

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. Financial interests of ancillary assets.
- Sec. 106. Exemptive authority.
- Sec. 107. Modernization of recordkeeping requirements.
- Sec. 108. Modernization of securities regulations for digital asset activities.
- Sec. 109. Securities Investor Protection Corporation applicability.

## TITLE II—PROTECTING AGAINST ILLICIT FINANCE

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

## TITLE III—RESPONSIBLE INNOVATION IN DECENTRALIZED FINANCE

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

## TITLE IV—RESPONSIBLE BANKING INNOVATION

- Sec. 401. Permissibility of digital asset activities.
- Sec. 402. Joint rules for portfolio margining determinations.
- Sec. 403. Capital requirements to address netting agreements.
- Sec. 404. Preserving rewards for stablecoin holders.

## TITLE V—RESPONSIBLE REGULATORY INNOVATION

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

## 3

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

TITLE VI—PROTECTING SOFTWARE DEVELOPERS AND  
SOFTWARE INNOVATION

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

TITLE VII—PROTECTING CUSTOMER PROPERTY

- Sec. 701. Customer property protections for ancillary assets and digital commodities in bankruptcy.

TITLE VIII—CUSTOMER PROTECTION

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

TITLE IX—OTHER MATTERS

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

**1 SEC. 2. DEFINITIONS.**

**2 In this Act:**

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

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

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

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

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

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

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

17          (5) DECENTRALIZED GOVERNANCE SYSTEM.—

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

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

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

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

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

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

12           (8) DIGITAL COMMODITY.—The term “digital  
13 commodity” has the meaning given the term in sec-  
14 tion 1a of the Commodity Exchange Act (7 U.S.C.  
15 1a).

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

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

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

1 (i) maintain the integrity of the dig-  
2 ital ledger described in that subparagraph;  
3 and

4 (ii) execute other functions.

5 (10) DISTRIBUTED LEDGER APPLICATION.—

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

12 (11) DISTRIBUTED LEDGER PROTOCOL.—The

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

18 (12) DISTRIBUTED LEDGER SYSTEM.—The

19 term “distributed ledger system” means any distrib-  
20 uted ledger, distributed ledger application, or net-  
21 work of distributed ledger applications, together with  
22 its distributed ledger protocol.

23 (13) RELATED PERSON.—The term “related

24 person”, with respect to an ancillary asset originator  
25 or an ancillary asset—

1 (A) means—

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

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

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

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

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

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

8 (B) does not include a decentralized gov-  
9 ernance system.

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

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

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

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

1                   **TITLE I—RESPONSIBLE**  
2                   **SECURITIES INNOVATION**

3 **SEC. 101. SHORT TITLE.**

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

6 **SEC. 102. DISCLOSURE REQUIREMENTS FOR CERTAIN**  
7                   **TRANSACTIONS INVOLVING ANCILLARY AS-**  
8                   **SETS.**

9           (a) IN GENERAL.—The Securities Act of 1933 (15  
10 U.S.C. 77a et seq.) is amended by inserting after section  
11 4A (15 U.S.C. 77d–1) the following:

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

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

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

22                   “(2) ANCILLARY ASSET ORIGINATOR.—

23                           “(A) IN GENERAL.—The term ‘ancillary  
24 asset originator’ means, with respect to a par-  
25 ticular ancillary asset, a person that (whether

1 directly or through 1 or more subsidiary or con-  
2 trolled entities)—

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

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

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

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

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

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

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

4 “(3) FOREIGN ORIGINATOR.—

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

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

18 “(i) a foreign government;

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

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

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

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

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

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

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

17 “(4) GRATUITOUS DISTRIBUTION.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 “(V) no person or group has uni-  
11 lateral authority to alter, restrict, or  
12 direct the issuance parameters or dis-  
13 tribution mechanisms of the distrib-  
14 uted ledger system, and any modifica-  
15 tion occurs only through rules-based,  
16 transparent, constrained processes.

17 “(vi) UNILATERAL AUTHORITY.—For  
18 purposes of clause (v)(V), a decentralized  
19 governance system shall not be deemed a  
20 person or group with unilateral authority  
21 unless its participants are under common  
22 control, or acting pursuant to an agree-  
23 ment to act in concert.

24 “(vii) TECHNOLOGY-NEUTRAL  
25 CLAUSE.—The distribution employing a

1 mechanism, protocol, or technology not  
2 specifically described in clauses (i) through  
3 (v), without regard to whether such mecha-  
4 nism, protocol, or technology is in exist-  
5 ence at the time of enactment of this sec-  
6 tion, and without regard to terminology or  
7 underlying technical framework, provided  
8 such distribution meets the requirements  
9 described in subparagraph (A)(i).

10 “(5) INVESTMENT COMPANY.—The term ‘in-  
11 vestment company’ has the meaning given the term  
12 in section 3(a) of the Investment Company Act of  
13 1940 (15 U.S.C. 80a–3(a)).

14 “(6) NETWORK TOKEN.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 “(A) section 2(a)(1);

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

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

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

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

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

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

23 “(ii) inconsistent with this section.

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

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

10 “(A) section 2(a)(1);

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

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

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

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

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

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

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

8 “(ii) inconsistent with this section.

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

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

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

20 “(4) PRIOR CERTIFICATION.—

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

23 “(i) IN GENERAL.—

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

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

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

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

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

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

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

10                  “(C) SEC DENIAL.—

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

14                   “(I) only during the 60-day pe-  
15                   riod described in subparagraph (B)(ii)  
16                   or upon determining, based on reason-  
17                   able evidence, that a material change  
18                   in circumstances has occurred after  
19                   the submission of the certification and  
20                   before or after the certification takes  
21                   effect; and

22                   “(II) by providing to the origi-  
23                   nator 10 days notice of the intent of  
24                   the Commission to deny that certifi-  
25                   cation, during which period interested

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

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

8 “(I) upon request of the origi-  
9 nator, provide an opportunity for the  
10 oral presentation of data, views, and  
11 arguments by interested persons; and

12 “(II) have a vote of the Commis-  
13 sion to deny the certification after a  
14 finding that the related asset provides  
15 the owner of the asset with a right de-  
16 scribed in subsection (a)(6)(B).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8           “(i) either—

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

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

21           “(ii) semiannually thereafter.

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

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

6 “(3) TRANSITION RULE.—

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

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

1           “(C) PERIOD OF DISCLOSURES.—The dis-  
2           losures required under subparagraph (A) shall  
3           apply with respect to the 3-year period pre-  
4           ceding the effective date described in that sub-  
5           paragraph.

6           “(4) APPLICATION TO OTHER TRANSACTIONS.—

7           “(A) IN GENERAL.—For resales of ancil-  
8           lary assets to the public by any person, after  
9           any initial offer, sale, or distribution of the an-  
10          cillary assets occurring after the date of enact-  
11          ment of this section that is conducted pursuant  
12          to sections 230.500 through 230.508 of title  
13          17, Code of Federal Regulations (commonly  
14          known as ‘Regulation D’) (or any successor reg-  
15          ulations), or another private placement exemp-  
16          tion under this Act (including pursuant to sec-  
17          tions 230.901 through 230.905 of title 17, Code  
18          of Federal Regulations (commonly known as  
19          ‘Regulation S’) or any successor regulations) or  
20          otherwise involving a public securities offering  
21          occurring within the United States, there shall  
22          be current public information as if that resale  
23          was made in reliance on section 230.144 of title  
24          17 (referred to in this paragraph as ‘Rule  
25          144’), and on a semiannual basis thereafter

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

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

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

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

23                 “(1) IN GENERAL.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 “(II) the board of directors (or  
10 equivalent body) and senior manage-  
11 ment of the ancillary asset originator,  
12 if those individuals, in the aggregate,  
13 own not less than 5 percent of the an-  
14 cillary asset.

15 “(xi) For any material transactions  
16 involving the ancillary asset between the  
17 ancillary asset originator and any related  
18 person, a description, in the aggregate, of  
19 the parties, the number of ancillary assets  
20 involved, and a summary of any material  
21 features of the transactions, including any  
22 material terms or ongoing obligations.

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

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

5 “(xiii) Purchases or similar acquisi-  
6 tions of ancillary assets by the ancillary  
7 asset originator and affiliates of the ancil-  
8 lary asset originator.

9 “(xiv) A statement, made in good  
10 faith, from the chief financial officer of the  
11 ancillary asset originator or equivalent offi-  
12 cial, stating whether the ancillary asset  
13 originator reasonably expects to maintain  
14 or have the financial resources to continue  
15 business as a going concern for the 12-  
16 month period following the furnishing of  
17 the disclosure, absent a change in cir-  
18 cumstances.

19 “(xv) The current state and timeline  
20 for the development of any distributed  
21 ledger system to which the ancillary asset  
22 relates, detailing how and when the distrib-  
23 uted ledger system is intended to no longer  
24 be subject to control by any person, or  
25 group of persons under common control,

1 including by related persons, if the distrib-  
2 uted ledger system has not yet received a  
3 certification under section 104(d) of the  
4 Lummis-Gillibrand Responsible Financial  
5 Innovation Act of 2026.

6 “(B) Economic and technical information  
7 relating to the ancillary asset, which may in-  
8 clude the following items, as the Commission  
9 shall determine by rule:

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

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

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

23 “(III) the market for the ancil-  
24 lary asset;

1                   “(IV) other assets or services  
2                   that may compete with the ancillary  
3                   asset;

4                   “(V) the total supply of the ancil-  
5                   lary asset or the manner and rate of  
6                   the ongoing production or creation of  
7                   the ancillary asset; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25                   “(3) TERMINATION OF REQUIREMENTS.—

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

3                   “(i) an ancillary asset originator;

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

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

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

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

18                   “(C) CERTIFICATION.—

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

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

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

1 certification following the date of the  
2 certification; and

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

10 “(ii) CHANGE IN CIRCUMSTANCES.—

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

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

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

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

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

15 “(iii) SEC DENIAL.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13          “(e) EXEMPTIONS.—The Commission may, by order,  
14          exempt an ancillary asset originator, or any class of ancil-  
15          lary asset originators, from specified requirements under  
16          subsection (c) if it is in the public interest or for the pro-  
17          tection of investors, consistent with the purposes of this  
18          section and subject to such conditions as the Commission  
19          determines necessary to protect investors and in the public  
20          interest.

