer's own custody or safekeeping  
21 of the digital assets of the customer; or

22 (C) providing infrastructure support to  
23 maintain a distributed ledger service.

24 (d) CLARIFICATION OF TREATMENT.—Subsection (c)  
25 shall not modify the application of section 1960(b)(1)(C)

1 of title 18, United States Code, to any person (referred  
2 to in this subsection as the “initial person”) that acts with  
3 the specific intent to transfer, on behalf of another person,  
4 funds that are known by the initial person to be—

5 (1) derived from a criminal offense; or

6 (2) intended to be used to promote or support  
7 unlawful activity.

8 (e) RULES OF CONSTRUCTION.—Nothing in this sec-  
9 tion may be construed—

10 (1) to affect whether a developer or provider of  
11 a distributed ledger service is otherwise subject to  
12 classification or treatment as a money transmitter,  
13 or as engaged in money transmitting, under applica-  
14 ble Federal or State law, including laws relating to  
15 anti-money laundering or countering the financing of  
16 terrorism, based on conduct outside the scope of  
17 subsection (c);

18 (2) to affect whether a developer or provider is  
19 otherwise subject to classification or treatment as a  
20 financial institution under subchapter II of chapter  
21 53 of title 31, United States Code, this Act, any  
22 amendment made by this Act, or any Act enacted  
23 after the date of enactment of this Act, based on  
24 conduct outside the scope of subsection (c);

1           (3) to limit or expand any law pertaining to in-  
2           tellectual property;

3           (4) to prevent any State from enforcing any  
4           State law that is consistent with this section; or

5           (5) to create a cause of action or impose liabil-  
6           ity under any State or local law that is inconsistent  
7           with this section.

8   **SEC. 605. KEEP YOUR COINS ACT.**

9           (a) **SHORT TITLE.**—This section may be cited as the  
10          “Keep Your Coins Act”.

11          (b) **DEFINITIONS.**—In this section:

12               (1) **COVERED USER.**—The term “covered user”  
13               means a United States individual who obtains digital  
14               assets to purchase goods or services on behalf of  
15               that individual, without regard to the method in  
16               which that individual obtained those digital assets.

17               (2) **SELF-HOSTED WALLET.**—The term “self-  
18               hosted wallet” means a digital interface—

19                       (A) that is used to secure and transfer dig-  
20                       ital assets; and

21                       (B) under which the owner of digital assets  
22                       secured and transferred under subparagraph  
23                       (A) retains independent control over those dig-  
24                       ital assets.

1           (c) SELF-CUSTODY.—A Federal agency may not pro-  
2 hibit, restrict, or otherwise impair the ability of a covered  
3 user to self-custody digital assets using a self-hosted wallet  
4 or other means to conduct transactions for any lawful pur-  
5 pose.

6           (d) RULE OF CONSTRUCTION.—Nothing in this sec-  
7 tion may be construed to limit the authority of the Sec-  
8 retary of the Treasury, the Commission, the Commodity  
9 Futures Trading Commission, the Board of Governors of  
10 the Federal Reserve System, the Comptroller of the Cur-  
11 rency, the Federal Deposit Insurance Corporation, or the  
12 National Credit Union Administration to carry out any en-  
13 forcement action or special measure authorized under ap-  
14 plicable law, including—

15           (1) the Bank Secrecy Act, section 9714 of the  
16 Combating Russian Money Laundering Act (31  
17 U.S.C. 5318A note), and section 7213A of the  
18 Fentanyl Sanctions Act (21 U.S.C. 2313a); or

19           (2) any other law relating to illicit finance,  
20 money laundering, terrorism financing, or United  
21 States sanctions.

1                   **TITLE VII—PROTECTING**  
2                   **CUSTOMER PROPERTY**

3   **SEC. 701. CUSTOMER PROPERTY PROTECTIONS FOR ANCIL-**  
4                   **LARY ASSETS AND DIGITAL COMMODITIES IN**  
5                   **BANKRUPTCY.**

6           (a) DEFINITIONS FOR STOCKBROKER LIQUIDA-  
7   TION.—

8           (1) IN GENERAL.—Section 741 of title 11,  
9   United States Code, is amended—

10                   (A) by redesignating paragraphs (5)  
11                   through (9) as paragraphs (7) through (11), re-  
12                   spectively;

13                   (B) by redesignating paragraphs (1)  
14                   through (4) as paragraphs (2) through (5), re-  
15                   spectively;

16                   (C) by inserting before paragraph (2), as  
17                   so redesignated, the following:

18                   “(1) ‘ancillary asset’ has the meaning given  
19                   that term in section 2 of the Digital Asset Market  
20                   Clarity Act;”;

21                   (D) in paragraph (3), as so redesignated—

22                           (i) in subparagraph (A)(vi), by strik-  
23                           ing “and” at the end;

24                           (ii) by redesignating subparagraph  
25                           (B) as subparagraph (C);

1 (iii) by inserting after subparagraph  
2 (A) the following:

3 “(B) entity with whom a person deals as  
4 principal or agent and that has a claim against  
5 such person on account of a digital commodity  
6 or an ancillary asset received, acquired, or held  
7 by such person from or for the securities ac-  
8 count or accounts of such entity for 1 or more  
9 of the purposes identified in clauses (i) through  
10 (vi) of subparagraph (A) of this paragraph;  
11 and”;