21          “(f) CONFIDENTIAL TREATMENT OF CERTAIN IN-  
22          FORMATION.—Subject to Commission rules and proce-  
23          dures, an ancillary asset originator required to furnish the  
24          Commission with disclosures under subsection (d) may  
25          submit a request for confidential treatment of information

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

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

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

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

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

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

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

9           “(2) CONSIDERATIONS.—In adopting rules  
10 under paragraph (1), the Commission shall consider  
11 what is necessary or appropriate to protect investors,  
12 promote capital formation, and maintain fair and or-  
13 derly markets, which may include the prevention of  
14 insider self-dealing or other abuses of a privileged  
15 position.

16       “(j) SAFE HARBOR FOR FORWARD-LOOKING STATE-  
17 MENTS.—In any action against an ancillary asset origi-  
18 nator arising under this Act that is based on an untrue  
19 statement of a material fact or omission of a material fact  
20 necessary to make the statement not misleading, no liabil-  
21 ity shall arise with respect to any forward-looking state-  
22 ment (including any statement of plans, objectives, projec-  
23 tions, expectations, or assumptions concerning future per-  
24 formance, financial position, development milestones, asset  
25 utility, system adoption, or market conditions) made in an

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

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

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

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

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

19 “(2) PRIMARY TRANSACTIONS RELATED TO  
20 FRAUD.—Nothing in paragraph (1) shall limit the  
21 ability of the Commission to bring an action based  
22 on the anti-fraud or anti-manipulation authorities of  
23 the Commission.

24 “(3) SECONDARY TRANSACTIONS.—Notwith-  
25 standing any other provision of law, the offer or sale

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

8 “(A) section 2(a)(1);

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

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

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

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

17 “(F) any applicable requirement of State  
18 law or any functionally equivalent provisions of  
19 State law to the provisions described in sub-  
20 paragraphs (A) through (E), including any pro-  
21 vision of State law that directly or indirectly  
22 prohibits, limits, or imposes any conditions on  
23 the use, offer, sale, transfer, or disposition of a  
24 network token in a manner that is—

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

6                   “(ii) inconsistent with this section.

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

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

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

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

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

3           “(6) RULE OF CONSTRUCTION.—

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

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

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

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

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

22           “(m) ANTI-EVASION.—

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

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

3 “(A) this section;

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

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

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

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

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

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

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

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

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

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

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

3 “(D) the Commission shall provide that  
4 evasion shall not occur if an agreement, con-  
5 tract, or transaction is entered into for a legiti-  
6 mate business purpose and is not structured  
7 with a principal purpose of willfully circum-  
8 venting the requirements of this section.

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

15 “(o) SENSE OF CONGRESS.—It is the sense of Con-  
16 gress that common control under section 104 of the Lum-  
17 mis-Gillibrand Responsible Financial Innovation Act of  
18 2026 shall terminate prior to the completion of entrepre-  
19 neurial and managerial efforts under this section.

20 “(p) FIDUCIARY OBLIGATIONS.—

21 “(1) FIDUCIARY DUTIES UNDER STATE LAW.—  
22 For the avoidance of doubt, nothing in this section,  
23 or in any rules issued under this section, may be  
24 construed to limit, preempt, or otherwise affect any  
25 fiduciary duty of an ancillary asset originator, or of

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

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

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

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

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

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

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

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

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

22 (1) EXEMPTION.—

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

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

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

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

12 (B) CONTINUED APPLICATION OF CERTAIN  
13 PROVISIONS.—Sections 12(a)(2) and 17 of the  
14 Securities Act of 1933 (15 U.S.C. 77l(a)(2),  
15 77q) shall apply with respect to an offer or sale  
16 of an investment contract involving an ancillary  
17 asset that is described in subparagraph (A).

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

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

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

1 every 2 years thereafter, the Commission  
2 shall—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22           (5) PUBLIC AVAILABILITY.—The Commission  
23           shall require that the disclosures furnished with the  
24           Commission under section 4B(d) of the Securities  
25           Act of 1933, as added by this Act, be made publicly

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

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

13 (d) STATUS UNDER SECURITIES LAWS.—

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

19 (A) a “prospectus” solely—

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

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

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

6 (2) REGISTRATION STATEMENT.—

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

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

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

16                   (A) identified as forward-looking; and

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

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

22           (a) DEFINITIONS.—In this section:

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

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

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

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

25 (b) COMMON CONTROL.—



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

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

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

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

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

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

1 (i) the distributed ledger system has  
2 reached an autonomous state; and

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

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

15 (3) SAFE HARBORS.—

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

21 (B) NONEXCLUSIVE.—The safe harbors es-  
22 tablished under subparagraph (A) shall not be  
23 exclusive and the Commission shall consider  
24 such other circumstances as the Commission

1 finds in the public interest or for the protection  
2 of investors.

3 (4) EVIDENCE.—The Commission may, in pro-  
4 mulgating rules under this subsection, require such  
5 certifications, third party verifications, or other evi-  
6 dence as the Commission determines necessary or  
7 appropriate to determine whether a distributed ledg-  
8 er system is under common control by related per-  
9 sons for the purposes of section 103(c)(2).

10 (c) SPECIAL RESTRICTIONS ON DISPOSITION.—The  
11 Commission shall adopt rules that provide that, with re-  
12 spect to transactions involving an ancillary asset for which  
13 disclosures are required pursuant to section 4B(d) of the  
14 Securities Act of 1933, as added by this Act, when a sale  
15 of that ancillary asset is made by a related person, the  
16 following restrictions on that sale shall apply:

17 (1) SALES PRIOR TO CERTIFICATION.—If the  
18 covered token was acquired after the effective date  
19 of this Act and principally relies on a distributed  
20 ledger system, the covered token may be sold by a  
21 related person before that distributed ledger system  
22 is certified as not subject to common control by re-  
23 lated persons, pursuant to subsection (d), if—

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

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

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

5 (C) the net amount of covered tokens sold  
6 in any 12-month period by the related person is  
7 not greater than an amount to be determined  
8 by the Commission pursuant to notice and com-  
9 ment rulemaking not later than 360 days after  
10 the date of enactment of this Act, which rule-  
11 making shall consider what is necessary or ap-  
12 propriate in the public interest, including,  
13 among other things, the protection of investors,  
14 whether the action will promote efficiency, com-  
15 petition, and capital formation, and how to fos-  
16 ter the development of distributed ledger sys-  
17 tems that are not subject to common control.

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

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

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

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

15 (3) SALES OF PRE-EXISTING COVERED TO-  
16 KENS.—If the covered token was acquired prior to  
17 the effective date of this Act and principally relies  
18 on a distributed ledger system, the covered token  
19 may be sold by a related person if—

20 (A) in the case that the distributed ledger  
21 system has not been certified as not subject to  
22 common control by related persons pursuant to  
23 subsection (d)—

24 (i) the disclosures required pursuant  
25 to section 4B(d) of the Securities Act of

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17      (3) DENIAL.—

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

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

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

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

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

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

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

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

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

25 (e) DISGORGEMENT.—

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

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

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

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

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

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

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

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

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

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

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

15 (1) MATERIAL HARDSHIP EXEMPTION.—

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

25 (i) The death of the related person.

1 (ii) The bankruptcy or insolvency of  
2 the related person.

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

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

7 (v) Such other material hardships as  
8 may be designated by the Commission.

9 (B) REQUIREMENTS.—The rules and pro-  
10 cedures adopted under subparagraph (A) shall  
11 be designed to mitigate the risk that parties  
12 may seek to structure holdings to evade resale  
13 restrictions and exempt or waive the application  
14 of resale restrictions only to the extent nec-  
15 essary to address the identified material hard-  
16 ship.

17 (2) LIQUIDITY PROVISION EXEMPTION.—The  
18 Commission shall adopt rules to exempt from dis-  
19 position restrictions parties buying or selling an an-  
20 cillary asset through regular two-sided bidding and  
21 offering for the purposes of providing market liquid-  
22 ity, provided that such activities are not undertaken  
23 for the purpose of evading the requirements of this  
24 section.

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

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

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

23           (1) DISCLOSURE REPORTS.—

24               (A) DISCLOSURE OF RELATED PERSON  
25 STATUS.—Any person, or group of persons

1 under common control, directly or indirectly,  
2 that acquire beneficial ownership of 10 percent  
3 or more of the total amount of outstanding  
4 units of the ancillary asset, measured as of the  
5 end of any calendar quarter, shall furnish initial  
6 and continuing reports as determined by the  
7 Commission.

8 (B) SALES OF COVERED TOKENS BY RE-  
9 LATED PERSON PRIOR TO CERTIFICATION OF  
10 NON-CONTROL.—Quarterly reports relating to  
11 the number of ancillary assets sold by a related  
12 person in a form as required by the Commis-  
13 sion.

14 (C) SALES OF COVERED TOKENS BY RE-  
15 LATED PERSON AFTER CERTIFICATION OF NON-  
16 CONTROL.—Quarterly reports relating to the  
17 number of ancillary assets sold by a related per-  
18 son that holds, at any point during the applica-  
19 ble calendar quarter, in excess of 5 percent of  
20 the total amount of outstanding units of such  
21 ancillary asset in a form as required by the  
22 Commission.

23 (D) SALES OF PRE-EXISTING COVERED TO-  
24 KENS BY RELATED PERSON.—Quarterly reports  
25 relating to the number of ancillary assets sold

1 by a related person that holds in excess of 5  
2 percent of the total amount of outstanding  
3 units of such ancillary asset in a form as re-  
4 quired by the Commission.

5 (2) CONFIDENTIAL TREATMENT.—The Com-  
6 mission may provide for confidential treatment of in-  
7 formation provided under, or exempt, certain related  
8 persons from the requirement to furnish a report re-  
9 quired under this subsection, pursuant to procedures  
10 the Commission shall establish and that are modeled  
11 on or identical to section 230.406 of title 17, Code  
12 of Federal Regulations, or any successor regulation.

13 (3) GOOD-FAITH FURNISHING STANDARD.—

14 (A) IN GENERAL.—Any obligation to fur-  
15 nish information under this section applies only  
16 to the furnisher acting on its own behalf and is  
17 limited to information that is material and  
18 known, or reasonably knowable after due in-  
19 quiry, to that furnisher.

20 (B) RELIANCE.—A furnisher described in  
21 subparagraph (A) may reasonably rely on pub-  
22 lic sources and third party attestations where  
23 appropriate.

24 (C) LIABILITY.—Furnishing in good faith  
25 pursuant to this section shall not create liability

1 for information outside the furnisher's posses-  
2 sion, custody, or control, or for omissions of in-  
3 formation the furnisher could not reasonably  
4 obtain without breaching legal privilege, con-  
5 tractual confidentiality, or other applicable law.

6 (D) OTHER PERSONS.—Any person other  
7 than the furnisher may, in good faith and ab-  
8 sent knowledge to the contrary, presume that a  
9 report required under paragraph (1) has been  
10 timely furnished.

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

14 (A) SUCCESSOR DISCLOSURES IN COR-  
15 PORATE TRANSACTIONS.—The transfer of dis-  
16 closure obligations under this section to a suc-  
17 cessor entity in the event of a merger, acquisi-  
18 tion, or sale of substantially all assets relating  
19 to the ancillary asset activities, including a no-  
20 tice of succession.

21 (B) CESSATION OF WORK.—The cessation  
22 or suspension of ongoing disclosure obligations  
23 under this section where the ancillary asset  
24 originator or related person no longer engages,  
25 and does not reasonably expect to engage, in ef-

1           forts with respect to the ancillary asset or its  
2           associated distributed ledger system, including  
3           a notice of cessation of work.

4           (C) CONTRACTUAL TERMINATION.—The  
5           termination of disclosure obligations under this  
6           section that attach solely by virtue of a person’s  
7           status as a related person when a contractual  
8           arrangement with the ancillary asset originator  
9           or distributed ledger system has concluded, in-  
10          cluding a notice of cessation of contractual rela-  
11          tionship.

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

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

16               (2) preclude reliance on Regulation Crypto, as  
17               adopted under section 103, or any other effective  
18               registration statement or exemption from registra-  
19               tion under the Securities Exchange Act of 1933 (15  
20               U.S.C. 77a et seq.), as amended by this Act.

21 **SEC. 105. FINANCIAL INTERESTS OF ANCILLARY ASSETS.**

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

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

9           (A) the mechanisms of the distributed  
10 ledger system collect, receive, accrue, or dis-  
11 tribute consideration from the functioning of  
12 the distributed ledger system;

13           (B) the network token provides governance  
14 capabilities with respect to a distributed ledger  
15 system or a decentralized governance system;

16           (C) the value of the network token appre-  
17 ciates or depreciates due to the use of, or in re-  
18 sponse to the efforts, operations, or financial  
19 performance of, the distributed ledger system to  
20 which the network token relates or its decen-  
21 tralized governance system; or

22           (D) for a network token that meets the  
23 definition of an ancillary asset, the value of the  
24 network token appreciates or depreciates due to

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (a) TAILORING OF EXISTING REQUIREMENTS.—

1 (1) DEFINITION.—In this subsection:

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

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

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

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

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

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

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

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

3            (2) REQUIREMENT.—The Commission shall—

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

- 1 (i) customer protection, including cus-  
2 tody of digital assets or substantially simi-  
3 lar technology;
- 4 (ii) transfer agent rules;
- 5 (iii) books and records, or record-  
6 keeping requirements;
- 7 (iv) clearance and settlement rules;
- 8 (v) broker-dealer, alternative trading  
9 system, and exchange rules;
- 10 (vi) issuer disclosure and ongoing re-  
11 porting requirements tailored to digital  
12 asset securities or substantially similar  
13 technology involving securities; and
- 14 (vii) the use of vaults, digital asset re-  
15 cepts, or receipts involving substantially  
16 similar technology, vault tokens, or liquid-  
17 ity provider tokens; and
- 18 (B) shall, in imposing future obligations as  
19 those obligations relate to digital assets or sub-  
20 stantially similar technology do so in a manner  
21 consistent with the requirements described in  
22 subparagraph (A).
- 23 (b) **RULE OF CONSTRUCTION.**—Nothing in this sec-  
24 tion may be construed to limit the authority of the Com-  
25 mission to pursue fraud, manipulation, or deceptive prac-

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

3 (c) USE OF EXISTING AUTHORITY.—When consid-  
4 ering, proposing, adopting, or engaging in any rule or pro-  
5 gram or developing new rules or programs, including those  
6 mandated or authorized under this Act, or any amend-  
7 ment made by this Act, the activities of the Commission  
8 (which may include the solicitation of data and other input  
9 from investors, regulated entities, and market participants  
10 or the representatives of any of those persons) shall be  
11 considered actions taken under subsection (e) of section  
12 19 of the Securities Act of 1933 (15 U.S.C. 77s) and shall  
13 be subject to subsection (f) of that section.

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

18 (1) in subsection (b)—

19 (A) in paragraph (3)—

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

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

1 (iii) in the second sentence—

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

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

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

14 (B) in paragraph (4)—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (b) BANK SECRECY ACT REQUIREMENTS.—

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

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

4 (i) an appropriate risk assessment;

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

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

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

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

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

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

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

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

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

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

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

8 (a) DEFINITIONS.—In this section:

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

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

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

1 **SEC. 203. PREVENTING ILLICIT FINANCE THROUGH PART-**  
2 **nership Act.**

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

5 (b) **DEFINITIONS.**—In this section:

6 (1) **BANK.**—The term “bank” has the meaning  
7 given the term in section 1010.100 of title 31, Code  
8 of Federal Regulations (or any corresponding similar  
9 regulation).

10 (2) **CERTIFIED OR RECOGNIZED INFORMATION-**  
11 **SHARING OR INTERDICTION NETWORK.**—The term  
12 “certified or recognized information-sharing or inter-  
13 diction network” means a real-time, secure, public-  
14 private mechanism that—

15 (A) facilitates the detection, interdiction,  
16 and prevention of illicit finance violations  
17 through rapid information exchange between  
18 government and regulated entities; and

19 (B) is—

20 (i) certified by the Secretary of the  
21 Treasury for the purpose of supporting  
22 interdiction and investigative actions con-  
23 sistent with law enforcement or regulatory  
24 authorities; or

25 (ii) recognized by the Secretary of the  
26 Treasury as an existing, effective public-

1 private partnership network that meets  
2 standards for security, accountability, and  
3 participation that are equivalent to the  
4 standards that would be required by the  
5 Secretary of the Treasury for certification  
6 under clause (i).

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

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

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

16 (C) the Department of Homeland Security.

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

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

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

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

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

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

25          (d) DESIGNATION OF PRIVATE SECTOR ENTITIES.—

1 (1) REQUIRED ACTION.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 (2) through secure email;

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

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

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

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

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

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

9 (b) DEFINITIONS.—In this section:

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

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

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

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

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

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

1 geofencing, transaction screening, the collection of  
2 business data, and sanctions screening) that—

3 (A) support private and public sector in-  
4 vestigations and risk management activities;  
5 and

6 (B) involve cryptographically secured dis-  
7 tributed ledgers or any similar technology or  
8 implementation.

9 (3) EMERGING TECHNOLOGIES.—The term  
10 “emerging technologies” means the critical and  
11 emerging technology areas listed in the Critical and  
12 Emerging Technologies List developed by the Fast  
13 Track Action Subcommittee on Critical and Emerg-  
14 ing Technologies of the National Science and Tech-  
15 nology Council, including any updates to such list.

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

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

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

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

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

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

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

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

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

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

12                           (i) The Department of the Treasury.

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

15                           (iii) The Internal Revenue Service.

16                           (iv) The Department of Justice.

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

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

21                           (vii) The Department of Homeland  
22                           Security.

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

25                           (ix) The Department of State.

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

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

6 (i) Digital asset companies.

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

9 (iii) Financial institutions.

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

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

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

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

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

1           (B) develop legislative and regulatory pro-  
2           posals to improve anti-money laundering,  
3           counter-terrorist, and other counter-illicit fi-  
4           nancing efforts in the United States.

5           (3) REPORTS.—

6           (A) IN GENERAL.—Not later than 1 year  
7           after the date of enactment of this Act, and an-  
8           nually for the 3 years thereafter, the Working  
9           Group shall submit to the Secretary of the  
10          Treasury, the heads of each agency represented  
11          in the Working Group pursuant to paragraph  
12          (1)(B), and the appropriate congressional com-  
13          mittees a report containing the findings and de-  
14          terminations made by the Working Group in  
15          the previous year and any legislative and regu-  
16          latory proposals developed by the Working  
17          Group.

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

1 (4) SUNSET.—

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

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

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

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

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

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

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

24 (1) in subsection (d)—

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

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

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

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

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

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

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

1           “(A) the legal name of the digital asset  
2 kiosk operator;

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

5           “(C) the physical address of each digital  
6 asset kiosk owned, operated, or managed by the  
7 digital asset kiosk operator that is located in  
8 the United States or the territories of the  
9 United States;

10          “(D) the start date of operation of each  
11 digital asset kiosk;

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

14          “(F) each digital asset address used by the  
15 digital asset kiosk operator.