12 (iv) in subparagraph (C), as so reded-  
13 icated—

14 (I) in clause (i)—

15 (aa) by inserting “, ancillary  
16 asset, or digital commodity” after  
17 “security”; and

18 (bb) by inserting “or (B)”  
19 after “subparagraph (A)”; and

20 (II) in clause (ii), by inserting  
21 “an ancillary asset, a digital com-  
22 modity,” after “a security,”;

23 (E) in paragraph (5), as so redesignated,  
24 in the matter preceding subparagraph (A), by

1 inserting “ancillary asset, digital commodity,”  
2 after “cash, security,” each place it appears;

3 (F) by inserting after paragraph (5), as so  
4 redesignated, the following:

5 “(6) ‘digital commodity’ has the meaning given  
6 that term in section 2 of the Digital Asset Market  
7 Clarity Act;” and

8 (G) in paragraph (8), as so redesignated,  
9 in subparagraph (A)(i), by inserting “, ancillary  
10 asset positions, and digital commodities posi-  
11 tions” after “securities positions”.

12 (b) EXTENT OF CUSTOMER CLAIMS.—Section 746(b)  
13 of title 11, United States Code, is amended, in the matter  
14 preceding paragraph (1), by striking “cash or a security”  
15 and inserting “cash, a security, an ancillary asset, or a  
16 digital commodity”.

17 (c) TECHNICAL AND CONFORMING AMENDMENTS.—

18 (1) Section 546(e) of title 11, United States  
19 Code, is amended—

20 (A) by striking “section 741(7)” and in-  
21 serting “section 741”; and

22 (B) by striking “section 761(4)” and in-  
23 serting “section 761”.

24 (2) Section 561 of title 11, United States Code,  
25 is amended—

1 (A) in paragraph (1), by striking “section  
2 741(7)” and inserting “section 741”; and

3 (B) in paragraph (2), by striking “section  
4 761(4)” and inserting “section 761”.

5 (3) Section 752(e) of title 11, United States  
6 Code, is amended by striking “section 741(4)(B)”  
7 and inserting “section 741(5)(B)”.

8 (d) CLARIFICATION.—For the avoidance of doubt—

9 (1) nothing in this section or an amendment  
10 made by this section may be construed to apply to  
11 securities or cash held by a broker-dealer and such  
12 assets and related claims shall be governed exclu-  
13 sively by the Securities Investor Protection Act of  
14 1970 (15 U.S.C. 78aaa et seq.);

15 (2) nothing in this section or an amendment  
16 made by this section may be construed to apply to  
17 deposits held by a bank or commodity contracts,  
18 which shall be governed by the relevant applicable  
19 law; and

20 (3) in any liquidation proceeding under sub-  
21 chapter III or IV of chapter 7 of title 11, United  
22 States Code, those provisions shall be construed to  
23 treat ancillary assets and digital commodities held  
24 for customers as customer property governed by title

1 11 and required to be distributed according to such  
2 title.

3 **SEC. 702. INSOLVENCY SAFE HARBOR.**

4 (a) DEFINITIONS.—In this section:

5 (1) COMMODITY BROKER; FINANCIAL INSTITU-  
6 TION; FINANCIAL PARTICIPANT; SECURITIES CLEAR-  
7 ING AGENCY; STOCKBROKER.—The terms “com-  
8 modity broker”, “financial institution”, “financial  
9 participant”, “securities clearing agency”, and  
10 “stockbroker” have the meanings given those terms  
11 in section 101 of title 11, United States Code.

12 (2) COMMODITY CONTRACT.—The term “com-  
13 modity contract” means a commodity contract de-  
14 scribed in paragraph (4)(A) of section 761 of title  
15 11, United States Code.

16 (b) SAFE HARBOR.—A purchase, sale, or loan of, a  
17 margin loan or other extension of credit on, or a repur-  
18 chase, reverse repurchase, or other transaction involving,  
19 a unit of a digital commodity occurring with a commodity  
20 broker, stockbroker, financial institution, financial partici-  
21 pant, or securities clearing agency shall be deemed to be—

22 (1) a commodity contract for purposes of—

23 (A) sections 362(b)(6), 362(o), 546(e),  
24 553, 556, 561 and 562 of title 11, United  
25 States Code;

1 (B) section 11 of the Federal Deposit In-  
2 surance Act (12 U.S.C. 1821);

3 (C) section 210 of the Dodd-Frank Wall  
4 Street Reform and Consumer Protection Act  
5 (12 U.S.C. 5390); and

6 (D) section 5(b)(2)(C) of the Securities In-  
7 vestor Protection Act of 1970 (15 U.S.C.  
8 78eee(b)(2)(C)); and

9 (2) a margin payment for purposes of section  
10 548(d)(2)(B) of title 11, United States Code.

11 **TITLE VIII—CUSTOMER**  
12 **PROTECTION**

13 **SEC. 801. EDUCATIONAL MATERIALS.**

14 The Commission and the Commodity Futures Trad-  
15 ing Commission shall require digital asset intermediaries  
16 to provide clear and accessible educational materials to the  
17 public, including—

18 (1) an overview of how distributed ledger sys-  
19 tems function;

20 (2) a description of common risks associated  
21 with digital assets;

22 (3) a description of the differences between dig-  
23 ital asset markets and traditional financial markets;

24 (4) information on reporting and disclosure re-  
25 quirements related to digital asset transactions and

1 securities which may be accompanied by network to-  
2 kens or ancillary assets; and

3 (5) guidance on recognizing fraudulent schemes  
4 and instructions for reporting suspected fraud.