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

21          (b) PREVENTING FRAUDULENT TRANSACTIONS AT  
22 DIGITAL ASSET KIOSKS.—

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

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

2 “(a) DEFINITIONS.—In this section:

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

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

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

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

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

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

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

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

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

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

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

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

1 “(b) DISCLOSURES.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14                  “(iii) a statement that the customer  
15                  should contact law enforcement if they sus-  
16                  pect fraudulent activity, such as scams, in-  
17                  cluding contract information for a relevant  
18                  law enforcement or government agency.

19                  “(2) ADDITIONAL DISCLOSURES.—FinCEN  
20                  may adopt rules relating to additional disclosures re-  
21                  quired to be made to customers prior to a engaging  
22                  in a transaction.

23                  “(c) ACKNOWLEDGMENT OF DISCLOSURES.—Each  
24                  time a customer uses a digital asset kiosk, the digital asset  
25                  kiosk operator shall ensure acknowledgment of all dislo-

1 sures required under subsection (b) via confirmation of  
2 consent of the customer at the digital asset kiosk.

3 “(d) RECEIPTS.—Upon completion of each digital  
4 asset kiosk transaction, the digital asset kiosk operator  
5 shall provide the customer with a receipt, which shall in-  
6 clude the following information:

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

10 “(2) The name of the customer.

11 “(3) The type, value, date, and precise time of  
12 the digital asset kiosk transaction, transaction hash,  
13 and each applicable digital asset address.

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

16 “(5) All fees charged.

17 “(6) A statement that the customer should con-  
18 tact law enforcement if they suspect fraudulent ac-  
19 tivity, such as scams, including contact information  
20 for a relevant law enforcement or government agen-  
21 cy.

22 “(7) The exchange rate applied.

23 “(8) Any additional information the digital  
24 asset kiosk operator determines appropriate.

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

5       “(f) ANTI-FRAUD POLICY.—

6           “(1) IN GENERAL.—Each digital asset kiosk op-  
7 erator shall establish, maintain, and implement a  
8 written anti-fraud policy if required by, and con-  
9 sistent with, applicable State law in those States  
10 where the digital asset kiosk operator is licensed.

11           “(2) FEDERAL STANDARD.—A digital asset  
12 kiosk operator operating in any State that does not  
13 require an anti-fraud policy under paragraph (1),  
14 shall establish, maintain, and implement an anti-  
15 fraud policy that, at a minimum, includes—

16           “(A) the identification and assessment of  
17 fraud related areas;

18           “(B) procedures and controls to protect  
19 against risks identified under subparagraph  
20 (A);

21           “(C) allocation of responsibility for moni-  
22 toring the risks identified under subparagraph  
23 (A); and

24           “(D) procedures for the periodic evaluation  
25 and revision of the anti fraud procedures, con-

1           trolls, and monitoring mechanisms under sub-  
2           paragraphs (B) and (C).

3           “(g) APPOINTMENT OF COMPLIANCE OFFICER.—

4 Each digital asset kiosk operator shall designate and em-  
5 ploy a compliance officer who—

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

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

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

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

16          “(h) USE OF DISTRIBUTED LEDGER ANALYTICS AND  
17          WALLET PINNING.—

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

1           “(2) WALLET PINNING.—Each digital kiosk op-  
2           erator shall maintain restrictions that prevent more  
3           than one customer of the digital asset kiosk operator  
4           from using the same digital wallet address.

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

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

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

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

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

22          “(k) TRANSACTION LIMITS WITH RESPECT TO NEW  
23          CUSTOMERS.—The Secretary of the Treasury shall pre-  
24          scribe by regulation the threshold amounts for reporting  
25          or limiting digital asset kiosk transactions, including ag-

1 aggregate or single-day deposit and withdrawal limits, as the  
2 Secretary determines are reasonably necessary to deter  
3 fraud and illicit finance. Such regulations shall consider  
4 the unique risks and functionalities of digital asset kiosks  
5 and may provide for exceptions, adjustments, or exclusions  
6 as deemed appropriate by the Secretary.

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

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

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

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

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

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

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

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

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

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

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

4 “(q) RELATIONSHIP TO STATE LAWS.—The provi-  
5 sions of this section shall preempt any State law, rule, or  
6 regulation only to the extent that such State law, rule,  
7 or regulation conflicts with a provision of this section.

8 “(r) RULE OF CONSTRUCTION.—For the avoidance  
9 of doubt, nothing in this section may be construed to pro-  
10 hibit a State from enacting a law, rule or regulation, that  
11 provides greater protection to customers, if such law, rule,  
12 or regulation, does not conflict with a provision of this  
13 section, such as refunds of amounts other than fees and  
14 fee caps or any other provision.

15 “(s) PREEMPTION WITH RESPECT TO TRANSACTION  
16 LIMITS.—A State law on the issue of transaction limits  
17 that was enacted before the effective date of the Digital  
18 Asset Market Clarity Act shall not be preempted by this  
19 section.”.

20 (2) TECHNICAL AND CONFORMING AMEND-  
21 MENT.—The table of sections for subchapter II of  
22 chapter 53 of title 31, United States Code, is  
23 amended by adding at the end the following:

“5337. Digital asset kiosk fraud prevention.”.

24 **SEC. 206. STUDY ON ILLICIT USE OF DIGITAL ASSETS.**

25 (a) DEFINITIONS.—In this section:

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

6           (2) TRANSNATIONAL ORGANIZED CRIMINAL.—  
7           The term “transnational organized criminal” means  
8           an individual who participates in transnational orga-  
9           nized crime, as defined in section 284(i) of title 10,  
10          United States Code.

11          (b) REVIEW.—Not later than 1 year after the date  
12          of enactment of this Act, the Secretary of the Treasury,  
13          in consultation with the Attorney General, shall conduct  
14          a comprehensive review of how foreign terrorist organiza-  
15          tions and transnational organized criminals utilize digital  
16          assets in connection with illicit activities.

17          (c) REPORT.—Not later than 180 days after com-  
18          pleting the review under subsection (b), the Secretary of  
19          the Treasury shall submit to the Committee on Agri-  
20          culture, Nutrition, and Forestry and the Committee on  
21          Banking, Housing, and Urban Affairs of the Senate and  
22          the Committee on Agriculture and the Committee on Fi-  
23          nancial Services of the House of Representatives a report  
24          on the findings of the Secretary, including—

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

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

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

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

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

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

9 (a) DEFINITIONS.—In this section:

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

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

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

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

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

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

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

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

25 (b) RULES.—

1           (1) IN GENERAL.—The Commission, in con-  
2           sultation with the Department of the Treasury, shall  
3           promulgate tailored, clear, and specific rules that  
4           clarify how a person, or group of persons under com-  
5           mon control or acting pursuant to an agreement to  
6           act in concert, that controls the operation of a non-  
7           decentralized finance trading protocol shall comply  
8           with applicable requirements under the Securities  
9           Exchange Act of 1934 (15 U.S.C. 78a et seq.), as  
10          amended by this Act, including with respect to reg-  
11          istration, conduct, disclosure, recordkeeping, super-  
12          vision, and other requirements under the securities  
13          laws.

14          (2) REQUIREMENTS.—The rulemaking required  
15          under paragraph (1) shall—

16                 (A) ensure that the rules promulgated pur-  
17                 suant to that rulemaking are consistent with  
18                 the purposes of the securities laws, including  
19                 the public interest, the protection of investors,  
20                 and the maintenance of fair and orderly mar-  
21                 kets;

22                 (B) protect the rights of software devel-  
23                 opers, publishers, and users to create, publish,  
24                 and use code and software in a manner con-

1           sistent with the First Amendment to the Con-  
2           stitution of the United States;

3           (C) provide legal clarity for the develop-  
4           ment, publication, and operation of distributed  
5           ledger systems and the components therein in a  
6           manner consistent with the purposes of this sec-  
7           tion; and

8           (D) result in, by operation of law, the ap-  
9           plication and enforcement by the Department of  
10          the Treasury, where applicable and pursuant to  
11          existing law, of anti-money laundering and  
12          countering the financing of terrorism require-  
13          ments under the Bank Secrecy Act and other  
14          Federal law with respect to any person or group  
15          of persons that the Commission determines,  
16          through that rulemaking, is required to register  
17          with, or comply as a registrant under, the Secu-  
18          rities Exchange Act of 1934 (15 U.S.C. 78a et  
19          seq.).

20          (3) APPLICATION.—Any person or group of per-  
21          sons determined under this subsection to be required  
22          to register with, or comply as a registrant under, the  
23          Securities Exchange Act of 1934 (15 U.S.C. 78a et  
24          seq.) (referred to in this paragraph as the “Ex-  
25          change Act”) shall be subject to that Act and the

1 Bank Secrecy Act to the extent applicable under ex-  
2 isting law, as of the day before the date of enact-  
3 ment of this Act, consistent with the treatment of  
4 similarly situated participants under the Exchange  
5 Act, as that applicability is determined pursuant to  
6 the rulemakings conducted under this subsection  
7 and subsection (c).

8 (c) APPLICATION OF BANK SECRECY ACT TO CER-  
9 TAIN NON-DECENTRALIZED FINANCE TRADING PROTO-  
10 COLS.—The Secretary of the Treasury, in consultation  
11 with the Commission, shall promulgate tailored, clear, and  
12 specific rules that define compliance with obligations  
13 under the Bank Secrecy Act and other Federal laws relat-  
14 ing to anti-money laundering and countering the financing  
15 of terrorism with respect to any person, or group of per-  
16 sons under common control or acting pursuant to an  
17 agreement to act in concert—

18 (1) that controls the operation of a non-decen-  
19 tralized finance trading protocol identified in the  
20 rulemaking conducted under subsection (b);

21 (2) that is required to register with, or comply  
22 as a registrant under, the Securities Exchange Act  
23 of 1934 (15 U.S.C. 78a et seq.), as determined in  
24 the rulemaking conducted under subsection (b); and

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

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

15          (e) **RULES OF CONSTRUCTION.**—

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

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

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

24               (2) **NO EXPANSION OF STATUTORY AUTHOR-**  
25               **ITY.**—Notwithstanding the rulemaking required

1 under subsection (b), and notwithstanding any ac-  
2 tion the Commission may take under that sub-  
3 section, nothing in this section, including that rule-  
4 making, may be construed to—

5 (A) expand or contract the statutory au-  
6 thority of the Commission or the Department of  
7 the Treasury, as in effect on the day before the  
8 date of enactment of this Act, under the Bank  
9 Secrecy Act; or

10 (B) limit the use of the authority described  
11 in subparagraph (A) to determine, pursuant to  
12 that rulemaking, the applicability of existing  
13 statutory requirements to persons or activities  
14 described in this section.

15 (3) NO PRESUMPTION OF APPLICABILITY.—  
16 Nothing in this section may be construed to create  
17 a presumption that any person or activity described  
18 in this section is or is not subject to the Securities  
19 Exchange Act of 1934 (15 U.S.C. 78a et seq.) or  
20 the Bank Secrecy Act absent a determination made  
21 pursuant to a rulemaking required under this sec-  
22 tion.

23 (f) PRESERVATION OF EXISTING AUTHORITIES.—  
24 Nothing in this section may be construed to limit the au-  
25 thority of the Commission under the securities laws to in-

1 vestigate violations, bring actions, or issue subpoenas with  
2 respect to persons determined, pursuant to rulemaking, to  
3 be subject to the securities laws under this section.

4 (g) NON-DECENTRALIZED FINANCE TRADING PRO-  
5 TOCOLS.—

6 (1) IN GENERAL.—In promulgating rules under  
7 subsection (b), the Commission shall treat a decen-  
8 tralized governance system and any person partici-  
9 pating in the decentralized governance system as a  
10 separate person unless such person is under common  
11 control or acting pursuant to an agreement to act in  
12 concert.

13 (2) EMERGENCY MEASURES.—For the avoid-  
14 ance of doubt, pre-defined, temporary rules-based  
15 cybersecurity emergency measures exercised by an  
16 incident-response or security council exclusively in  
17 response to a specific and documented cybersecurity  
18 incident and pursuant to publicly disclosed, on-chain  
19 authorization mechanisms, strictly limited in scope  
20 and duration solely to address such specific and doc-  
21 umented cybersecurity incident, and without unilat-  
22 eral control by any single person, shall not, by them-  
23 selves, constitute common control or an agreement  
24 to act in concert, provided that such rules and au-  
25 thorities, including the procedures and operational

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

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

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

13 (a) DEFINITIONS.—In this section:

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

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

24 (B) does not include—

25 (i) a distributed ledger application;

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

12 (2) UNITED STATES SANCTION LAW.—The term

13 “United States sanction law” means any provision

14 of Federal law, or any regulation, order, directive, or

15 licensed issued under such a provision, that restricts

16 or prohibits economic or financial transactions with,

17 or requires the blocking of property or interests in

18 property of, a foreign government, person, or sector

19 for reasons relating to the foreign policy or national

20 security of the United States.

21 (b) GUIDANCE.—Not later than 360 days after the

22 date of enactment of this Act, the Secretary of the Treas-

23 ury shall issue guidance clarifying the economic sanctions

24 obligations, as well as applicable anti-money laundering

25 and countering the financing of terrorism requirements,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1       laundering concern in connection with illicit finance  
2       through the use of digital assets, as defined in sec-  
3       tion 2 of the GENIUS Act (12 U.S.C. 5901), the  
4       Secretary may, by order, regulation, or otherwise as  
5       permitted by law, prohibit, or impose conditions  
6       upon, certain transmittals of funds (to be defined by  
7       the Secretary by regulation) by any domestic finan-  
8       cial institution or domestic financial agency, if such  
9       transmittal of funds involves any such institution,  
10      class of transaction, or type of account.”.

11 **SEC. 304. OFFSHORE STABLECOIN REPORT.**

12       (a) DEFINITIONS.—In this section:

13           (1) MATERIAL VOLUME OF TRANSACTIONS.—

14       The term “material volume of transactions” means  
15       a sustained level of transaction activity that is—

16           (A) publicly observable;

17           (B) exceeds de minimis usage over a 12-  
18       month period; and

19           (C) is reasonably likely to affect the illicit  
20       finance or national security risk exposure of the  
21       United States.

22           (2) PAYMENT STABLECOIN.—The term “pay-  
23       ment stablecoin” has the meaning given the term in  
24       section 2 of the GENIUS Act (12 U.S.C. 5901).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 (a) DEFINITIONS.—In this section:

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

16 (2) COVERED PERSON.—The term “covered  
17 person” means a person that is—

18 (A) a permitted payment stablecoin issuer;

19 (B) a foreign payment stablecoin issuer  
20 registered with the Office of the Comptroller of  
21 the Currency pursuant to section 18(c) of the  
22 GENIUS Act (12 U.S.C. 5916(c)); or

23 (C) a digital asset service provider, as that  
24 term is defined in section 2 of the GENIUS Act  
25 (12 U.S.C. 5901).

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

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

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

13                   (B) includes a designated agency contact.

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

22           (b) PROTECTION FROM PRIVATE CAUSES OF AC-  
23           TION.—

24                   (1) IN GENERAL.—Any covered person that, in  
25                   good faith and in compliance with this section, or

1 any person complying with a temporary lawful order  
2 under subsection (e) that, voluntarily implements a  
3 temporary hold shall not be held liable pursuant to  
4 any Federal or State private right of action for im-  
5 plementing the temporary hold, provided that—

6 (A) the covered person—

7 (i) implements the temporary hold  
8 based on a reasonable belief the trans-  
9 action, conversion, or withdrawal relates to  
10 an action or attempted violation of state or  
11 Federal law; or

12 (ii) implements the temporary hold  
13 after receiving a qualified written request  
14 from a covered agency;

15 (B) the covered person—

16 (i) makes reasonable efforts to notify  
17 the affected customer of the temporary  
18 hold;

19 (ii) reasonably determines that notifi-  
20 cation would impede actual or potential  
21 law enforcement efforts; or

22 (iii) receives a qualified written re-  
23 quest from a covered agency that requests  
24 notification not be attempted; and

1 (C) the covered person notifies as soon as  
2 reasonably practicable an appropriate State or  
3 Federal law enforcement agency or the Federal  
4 Trade Commission, provided that such notifica-  
5 tion is not required when the covered person  
6 has received a qualified written request from a  
7 covered agency.

8 (2) DOCUMENTATION.—A covered person  
9 shall—

10 (A) maintain for the 3-year period fol-  
11 lowing the implementation of a temporary hold  
12 documentation of the basis for applying a tem-  
13 porary hold; and

14 (B) make available the documentation de-  
15 scribed in subparagraph (A) upon the request  
16 of a covered agency, the Federal Trade Com-  
17 mission, or the Secretary of the Treasury.

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

20 (1) compel or require any covered person to  
21 take action to freeze, seize, or block digital assets  
22 that is not otherwise required under existing Federal  
23 or State law;

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

4           (3) limit or affect the application of—

5                   (A) section 5318(g)(3) of title 31, United  
6           States Code, and any regulation requiring any  
7           financial institution to report suspicious activ-  
8           ity; or

9                   (B) any lawful authority to seize or freeze  
10          assets pursuant to a lawful order or sanctions  
11          designation.

12          (4) limit the ability of a covered person de-  
13          scribed to apply a temporary hold to any wallet, ad-  
14          dress, account, or transaction located outside the  
15          United States.

16          (d) REPORTING.—The Attorney General and the  
17          Federal Trade Commission may issue regulations or guid-  
18          ance relating to any notification by covered persons pursu-  
19          ant to this section to the Department of Justice and the  
20          Federal Trade Commission, respectively.

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

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

3           (2) specifies the payment stablecoins or ac-  
4 counts subject to blocking with reasonable particu-  
5 larity; and

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

8 **SEC. 306. VOLUNTARY CYBERSECURITY PROGRAM FOR DE-**  
9                   **CENTRALIZED FINANCE TRADING PROTO-**  
10                   **COLS.**

11       (a) DEFINITIONS.—In this section:

12           (1) COVERED ACTIVITIES.—The term “covered  
13 activities” means the activities described in section  
14 15H(b) of the Securities and Exchange Act of 1934,  
15 as added by section 601.

16           (2) DECENTRALIZED FINANCE TRADING PRO-  
17 TOCOL.—The term “decentralized finance trading  
18 protocol” has the meaning given the term in section  
19 15H(a) of the Securities and Exchange Act of 1934,  
20 as added by section 601.

21           (3) DIRECTOR.—The term “Director” means  
22 the Director of NIST.

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

1 (b) ESTABLISHMENT OF PROGRAM.—The Director  
2 shall, in consultation with the Commission and the Com-  
3 modity Futures Trading Commission, establish a vol-  
4 untary program for the adoption by persons developing de-  
5 centralized finance trading protocols or engaging in cov-  
6 ered activities of applicable cybersecurity standards pub-  
7 lished by NIST.

8 (c) DEVELOPMENT OF PROGRAM CRITERIA.—

9 (1) REQUEST FOR INFORMATION.—The Direc-  
10 tor shall issue a request for information in the Fed-  
11 eral Register to gather input from experts and in-  
12 dustry stakeholders on—

13 (A) cybersecurity threats, vulnerabilities,  
14 and risks to decentralized finance trading pro-  
15 tocols;

16 (B) auditing and code security standards,  
17 including best practices for code audits;

18 (C) consumer protection and code trans-  
19 parency best practices on decentralized finance  
20 trading protocols; and

21 (D) existing NIST standards and their ap-  
22 plicability to decentralized finance trading pro-  
23 tocols.