5 **SEC. 802. SAVINGS CLAUSES.**

6 (a) DEFINITIONS.—In this section:

7 (1) DIGITAL CONSUMER TOKEN.—The term  
8 “digital consumer token” means a digital asset that  
9 is primarily acquired for a consumptive purpose, in-  
10 cluding redemption for a specified good or service at  
11 the time of sale or within a reasonable time after  
12 sale, as defined by the Federal Trade Commission  
13 pursuant to rule.

14 (2) NONFUNGIBLE TOKEN.—The term “non-  
15 fungible token” means a digital asset recorded on a  
16 distributed ledger that—

17 (A) is individually identifiable and distin-  
18 guishable from any other digital asset;

19 (B) represents ownership of, or rights in,  
20 a work of authorship, art, a collectible, a mem-  
21 bership, an access credential, a certificate of au-  
22 thenticity, an in-game or in-application item, or  
23 another similar specific item or discrete digital  
24 or physical good, service, or benefit;

1 (C) is not interchangeable on a 1-to-1  
2 basis with any other token or digital asset; and

3 (D) may be bought, sold, or transferred for  
4 consideration.

5 (b) FEDERAL TRADE COMMISSION.—Nothing in this  
6 Act, or any amendment made by this Act, may be con-  
7 strued as limiting or abridging the jurisdiction of the Fed-  
8 eral Trade Commission with respect to—

9 (1) investigations or enforcement actions relat-  
10 ing to unfair or deceptive acts or practices by per-  
11 sons relating to commerce in nonfungible tokens or  
12 digital consumer tokens, including deceptive acts  
13 with respect to advertising and endorsements relat-  
14 ing to nonfungible tokens and digital consumer to-  
15 kens;

16 (2) highlighting best practices relating to com-  
17 merce in nonfungible tokens or digital consumer to-  
18 kens;

19 (3) promoting responsible innovation;

20 (4) consumer education relating to fraudulent  
21 digital asset activity; or

22 (5) investigating unlawful restraints of trade in  
23 the digital asset industry.

24 (c) RULE OF CONSTRUCTION.—Nothing in this Act,  
25 or any amendment made by this Act, may be construed

1 to expand, contract, or otherwise affect the jurisdiction or  
2 authority with respect to the Federal consumer financial  
3 laws under the Consumer Financial Protection Act of  
4 2010 (12 U.S.C. 5481 et seq.), as in effect on the day  
5 before the date of enactment of this Act, including with  
6 respect to subsection (i) or (j) of section 1027 of the Con-  
7 sumer Financial Protection Act of 2010 (12 U.S.C. 5517).

8 **SEC. 803. STUDY ON EXPANDING FINANCIAL LITERACY.**

9 (a) STUDY.—The Commission and the Commodity  
10 Futures Trading Commission shall jointly conduct a study  
11 to identify—

12 (1) the existing level of financial literacy among  
13 retail digital asset customers;

14 (2) methods to improve the timing, content, and  
15 format of financial literacy materials regarding dig-  
16 ital assets provided by the respective commissions;

17 (3) methods to improve coordination between  
18 the Securities and Exchange Commission and the  
19 Commodity Futures Trading Commission with other  
20 agencies, including the Financial Literacy and Edu-  
21 cation Commission, nonprofit organizations, and  
22 State and local jurisdictions, to better disseminate  
23 financial literacy materials;

1           (4) the efficacy of current financial literacy ef-  
2           forts with a focus on rural communities and commu-  
3           nities with majority-minority populations;

4           (5) the most useful and understandable relevant  
5           information, including clear disclosures, that retail  
6           digital asset customers need to make informed finan-  
7           cial decisions before engaging with or purchasing a  
8           digital asset;

9           (6) the most effective public-private partner-  
10          ships in providing financial literacy regarding digital  
11          asset;

12          (7) the most relevant metrics to measure suc-  
13          cessful improvement of the financial literacy of an  
14          individual after engaging with financial literacy ef-  
15          forts; and

16          (8) in consultation with the Financial Literacy  
17          and Education Commission, a strategy (including to  
18          the extent practicable, measurable goals and objec-  
19          tives) to increase financial literacy of investors re-  
20          garding digital assets.

21          (b) REPORT.—Not later than 1 year after the date  
22          of enactment of this Act, the Commission and the Com-  
23          modity Futures Trading Commission shall jointly submit  
24          to the Committee on Banking, Housing, and Urban Af-  
25          fairs and the Committee on Agriculture, Nutrition, and

1 Forestry of the Senate and the Committee on Financial  
2 Services and the Committee on Agriculture of the House  
3 of Representatives a written report on the study required  
4 under subsection (a).

5 **SEC. 804. CONSULTATION WITH SIPC REGARDING MANDA-**  
6 **TORY BROKER-DEALER DISCLOSURES TO IN-**  
7 **VESTORS CONCERNING THE STATUS OF PAY-**  
8 **MENT STABLECOINS AND DIGITAL COMMOD-**  
9 **ITIES.**

10 (a) DEFINITION.—In this section, the term “payment  
11 stablecoin” has the meaning given the term in section 2  
12 of the GENIUS Act (12 U.S.C. 5901).