24 (2) REPORT.—The Director shall develop a re-  
25 port on the software development of decentralized fi-

1 nance protocols to assess technical input from para-  
2 graph (1).

3 (3) PUBLICATION OF PROGRAM CRITERIA.—

4 After evaluating input, the Director shall release a  
5 special publication containing a detailed evaluation  
6 of cybersecurity best practices and existing applica-  
7 ble standards for decentralized finance trading pro-  
8 tocols, to provide program criteria to software devel-  
9 opers and industry stakeholders under the voluntary  
10 program, which shall include a summary of public  
11 comments and responses as to how input was incor-  
12 porated.

13 (4) REQUESTS FOR REVISION.—

14 (A) IN GENERAL.—After the Director pub-  
15 lishes the program criteria under paragraph  
16 (3), the Director shall issue a request for com-  
17 ment in the Federal Register to gather input on  
18 the workability of the program.

19 (B) PETITION.—The public may petition  
20 the Director to reevaluate certain aspects of the  
21 program criteria published under paragraph  
22 (3).

23 (5) PROGRAM UPDATES.—As the technology un-  
24 derpinning decentralized finance trading protocols  
25 evolves, the Director shall update the special publi-

1 cation under paragraph (3) in compliance with sub-  
2 section (d).

3 (d) PROGRAM.—

4 (1) APPLICATION.—A person seeking evaluation  
5 of a decentralized finance trading protocol or a cov-  
6 ered activity under the program established under  
7 subsection (b) shall submit to the Director an appli-  
8 cation at such time and in such manner as the Di-  
9 rector considers appropriate for purposes of the pro-  
10 gram.

11 (2) REVIEW.—In carrying out the program es-  
12 tablished under subsection (b), the Director shall re-  
13 view each application submitted by a person under  
14 paragraph (1) of this subsection.

15 (3) DETERMINATION.—In carrying out a review  
16 under paragraph (2) of an application regarding a  
17 decentralized finance trading protocol or covered ac-  
18 tivity, the Director shall determine whether the pro-  
19 tocol or activity is in compliance with existing appli-  
20 cable standards, frameworks, and guidelines pub-  
21 lished by the Director under subsection (c).

22 (4) NOTICE.—For each determination made  
23 under paragraph (3) pursuant to an application by  
24 a person of a decentralized finance trading protocol

1 or covered activity, the Director shall transmit to the  
2 person a notice of the determination.

3 (e) BENEFITS OF PROGRAM.—

4 (1) DISPLAY.—A person that receives notice  
5 under subsection (d)(4) that the Director has deter-  
6 mined that a decentralized finance trading protocol  
7 or a covered activity has adopted the applicable cy-  
8 bersecurity standards published by NIST, the person  
9 may publicly display a designation, seal, or other  
10 identifier issued by the Director.

11 (2) TREATMENT OF ADOPTION.—In promul-  
12 gating a regulation or guidance relating to this sec-  
13 tion, a Federal agency shall consider adoption of cy-  
14 bersecurity standards under the program required by  
15 subsection (b) as evidence of good faith compliance  
16 with the law.

17 (f) RULE OF CONSTRUCTION RELATING TO PREEMP-  
18 TION.—Nothing in this section may be construed to pre-  
19 empt any otherwise applicable provision of law of a State.

20 **SEC. 307. AMENDMENTS TO MONETARY INSTRUMENT DEFINITION.**  
21

22 (a) DEFINITIONS.—In this section:

23 (1) SELF-HOSTED WALLET.—The term “self-  
24 hosted wallet” means a digital interface—

1 (A) that is used to secure and transfer dig-  
2 ital assets; and

3 (B) under which the owner of digital assets  
4 secured and transferred under subparagraph  
5 (A) retains independent control over those dig-  
6 ital assets.

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

10 (b) MONETARY INSTRUMENTS.—Section  
11 5312(a)(3)(D) of title 31, United States Code, is amended  
12 by inserting “, including digital assets (as defined in sec-  
13 tion 2 of the GENIUS Act (12 U.S.C. 5901)), as may  
14 be applicable,” after “value”.

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

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

23 (2) the effectiveness of and gaps in existing  
24 methods, techniques, and strategies used by regu-  
25 lated financial institutions in detecting illicit activity,

1 such as money laundering, involving self-hosted wal-  
2 lets;

3 (3) any illicit actors, including nation state ac-  
4 tors, that pose a high risk of facilitating illicit activ-  
5 ity through the use of self-hosted wallets;

6 (4) the benefits of the use of self-hosted wallets  
7 to—

8 (A) enhance user privacy and civil liberties  
9 through direct asset custody; and

10 (B) expand financial inclusion and access  
11 for communities underserved by traditional fi-  
12 nancial institutions;

13 (5) end user and counterparty risks associated  
14 with self-hosted wallets, including consumer fraud,  
15 cybersecurity, and identity verification;

16 (6) the use of hardware self-hosted wallets to  
17 smuggle digital assets for financing cross-border il-  
18 licit activity;

19 (7) the use of hardware self-hosted wallets for  
20 tax evasion and asset concealment; and

21 (8) other considerations the Secretary may de-  
22 termine appropriate.

23 (d) GUIDANCE.—The Secretary of the Treasury may  
24 issue guidance for financial institutions that transact with  
25 self-hosted wallets based on the results of the research on

1 benefits and risks required under this subsection, which  
2 shall—

3 (1) not require a regulated entity to collect,  
4 with respect to any transaction, personally identifi-  
5 able information about the controller of a self-hosted  
6 wallet when the controller is not both the customer  
7 of the regulated entity and a party to such trans-  
8 action, except as required by United States sanc-  
9 tions laws and regulations or lawful process; or

10 (2) be construed to hinder, restrict, or other-  
11 wise impair the authority of any Federal agency to  
12 investigate, detect, counteract, or prevent illegal ac-  
13 tivity.

14 **SEC. 308. RISK MANAGEMENT STANDARDS FOR DIGITAL**  
15 **ASSET INTERMEDIARIES.**

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

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

1           (1) Conducting an effective risk analysis with  
2           respect to the decentralized finance trading protocol,  
3           including—

4                   (A) money laundering and sanctions eva-  
5                   sion risks;

6                   (B) fraud and market manipulation;

7                   (C) operational and cybersecurity risk, in-  
8                   cluding settlement; and

9                   (D) implementing robust policies and pro-  
10                  cedures to mitigate the risks identified under  
11                  this paragraph.

12           (2) Disclosing the risks identified under para-  
13           graph (1) using plain language to customers.

14           (3) Maintaining robust capability to detect mar-  
15           ket manipulation, fraud, money laundering, and  
16           sanctions evasion occurring on the decentralized fi-  
17           nance trading protocol, which may include the use of  
18           alternative tools that will properly target such risks,  
19           including distributed ledger analytics tools.

20           (4) Implementing an effective risk-based proce-  
21           dure for determining whether to execute, reject, or  
22           suspend an incoming or outgoing transaction relat-  
23           ing to the decentralized finance trading protocol, in-  
24           cluding a determination based on suspected risk of

1 money laundering, sanctions evasion, fraud, or mar-  
2 ket manipulation.

3 (5) Consistent with this subsection, imple-  
4 menting other reasonable standards which may be  
5 required by rule.

6 (c) EXAMINATIONS.—

7 (1) COMPLIANCE.—The Commission or the  
8 Commodity Futures Trading Commission, or other  
9 or appropriate self-regulatory organization, shall  
10 verify compliance with the requirements of this sec-  
11 tion as part of the regular examination of the digital  
12 asset intermediary at the frequency and under the  
13 conditions otherwise provided by law or rule.

14 (2) RULE OF CONSTRUCTION.—Nothing in this  
15 section may be construed to limit the authority of  
16 the Financial Crimes Enforcement Network or the  
17 Office of Foreign Assets Control from conducting  
18 examinations, investigations, or enforcement actions  
19 relating to this section as otherwise provided by law.

20 (d) RULEMAKING.—Rules shall be adopted to imple-  
21 ment this section as follows:

22 (1) The Department of the Treasury, in con-  
23 sultation with the Commission and the Commodity  
24 Futures Trading Commission, shall adopt rules to

1       implement the money laundering and sanctions eva-  
2       sion risk components of this section.

3           (2) The Commission and the Commodity Fu-  
4       tures Trading Commission shall adopt rules to im-  
5       plement this section other than the provisions de-  
6       scribed in paragraph (1).

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

11 **SEC. 309. STUDY ON DIGITAL ASSET MIXERS AND TUM-**  
12 **BLERS.**

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

20       (b) **REPORT.**—Not later than 1 year after the date  
21 of enactment of this Act, the Director of the Financial  
22 Crimes Enforcement Network of the Department of the  
23 Treasury shall submit to the Committee on Banking,  
24 Housing, and Urban Affairs of the Senate and the Com-

1 mittee on Financial Services of the House of Representa-  
2 tives a report that analyzes the following issues:

3 (1) Current (as of the date on which the report  
4 is submitted) typologies of digital asset mixers and  
5 tumblers and historical transaction volume.

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

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

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

19 (5) Analysis of regulatory approaches employed  
20 by other jurisdictions relating to digital asset mixers  
21 and tumblers.

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

1 **SEC. 310. GAO STUDY ON INTERMEDIARIES IN FOREIGN JU-**  
2 **RISDICTIONS.**

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

6 (1) assess the risks posed by digital asset inter-  
7 mediaries that are primarily located in foreign juris-  
8 dictions that lack regulatory requirements that are  
9 substantially similar to the requirements of the  
10 Bank Secrecy Act that provide services to United  
11 States persons; and

12 (2) provide any regulatory or legislative rec-  
13 ommendations to address these risks under para-  
14 graph (1).