13 (b) RULES.—Not later than 270 days after the date  
14 of enactment of this Act, the Commission, after consulta-  
15 tion with the Commodity Futures Trading Commission  
16 and the Securities Investor Protection Corporation, shall  
17 issue rules requiring written disclosures regarding the  
18 treatment of customer assets in the event of an insolvency,  
19 resolution, or liquidation proceeding to be provided by a  
20 registered broker or dealer to an investor—

21 (1) before a digital commodity, a payment  
22 stablecoin, or a security involving a unit of a digital  
23 commodity is received, acquired, or held by the  
24 broker or dealer for the account of the investor; and

1           (2) after the provision of the disclosures under  
2           paragraph (1), at such frequency as the Commission  
3           may prescribe.

4           (c) CONTENTS.—The rules issued under subsection  
5 (b) shall include, as necessary or appropriate for the pro-  
6 tection of investors—

7           (1) a description of the manner in which any  
8           digital commodity, payment stablecoin, or security  
9           involving a unit of a digital commodity received, ac-  
10          quired, or held by a broker or dealer for the account  
11          of an investor would be treated in an insolvency, res-  
12          olution, or liquidation proceeding with respect to the  
13          broker or dealer under—

14                 (A) title II of the Dodd-Frank Wall Street  
15                 Reform and Consumer Protection Act (12  
16                 U.S.C. 5381 et seq.);

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

19                 (C) as applicable, chapter 7 or 11 of title  
20                 11, United States Code; and

21           (2) how the treatment described in paragraph  
22           (1) differs from the treatment of securities and cash  
23           received, acquired, or held by the broker or dealer  
24           for the account of the applicable investor in the  
25           event of an insolvency, resolution, or liquidation pro-

1 ceeding with respect to the broker or dealer under  
2 each provision of law described in subparagraph (A),  
3 (B), and (C) of paragraph (1).

## 4 **TITLE IX—OTHER MATTERS**

### 5 **SEC. 901. JOINT ADVISORY COMMITTEE ON DIGITAL AS-** 6 **SETS.**

7 (a) ESTABLISHMENT.—The Commodity Futures  
8 Trading Commission and the Securities and Exchange  
9 Commission (referred to collectively in this section as the  
10 “Commissions”) shall jointly establish the Joint Advisory  
11 Committee on Digital Assets (referred to in this section  
12 as the “Committee”).

13 (b) PURPOSE.—

14 (1) IN GENERAL.—The Committee shall—

15 (A) provide the Commissions with official  
16 findings and nonbinding recommendations on—

17 (i) the rules, regulations, oversight,  
18 and other matters of the Commissions re-  
19 lating to digital assets, including with re-  
20 spect to regulatory harmonization between  
21 the Commissions;

22 (ii) how to further the regulatory har-  
23 monization of digital asset policy between  
24 the Commissions or areas in which that  
25 harmonization should occur; and

1 (iii) the implementation by the Com-  
2 missions of this Act, and the amendments  
3 made by this Act, including with respect to  
4 regulatory harmonization between the  
5 Commissions, memoranda of under-  
6 standing, and the Joint Micro-Innovation  
7 Sandbox established pursuant to section  
8 501;

9 (B) develop and share objective methods  
10 and best practices for evaluating digital asset  
11 networks and activities, including, as appro-  
12 priate, technical features, economic design, and  
13 implications for market integrity, investor pro-  
14 tection, and operational resilience; and

15 (C) issue nonbinding recommendations to  
16 assist in resolving disputes between the Com-  
17 missions.

18 (c) REVIEW BY THE COMMISSIONS.—Each of the  
19 Commissions shall—

20 (1) review the findings and nonbinding rec-  
21 ommendations provided under subsection (b)(1)(A);

22 (2) promptly publish a public statement each  
23 time the Committee submits a finding or nonbinding  
24 recommendation to the applicable Commission under  
25 subsection (b)(1)(A) that—

1 (A) assesses the finding or recommenda-  
2 tion; and

3 (B) if applicable, discloses the action or de-  
4 cision not to take action; and

5 (3) provide the Committee with a formal writ-  
6 ten response not later than 90 days after the date  
7 of submission of the finding or nonbinding rec-  
8 ommendation under subsection (b)(1)(A).

9 (d) MEMBERSHIP AND LEADERSHIP.—

10 (1) NON-FEDERAL MEMBERS; SIZE AND COM-  
11 POSITION.—

12 (A) IN GENERAL.—The Commissions shall  
13 appoint to the Committee not more than 14  
14 nongovernmental voting members who—

15 (i) represent a broad spectrum of in-  
16 terests, equally divided between the Com-  
17 missions; and

18 (ii) serve at the pleasure of the ap-  
19 pointing Commission.

20 (B) SPECIFIC MEMBERS.—For each of the  
21 Commissions, the appointees under subpara-  
22 graph (A) of this paragraph shall include—

23 (i) 2 individuals described in para-  
24 graph (2)(A);

1 (ii) 2 individuals described in para-  
2 graph (2)(B);

3 (iii) 1 individual described in para-  
4 graph (2)(C);

5 (iv) 2 individuals described in para-  
6 graph (2)(D); and

7 (v) 1 individual described in para-  
8 graph (2)(E).

9 (2) MEMBERS DESCRIBED.—A member de-  
10 scribed in this paragraph is—

11 (A) an individual who is employed by, or is  
12 a related person with respect to, a digital asset  
13 market participant;

14 (B) a person registered with either of the  
15 Commissions and that is engaged in activities  
16 relating to digital assets;

17 (C) an individual engaged in academic re-  
18 search relating to digital assets;

19 (D) a retail user of digital assets; and

20 (E) a State securities regulator.

21 (3) NIST.—The Director of the National Insti-  
22 tute of Standards and Technology, or the designee  
23 of the Director, shall serve in an advisory capacity  
24 as a nonvoting, ex officio member of the Committee,  
25 and shall not be excluded from any proceedings,

1 meetings, discussions, or deliberations of the Com-  
2 mittee, except that the chair of the Committee, upon  
3 an affirmative vote of the Committee, may exclude  
4 the Director or the designee from any proceedings,  
5 meetings, discussions, or deliberations of the Com-  
6 mittee when necessary to safeguard and promote the  
7 free exchange of confidential information.

8 (4) CO-DESIGNATED FEDERAL OFFICERS; COM-  
9 MISSIONER SUPPORT.—

10 (A) CO-DESIGNATED FEDERAL OFFI-  
11 CERS.—

12 (i) IN GENERAL.—Each Commission  
13 shall designate 1 Federal officer to serve  
14 as co-designated Federal officers of the  
15 Committee.

16 (ii) SHARED DUTIES.—The duties re-  
17 quired by section 1009(e) of title 5, United  
18 States Code, to be carried out by a des-  
19 ignated Federal officer with respect to the  
20 Committee shall be shared by the Federal  
21 officers of the Committee who are co-des-  
22 ignated under clause (i).

23 (B) COMMISSIONER SUPPORT.—

24 (i) IN GENERAL.—Commissioners of  
25 the Commissions may be supported by offi-

1           cers or employees of the respective Com-  
2           mission who may prepare or transmit ma-  
3           terials, coordinate with agency staff, liaise  
4           with Committee leadership, propose agenda  
5           items, gather information, and otherwise  
6           support the participation of that commis-  
7           sioner in Committee business, in an ex  
8           officio, nonvoting capacity.

9                   (ii) RULE OF CONSTRUCTION.—An of-  
10           ficer or employee described in clause (i)  
11           shall not be considered to be a member of  
12           the Committee for purposes of chapter 10  
13           of title 5, United States Code.

14                   (C) INFORMATION SHARING.—The co-des-  
15           ignated Federal officers and their Commis-  
16           sioner support shall share information about  
17           digital asset activities under this Act, in accord-  
18           ance with section 902, including with regard to  
19           preventing insider trading.

20                   (5) COMMITTEE LEADERSHIP.—The members  
21           of the Committee shall elect, from among the mem-  
22           bership of the Committee, a secretary and an assist-  
23           ant secretary.

24                   (6) ROTATING CHAIR.—The chair and vice  
25           chair of the Committee shall rotate annually between

1 the Commissions, with the Commission designating  
2 the chair in even-numbered calendar years, the Com-  
3 modity Futures Trading Commission designating the  
4 chair in odd-numbered calendar years, the Commis-  
5 sion designating the vice chair in odd-numbered cal-  
6 endar years, and the Commodity Futures Trading  
7 Commission designating the vice chair in even-num-  
8 bered calendar years.

9 (7) TERMS; VACANCIES; HOLDOVER.—

10 (A) IN GENERAL.—Each non-Federal  
11 member of the Committee shall be appointed  
12 for a term of 4 years.

13 (B) SERVICE UNTIL NEW APPOINTMENT.—  
14 A member of the Committee may continue to  
15 serve after the expiration of the term of the  
16 member until a successor is appointed.

17 (C) VACANCIES.—A vacancy with respect  
18 to membership in the Committee shall be filled  
19 only for the remainder of the applicable term.

20 (D) REAPPOINTMENT.—A member of the  
21 Committee may be reappointed.

22 (8) STATUS OF MEMBERS.—A member of the  
23 Committee appointed under paragraph (1) shall not  
24 be deemed to be an employee or agent of either of

1 the Commissions solely by reason of membership on  
2 the Committee.

3 (e) NO COMPENSATION FOR COMMITTEE MEM-  
4 BERS.—

5 (1) NON-FEDERAL MEMBERS.—All Committee  
6 members appointed under subsection (d)(1) shall—

7 (A) serve without compensation; and

8 (B) while away from the home or regular  
9 place of business of the member in the perform-  
10 ance of services for the Committee, be allowed  
11 travel expenses, including per diem in lieu of  
12 subsistence, in the same manner as persons em-  
13 ployed intermittently in Government service are  
14 allowed expenses under section 5703 of title 5,  
15 United States Code.

16 (2) NO COMPENSATION FOR CO-DESIGNATED  
17 FEDERAL OFFICERS.—The Federal officers co-des-  
18 ignated under subsection (d)(4)(A) shall serve with-  
19 out compensation in addition to that received for  
20 their services as officers or employees of the United  
21 States.