15 (b) REPORT.—Not later than 1 year after the date  
16 of enactment of this Act, the Comptroller General of the  
17 United States shall submit to Congress a report con-  
18 taining all findings and determinations made in carrying  
19 out the study required under subsection (a).

20 **SEC. 311. STUDIES ON FOREIGN ADVERSARY ACTIVITIES.**

21 (a) DEFINITIONS.—In this section:

22 (1) FOREIGN ADVERSARY.—The term “foreign  
23 adversary” means a foreign government or foreign  
24 nongovernment person determined by the Secretary  
25 of Commerce to be a foreign adversary under section

1 7.4(a) of title 15, Code of Federal Regulations, or  
2 any successor regulation.

3 (2) RELEVANT CONGRESSIONAL COMMIT-  
4 TEES.—The term “relevant congressional commit-  
5 tees” means—

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

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

10 (C) the Select Committee on Intelligence of  
11 the Senate;

12 (D) the Committee on Financial Services  
13 of the House of Representatives;

14 (E) the Committee on Agriculture of the  
15 House of Representatives; and

16 (F) the Permanent Select Committee on  
17 Intelligence of the House of Representatives.

18 (b) TREASURY REPORT.—Not later than 1 year after  
19 the date of enactment of this Act, the Secretary of the  
20 Treasury, in consultation with the Commodity Futures  
21 Trading Commission and the Commission, shall conduct  
22 a study and submit a report to the relevant congressional  
23 committees, which may include a classified annex, that—

24 (1) identifies any digital asset intermediary that  
25 is controlled by a government of a foreign adversary,

1 or by individuals or entities acting at the direction  
2 of a foreign adversary;

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

6 (3) evaluates whether any proprietary intellec-  
7 tual property of digital asset intermediaries is being  
8 misused or stolen by any government of a foreign  
9 adversary.

10 (c) GAO STUDY AND REPORT.—Not later than 1  
11 year after the date of enactment of this Act, the Comp-  
12 troller General shall conduct a study and submit a report  
13 to the relevant congressional committees, which may in-  
14 clude a classified annex, that—

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

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

22 (3) evaluates whether any proprietary intellec-  
23 tual property of digital asset intermediaries is being  
24 misused or stolen by any government of a foreign  
25 adversary.

1 **SEC. 312. TREASURY STUDY ON CYBERSECURITY STAND-**  
2 **ARDS.**

3 (a) **STUDY.**—The Secretary of the Treasury, in con-  
4 sultation with the Director of the Cybersecurity and Infra-  
5 structure Security Agency, the Director of the National  
6 Security Agency, and the Director of the National Insti-  
7 tute of Standards and Technology, shall conduct a study  
8 on cybersecurity standards applicable to digital asset  
9 smart contracts, custody, key management, and smart  
10 contract deployment.

11 (b) **REPORT.**—

12 (1) **IN GENERAL.**—Not later than 365 days  
13 after the date of enactment of this Act, the Sec-  
14 retary shall submit to the Committee on Banking,  
15 Housing, and Urban Affairs of the Senate and the  
16 Committee on Financial Services of the House of  
17 Representatives a report containing—

18 (A) the findings of the study under sub-  
19 section (a); and

20 (B) any legislative recommendations.

21 (2) **CLASSIFIED ANNEX.**—The report under  
22 paragraph (1) may include a classified annex, as ap-  
23 propriate.

1 **SEC. 313. STUDIES ON FINANCIAL STABILITY RISKS OF DE-**  
2 **CENTRALIZED FINANCE TRADING AND CRED-**  
3 **IT IN DIGITAL COMMODITY MARKETS.**

4 Not later than 1 year after the date of enactment  
5 of this Act, and every 4 years thereafter until 4 consecu-  
6 tive reports have been issued, the Secretary of the Treas-  
7 ury, the Board of Governors of the Federal Reserve Sys-  
8 tem, the Commission, and the Commodity Futures Trad-  
9 ing Commission shall—

10 (1) conduct a study examining—

11 (A) the role of decentralized finance proto-  
12 cols in the financial system, including—

13 (i) the functions of such protocols;

14 (ii) the use of such protocols to obtain  
15 leverage or financing;

16 (iii) the effects of such protocols on  
17 the pricing and trading of financial instru-  
18 ments, including descriptions of any link-  
19 ages between such protocols and tradi-  
20 tional financial instrument; and

21 (iv) the types and volumes of financial  
22 activity conducted through such protocols;

23 (B) the risks of decentralized finance pro-  
24 tocols to financial stability, fair and orderly  
25 markets, and otherwise to the financial system  
26 to the United States, which shall include a

1           quantification of those risks, to the extent pos-  
2           sible;

3           (C) the strategies and guardrails regu-  
4           lators and market participants have used and  
5           are using to mitigate risks arising from the use  
6           of decentralized finance protocols; and

7           (D) an assessment of whether the regu-  
8           latory framework adequately controls any risk  
9           with respect to decentralized finance protocols;

10          (2) conduct a separate study examining the  
11          risks to financial stability and orderly markets aris-  
12          ing from the extension and maintenance of credit  
13          with respect to digital assets by digital asset service  
14          providers, including—

15                (A) the effect of gaps in the regulatory  
16                framework for credit extended on digital assets,  
17                such as risks arising from the extension and  
18                maintenance of credit on digital assets; and

19                (B) the interconnections between leverage  
20                in the market for digital assets and the finan-  
21                cial system; and

22          (3) submit to the Committee on Banking,  
23          Housing, and Urban Affairs of the Senate, the Com-  
24          mittee on Agriculture, Nutrition, and Forestry of  
25          the Senate, the Committee on Financial Services of

1 the House of Representatives, and the Committee on  
2 Agriculture of the House of Representatives a report  
3 on the studies conducted under paragraphs (1) and  
4 (2), which—

5 (A) shall include legislative and regulatory  
6 recommendations, as appropriate; and

7 (B) may include a classified annex.

8 **TITLE IV—RESPONSIBLE**  
9 **BANKING INNOVATION**

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

11 (a) DEFINITIONS.—In this section:

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

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

20 (3) STATE MEMBER BANK.—The term “State  
21 member bank” has the meaning given the term in  
22 section 3 of the Federal Deposit Insurance Act (12  
23 U.S.C. 1813).

24 (b) AUTHORIZED ACTIVITIES FOR FINANCIAL HOLD-  
25 ING COMPANIES.—

1           (1) IN GENERAL.—A financial holding company  
2           may use a digital asset or distributed ledger system  
3           to perform, provide, or deliver any activity, function,  
4           product, or service that the financial holding com-  
5           pany is otherwise authorized by law to perform, pro-  
6           vide, or deliver.

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

11          (3) RULE OF CONSTRUCTION.—Nothing in this  
12          subsection may be construed to exempt the perform-  
13          ance, provision, or delivery by a financial holding  
14          company of an activity, function, product, or service  
15          from a requirement that would apply if the activity  
16          were not performed, provided, or delivered using a  
17          digital asset or distributed ledger system, such as by  
18          requiring a financial holding company, in order to  
19          conduct an activity described in subsection (g)(13)  
20          with respect to a digital asset that is a security, de-  
21          rivative, swap, or security-based swap, to comply  
22          with any prohibition, restriction, registration, limita-  
23          tion, or other similar requirement placed on an ac-  
24          tivity conducted by a financial holding company  
25          through securities, derivatives, swaps, or security-

1 based swaps that would apply if the activity were  
2 not performed, provided, delivered, or conducted  
3 using a digital asset or distributed ledger system.

4 (c) AUTHORIZED ACTIVITIES FOR NATIONAL  
5 BANKS.—

6 (1) IN GENERAL.—

7 (A) AUTHORIZED ACTIVITIES.—A national  
8 bank may use a digital asset or distributed  
9 ledger system to perform, provide, or deliver  
10 any activity, function, product, or service that  
11 the national bank is otherwise authorized by  
12 law to perform, provide, or deliver.

13 (B) FEDERAL-LICENSED BRANCHES AND  
14 STATE-LICENSED BRANCHES.—The activities  
15 authorized for a national bank under subpara-  
16 graph (A) shall be permissible for a Federal-li-  
17 censed branch and a State-licensed branch, re-  
18 spectively, to engage in as a principal.

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

1           (3) RULE OF CONSTRUCTION.—Nothing in this  
2 subsection may be construed to exempt the perform-  
3 ance, provision, or delivery by a national bank of an  
4 activity, function, product, or service from a prohibi-  
5 tion, restriction, registration, limitation, or other re-  
6 quirement that would apply if the activity were not  
7 performed, provided, or delivered using a digital  
8 asset or distributed ledger system, such as by requir-  
9 ing a national bank, in order to conduct an activity  
10 described in subsection (g)(13) with respect to a digi-  
11 tal asset that is a security, derivative, swap, or se-  
12 curity-based swap, to comply with any prohibition,  
13 restriction, registration, limitation, or other similar  
14 requirement placed on an activity conducted by a na-  
15 tional bank through securities, derivatives, swaps, or  
16 security-based swaps that would apply if the activity  
17 were not performed, provided, delivered, or con-  
18 ducted using a digital asset or distributed ledger  
19 system.

20           (d) INSURED STATE BANKS AND SUBSIDIARIES OF  
21 INSURED STATE BANKS.—For purposes of subsections (a)  
22 and (d) of section 24 of the Federal Deposit Insurance  
23 Act (12 U.S.C. 1831a), the activities authorized for a na-  
24 tional bank under subsection (c) shall be permissible for

1 an insured State bank and any subsidiary of an insured  
2 State bank to engage in as principal.

3 (e) AUTHORIZED ACTIVITIES FOR FEDERAL CREDIT  
4 UNIONS.—

5 (1) IN GENERAL.—A Federal credit union may  
6 use a digital asset or distributed ledger system to  
7 perform, provide, or deliver any activity, function,  
8 product, or service that the Federal credit union is  
9 otherwise authorized by law to perform, provide, or  
10 deliver.