22 (f) FREQUENCY OF MEETINGS.—The Committee  
23 shall meet—

24 (1) not less frequently than twice annually; and

1           (2) at such other times as either of the Com-  
2           missions may request.

3           (g) PROCEDURES; ADVISORY NATURE.—

4           (1) IN GENERAL.—The Committee shall operate  
5           pursuant to chapter 10 of title 5, United States  
6           Code, except as otherwise expressly provided by this  
7           section.

8           (2) ADVISORY NATURE OF RECOMMENDA-  
9           TIONS.—The recommendations of the Committee are  
10          advisory in nature, shall not create any legal rights  
11          or obligations, and shall not limit or delay the inde-  
12          pendent authority of either of the Commissions.

13          (h) TIME LIMITS.—The Commissions shall—

14           (1) not later than 90 days after the date of en-  
15          actment of this Act, adopt a joint charter for the  
16          Committee;

17           (2) not later than 120 days after the date of  
18          enactment of this Act, make the appointments re-  
19          quired under subsection (d)(1); and

20           (3) not later than 180 days after the date of  
21          enactment of this Act, hold the initial meeting of the  
22          Committee.

23          (i) FUNDING.—Subject to the availability of funds,  
24          the Commissions shall jointly fund the Committee.

25          (j) DURATION AND RENEWAL.—

1           (1) INITIAL PERIOD.—The Committee shall re-  
2           main in effect for 10 years beginning on the date of  
3           enactment of this section.

4           (2) RENEWAL THEREAFTER.—At the conclu-  
5           sion of the 10-year period described in paragraph  
6           (1)—

7                   (A) the Committee shall be subject to sub-  
8                   sections (a) and (b) of section 1013 of title 5,  
9                   United States Code; and

10                   (B) the Commissions may renew the Com-  
11                   mittee for successive 2-year periods by pub-  
12                   lishing a notice in the Federal Register, con-  
13                   sistent with chapter 10 of title 5, United States  
14                   Code.

15 **SEC. 902. MEMORANDUM OF UNDERSTANDING.**

16           (a) MEMORANDUM OF UNDERSTANDING.—The Com-  
17           mission shall enter into a memorandum of understanding  
18           with the Commodity Futures Trading Commission to en-  
19           sure—

20                   (1) coordinated supervision and enforcement  
21                   with respect to registrants of the Commission and  
22                   the Commodity Futures Trading Commission, in-  
23                   cluding with regard to—

1 (A) the anti-fraud and anti-manipulation  
2 authorities of the Commission, such as with re-  
3 gard to insider trading; and

4 (B) the market integrity authorities of the  
5 Commodity Futures Trading Commission; and

6 (2) appropriate information sharing between  
7 the Commission and the Commodity Futures Trad-  
8 ing Commission to further the purposes of and com-  
9 pliance with this Act, the Securities Act of 1933 (15  
10 U.S.C. 77a et seq.), the Securities Exchange Act of  
11 1934 (15 U.S.C. 78a et seq.), and the Commodity  
12 Exchange Act (7 U.S.C. 1 et seq.).

13 (b) RULE OF CONSTRUCTION.—Nothing in this sec-  
14 tion may be construed to limit the anti-fraud, anti-manip-  
15 ulation, or false reporting enforcement authorities of the  
16 Commodity Futures Trading Commission with respect to  
17 a contract of sale of a commodity and persons effecting  
18 such contracts.

19 (c) RULE OF CONSTRUCTION.—Nothing in this Act,  
20 or any amendment made by this Act, may be construed  
21 to limit or prevent the continued application of applicable  
22 law regarding the insider trading of securities, including  
23 digital asset securities, including section 21A of the Secu-  
24 rities Exchange Act of 1934 (15 U.S.C. 78u–1).

1 **SEC. 903. FINCEN APPROPRIATIONS.**

2 (a) AUTHORIZATION OF APPROPRIATIONS.—For the  
3 purposes of developing policy relating to digital assets, ac-  
4 quiring information technology resources, funding the op-  
5 erations described in sections 202 and 203 of this Act,  
6 and enforcement of the laws within its jurisdiction relating  
7 to digital assets, there is authorized to be appropriated  
8 to the Financial Crimes Enforcement Network of the De-  
9 partment of the Treasury the following:

10 (1) \$30,000,000 for fiscal year 2026, to remain  
11 available until September 30, 2027.

12 (2) \$30,000,000 for fiscal year 2027, to remain  
13 available until September 30, 2028.

14 (3) \$30,000,000 for fiscal year 2028, to remain  
15 available until September 30, 2029.

16 (4) \$30,000,000 for fiscal year 2029, to remain  
17 available until September 30, 2030.

18 (5) \$30,000,000 for fiscal year 2030, to remain  
19 available until September 30, 2031.

20 (b) INCENTIVE PREMIUM FOR HIGHLY QUALIFIED  
21 INDIVIDUALS.—Notwithstanding any other provision of  
22 law or regulation, the Director of the Financial Crimes  
23 Enforcement Network of the Department of the Treasury  
24 may pay an annual incentive premium of not more than  
25 20 percent of the annual rate of basic pay for a position  
26 if necessary to attract highly qualified individuals for posi-

1 tions that the Director has certified to the Director of the  
2 Office of Personnel Management reflects the needs of the  
3 Financial Crimes Enforcement Network.

4 **SEC. 904. BUILD NOW ACT.**

5 (a) DEFINITIONS.—In this section:

6 (1) COVERED RECIPIENT.—The term “covered  
7 recipient” means a metropolitan city or urban coun-  
8 ty, as those terms are defined in section 102 of the  
9 Housing and Community Development Act of 1974  
10 (42 U.S.C. 5302), that receives funds under section  
11 106.

12 (2) CURRENT ANNUAL GROWTH RATE.—The  
13 term “current annual growth rate”, with respect to  
14 an eligible recipient and a fiscal year, means the av-  
15 erage annual percentage increase in the number of  
16 housing units in the jurisdiction of the eligible re-  
17 cipient, as calculated by the Secretary, during the  
18 period—

19 (A) beginning with the third quarter of the  
20 sixth preceding fiscal year; and

21 (B) ending with the third quarter of the  
22 preceding fiscal year.

23 (3) ELIGIBLE RECIPIENT.—The term “eligible  
24 recipient” means any covered recipient unless—

1 (A)(i) the median Small Area Fair Market  
2 Rent in the jurisdiction of the covered recipient  
3 is at or below the 60th percentile of median  
4 Small Area Fair Market Rents in the jurisdic-  
5 tions of all covered recipients; and

6 (ii) the median home value in the jurisdic-  
7 tion of the covered recipient is below the me-  
8 dian home value for the United States;

9 (B) the annual rental vacancy rate in the  
10 jurisdiction of the covered recipient is greater  
11 than the national annual rental vacancy rate for  
12 the most recent year available, as published by  
13 the Bureau of the Census;

14 (C) during the 1-year period preceding the  
15 date on which the Secretary allocates funds  
16 under section 106, the jurisdiction of the cov-  
17 ered recipient has been the subject of a major  
18 disaster or emergency declaration under section  
19 401 or 501, respectively, of the Robert T. Staf-  
20 ford Disaster Relief and Emergency Assistance  
21 Act (42 U.S.C. 5170, 5191); or

22 (D) the covered recipient lacks the legal  
23 authority to enact or update zoning and permit-  
24 ting ordinances.

1           (4) EXTREMELY HIGH-GROWTH RECIPIENT.—

2           The term “extremely high-growth recipient” means  
3           an eligible recipient for which the current annual  
4           growth rate is at or above 4 percent.

5           (5) HOUSING GROWTH IMPROVEMENT RATE.—

6           The term “housing growth improvement rate”, with  
7           respect to an eligible recipient and a fiscal year,  
8           means the quotient of—

9                   (A)(i) the current annual growth rate of  
10                   the eligible recipient, minus

11                   (ii) the prior annual growth rate of the eli-  
12                   gible recipient; and

13                   (B) the sum obtained by adding the abso-  
14                   lute values of the current annual growth rate  
15                   and the prior annual growth rate of the eligible  
16                   recipient.

17           (6) PRIOR ANNUAL GROWTH RATE.—The term

18           “prior annual growth rate”, with respect to an eligi-  
19           ble recipient and a fiscal year, means the average  
20           annual percentage increase in the number of housing  
21           units in the jurisdiction of the eligible recipient, as  
22           calculated by the Secretary, during the period—

23                   (A) beginning with the third quarter of the  
24                   11th preceding fiscal year; and

1 (B) ending with the third quarter of the  
2 sixth preceding fiscal year.

3 (7) SECRETARY.—The term “Secretary” means  
4 the Secretary of Housing and Urban Development.

5 (8) SECTION 106.—The term “section 106”  
6 means section 106 of the Housing and Community  
7 Development Act of 1974 (42 U.S.C. 5306).

8 (b) ADJUSTMENTS TO COMMUNITY DEVELOPMENT  
9 BLOCK GRANT ALLOCATIONS.—

10 (1) IN GENERAL.—In allocating amounts to an  
11 eligible recipient under section 106 for a fiscal year,  
12 the Secretary shall adjust the allocation based on  
13 the housing growth improvement rate of the eligible  
14 recipient, in accordance with paragraph (2) of this  
15 subsection.

16 (2) ADJUSTMENTS.—

17 (A) HOUSING GROWTH IMPROVEMENT  
18 RATE AT OR ABOVE MEDIAN; EXTREMELY  
19 HIGH-GROWTH RECIPIENTS.—

20 (i) IN GENERAL.—If, with respect to a  
21 fiscal year for which the allocation under  
22 section 106 is being determined, the hous-  
23 ing growth improvement rate for an eligi-  
24 ble recipient is at or above the median  
25 housing growth improvement rate for all

1 eligible recipients other than extremely  
2 high-growth recipients, or if an eligible re-  
3 cipient is an extremely high-growth recipi-  
4 ent, the Secretary shall allocate to the eli-  
5 gible recipient for that fiscal year, in addi-  
6 tion to the amount that would otherwise be  
7 allocated to the eligible recipient under sec-  
8 tion 106, a bonus amount, as determined  
9 under clause (ii) of this subparagraph.

10 (ii) BONUS AMOUNT.—For purposes  
11 of clause (i), the bonus amount for an eli-  
12 gible recipient for a fiscal year shall be  
13 equal to the product of—

14 (I) the aggregate amount by  
15 which allocations to eligible recipients  
16 are decreased under subparagraph (B)  
17 for that fiscal year; and

18 (II) the quotient of—

19 (aa) the number of housing  
20 units, as of the third quarter of  
21 the preceding fiscal year, in the  
22 jurisdiction of the eligible recipi-  
23 ent, as calculated by the Sec-  
24 retary; and

1 (bb) the number of housing  
2 units, as of the third quarter of  
3 the preceding fiscal year, in the  
4 jurisdictions of all eligible recipi-  
5 ents that receive a bonus amount  
6 under this paragraph, as cal-  
7 culated by the Secretary.

8 (B) HOUSING GROWTH IMPROVEMENT  
9 RATE BELOW MEDIAN.—If, with respect to a  
10 fiscal year for which the allocation under sec-  
11 tion 106 is being determined, the housing  
12 growth improvement rate for an eligible recipi-  
13 ent is below the median housing growth im-  
14 provement rate for all eligible recipients other  
15 than high-growth outliers, the Secretary shall  
16 decrease the amount that would otherwise be al-  
17 located to the eligible recipient under section  
18 106 for that fiscal year by 10 percent.

19 (c) CALCULATION OF HOUSING UNITS.—

20 (1) HOUSING AND URBAN DEVELOPMENT RE-  
21 QUIREMENTS.—In calculating the number of housing  
22 units in the jurisdiction of an eligible recipient under  
23 any provision of this section, the Secretary shall—

24 (A) use the Current Address Count Listing  
25 Files and other data products, as needed, of the

1 Bureau of the Census tabulated from the Mas-  
2 ter Address File; and

3 (B) make calculations at the block level,  
4 using boundaries that reflect the most current  
5 boundaries.

6 (2) CENSUS BUREAU AND POSTAL SERVICE RE-  
7 QUIREMENTS.—The Bureau of the Census and the  
8 United States Postal Service shall provide any rel-  
9 evant data to the Secretary upon request to assist  
10 the Secretary in making a calculation described in  
11 paragraph (1).

12 (3) ADJUSTMENT OF CALCULATION PERIODS.—  
13 The Secretary may adjust the calculation periods  
14 under subparagraphs (A) and (B) of subsection  
15 (a)(2), subparagraphs (A) and (B) of subsection  
16 (a)(6), and items (aa) and (bb) of subsection  
17 (b)(2)(A)(ii)(II) by not more than 2 months to  
18 achieve alignment with the data provided by the Bu-  
19 reau of the Census.

20 (d) ANNUAL REPORT ON HOUSING GROWTH IM-  
21 PROVEMENT RATE.—Before allocating funds under sec-  
22 tion 106 for a fiscal year, the Secretary shall publish a  
23 report that—

24 (1) includes the housing growth improvement  
25 rate for each eligible recipient; and

1           (2) lists, for the most recent fiscal year for  
2           which allocations were made under section 106—

3                   (A) the eligible recipients that received a  
4                   bonus amount under subsection (b)(2)(A); and

5                   (B) the eligible recipients for which the al-  
6                   location under section 106 was decreased under  
7                   subsection (b)(2)(B) of this section.

8           (e) NOTIFICATION; IMPLEMENTATION DATES.—

9                   (1) NOTIFICATION.—

10                   (A) IN GENERAL.—Not later than 60 days  
11                   after the date of enactment of this Act, the Sec-  
12                   retary shall notify each eligible recipient of the  
13                   recipient’s housing growth improvement rate  
14                   and whether that housing growth improvement  
15                   rate is above, at, or below the median housing  
16                   growth improvement rate for all eligible recipi-  
17                   ents other than extremely high-growth recipi-  
18                   ents.

19                   (B) GUIDANCE.—As part of the notifica-  
20                   tion under subparagraph (A), the Secretary  
21                   shall share guidance, including resources devel-  
22                   oped by the Department of Housing and Urban  
23                   Development, on best practices and rec-  
24                   ommendations for policies to reduce regulatory

1           barriers to housing and increase housing sup-  
2           ply.

3           (2) IMPLEMENTATION DATES.—Subsection (b)  
4           shall take effect beginning with the third full fiscal  
5           year after the date of enactment of this Act and re-  
6           main in effect through fiscal year 2043.

7           (3) NO EFFECT ON PREVIOUS APPROPRIA-  
8           TIONS.—This section shall not apply to amounts ap-  
9           propriated before the date of enactment of this Act.

10 **SEC. 905. RULEMAKINGS.**

11         Except as otherwise provided, not later than 1 year  
12 after the date of enactment of this Act, each applicable  
13 regulator shall adopt rules to carry out this Act, and the  
14 amendments made by this Act, through appropriate notice  
15 and comment rulemaking.

16 **SEC. 906. EFFECTIVE DATE.**

17         This Act, and the amendments made by this Act,  
18 shall take effect on the date that is 360 days after the  
19 date of enactment of this Act, except that, if a provision  
20 of this Act, or an amendment made by this Act, requires  
21 a rulemaking, that provision shall take effect on the later  
22 of—

23           (1) the date that is 360 days after the date of  
24           enactment of this Act; or

1           (2) the date that is 60 days after the publica-  
2           tion in the Federal Register of the final rule imple-  
3           menting the provision.