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

18 (3) RULE OF CONSTRUCTION.—Nothing in this  
19 subsection may be construed to exempt the perform-  
20 ance, provision, or delivery by a Federal credit union  
21 of an activity, function, product, or service from a  
22 requirement that would apply if the activity were not  
23 performed, provided, or delivered using a digital  
24 asset or distributed ledger system.

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

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

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

10 (2) providing related custodial services for dig-  
11 ital assets and distributed ledgers, including staking,  
12 facilitating digital asset lending, distributed ledger  
13 governance services, and advancing funds for the  
14 purchase of digital assets or in respect of distribu-  
15 tions on digital assets, whether as principal or agent;

16 (3) facilitating customer purchases and sales of  
17 digital assets;

18 (4) making loans collateralized by digital assets;

19 (5) engaging in payment activities involving dig-  
20 ital assets;

21 (6) purchasing or selling digital assets as prin-  
22 cipal for any investment or trading purpose;

23 (7) operating a node on a distributed ledger;

24 (8) providing self-custodial wallet software;

1           (9) engaging in derivatives transactions, includ-  
2           ing related hedging activities, in a manner consistent  
3           with section 7.1030 of title 12, Code of Federal Reg-  
4           ulations, as in effect as of the date of enactment of  
5           this Act;

6           (10) providing brokerage services, including  
7           clearing and execution services, whether alone or in  
8           combination with other incidental activities;

9           (11) facilitating transactions in the secondary  
10          market for all types of digital assets on the order of  
11          customers as a riskless principal to the extent of en-  
12          gaging in a transaction in which a company, after  
13          receiving an order to buy or sell a digital asset from  
14          a customer, purchases or sells the digital asset for  
15          its own account to offset a contemporaneous sale to  
16          or purchase from the customer;

17          (12) holding as principal digital assets to the  
18          extent incidental to an otherwise permissible activity,  
19          which shall include, without limitation, holding dig-  
20          ital assets as principal in order to pay fees arising  
21          from interactions with a distributed ledger system;

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

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

4           (h) OTHER REQUIREMENTS.—There shall be no  
5           other prior notice or approval requirements to engage in  
6           the activities described in subsections (b) through (g) of  
7           this section other than those required under the National  
8           Bank Act (12 U.S.C. 38 et seq.), the Federal Reserve Act  
9           (12 U.S.C. 226 et seq.), or the Bank Holding Company  
10          Act of 1956 (12 U.S.C. 1841 et seq.).

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

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

15               (2) imply that inclusion of an activity described  
16               in subsection (g) means that the activity is otherwise  
17               impermissible;

18               (3) limit the authority of a Federal banking  
19               agency to determine that activities other than those  
20               activities described in subsection (g) are permissible  
21               through interpretations, guidance, or rulemaking; or

22               (4) limit the authority of an appropriate Fed-  
23               eral or State banking agency to supervise and take  
24               enforcement action with respect to an insured depos-  
25               itory institution (or, to the extent applicable, a fi-

1 nancial holding company) engaging in a digital asset  
2 activity authorized by this section that the Federal  
3 or State banking agency determines, pursuant to ap-  
4 plicable law, to be unsafe or unsound.

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

7 **SEC. 402. JOINT RULES FOR PORTFOLIO MARGINING DE-**  
8 **TERMINATIONS.**

9 (a) IN GENERAL.—The Commodity Futures Trading  
10 Commission and the Commission shall jointly issue rules  
11 to facilitate portfolio margining of securities (including re-  
12 lated extensions of credit), security-based swaps, futures  
13 contracts for future delivery, options on futures contracts  
14 for future delivery, swaps, and digital commodities, or any  
15 subset thereof, for persons registered with either such  
16 Commission, in—

17 (1) a securities account carried by a registered  
18 broker or dealer or a security-based swap account  
19 carried by a registered security-based swap dealer;

20 (2) a futures or cleared swap account carried by  
21 a registered futures commission merchant;

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

23 (4) a digital commodity account carried by a  
24 registered digital commodity broker or digital com-  
25 modity dealer that is also registered in such other

1 capacity as is necessary to also carry the other cus-  
2 tomer or counterparty positions being held in the ac-  
3 count.

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

6 (1) describe the treatment of any account to  
7 which the rules relate, and any assets that may be  
8 held therein, in a proceeding under title 11, United  
9 States Code, the Securities Investor Protection Act  
10 of 1970 (15 U.S.C. 78aaa et seq.), title II of the  
11 Dodd-Frank Wall Street Reform and Consumer Pro-  
12 tection Act (12 U.S.C. 5381 et seq.), or other appli-  
13 cable insolvency law with respect to the person car-  
14 rying the account;

15 (2) be issued only if that issuance is in the pub-  
16 lic interest and provides for the appropriate protec-  
17 tion of customers, including appropriate disclosures  
18 to each current and potential customer concerning  
19 the treatment of any account to which the rules re-  
20 late, and any assets that may be held therein, in a  
21 proceeding under title 11, United States Code, the  
22 Securities Investor Protection Act of 1970 (15  
23 U.S.C. 78aaa et seq.), title II of the Dodd-Frank  
24 Wall Street Reform and Consumer Protection Act  
25 (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. PRESERVING REWARDS FOR STABLECOIN HOLD-**  
17 **ERS.**

18 (a) DEFINITIONS.—In this section:

19 (1) DEPOSIT.—The term “deposit” has the  
20 meaning given the term in section 3 of the Federal  
21 Deposit Insurance Act (12 U.S.C. 1813).

22 (2) DIGITAL ASSET SERVICE PROVIDER; PAY-  
23 MENT STABLECOIN; PERMITTED PAYMENT  
24 STABLECOIN ISSUER.—The terms “digital asset  
25 service provider”, “payment stablecoin”, and “per-

1       mitted payment stablecoin issuer” have the mean-  
2       ings given those terms in section 2 of the GENIUS  
3       Act (12 U.S.C. 5901).

4       (b) PROHIBITION ON INTEREST.—

5           (1) IN GENERAL.—A digital asset service pro-  
6       vider may not pay any form of interest or yield  
7       (whether in cash, tokens, or other consideration)  
8       solely in connection with the holding of a payment  
9       stablecoin.

10          (2) PERMISSIBLE ACTIVITIES.—The prohibition  
11       under paragraph (1) shall not apply with respect to  
12       an activity-based reward or incentive, including any  
13       consideration, reward, or benefit in connection  
14       with—

15           (A) a transaction, a payment, a transfer, a  
16       conversion, a remittance, or settlement activity;

17           (B) the use of a wallet, account, platform,  
18       application, protocol, or network;

19           (C) membership or participation in a loy-  
20       alty, promotional, subscription, or incentive pro-  
21       gram;

22           (D) acceptance, settlement, or acquiring  
23       activity, include a rebate or incentive provided  
24       in connection with the acceptance or use of a  
25       payment stablecoin;

1 (E) providing liquidity or collateral; or

2 (F) governance, validation, staking, or  
3 other ecosystem participation.

4 (c) PROHIBITION ON SPECIFIED REPRESENTA-  
5 TIONS.—A person may not market, promote, or describe  
6 any compensation in connection with a payment stablecoin  
7 that represents that—

8 (1) the payment stablecoin is a deposit or is in-  
9 sured by the Federal Deposit Insurance Corporation  
10 or any other governmental entity;

11 (2) such compensation is paid by the payment  
12 stablecoin itself or a permitted payment stablecoin  
13 issuer;

14 (3) such compensation is risk free or com-  
15 parable to interest paid on a bank deposit;

16 (4) such compensation is offered, administered,  
17 or paid by a person other than the person actually  
18 responsible for offering, administering, or paying the  
19 applicable yield or interest; or

20 (5) omits material information necessary to pre-  
21 vent that marketing, promotion, or description from  
22 being misleading.

23 (d) DISCLOSURES.—

24 (1) IN GENERAL.—Not later than 360 days  
25 after the date of enactment of this Act, the Commis-

1        sion and the Commodity Futures Trading Commis-  
2        sion (referred to in this subsection as the “Commis-  
3        sions”) shall jointly promulgate rules requiring clear  
4        and conspicuous disclosure, in plain English, of any  
5        compensation paid by a digital asset intermediary in  
6        connection with the use of a payment stablecoin in  
7        a manner that is consistent with subsection (c).

8            (2) REQUIREMENTS.—In promulgating rules  
9        under paragraph (1), the Commissions shall require  
10       that any required disclosure of compensation de-  
11       scribed in that paragraph, and any related term,  
12       representation, or description—

13            (A) is presented in a clear, factual, non-  
14       promotional, and non-misleading manner;

15            (B) clearly identifies the activities for  
16       which holders of payment stablecoins can earn  
17       that compensation;

18            (C) clearly identifies the person responsible  
19       for offering, administering, and paying that  
20       compensation, including whether that person is  
21       a digital asset intermediary or a third party;

22            (D) outlines all material terms with respect  
23       to that compensation; and

24            (E) includes a statement that a payment  
25       stablecoin—

1 (i) is neither an investment product  
2 nor a deposit; and

3 (ii) is not insured by the Federal De-  
4 posit Insurance Corporation or any other  
5 governmental entity.

6 (3) PROHIBITION.—A digital asset intermediary  
7 may not market the offering of compensation paid  
8 by that digital asset intermediary based on the use  
9 of a payment stablecoin unless that digital asset  
10 intermediary has provided the disclosures required  
11 under this subsection.

12 (4) SATISFACTION OF REQUIREMENT.—A dig-  
13 ital asset intermediary that provides the disclosures  
14 required under this subsection shall be deemed not  
15 to have made a representation that is prohibited  
16 under subsection (c), 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 (e) REPORT ON DEPOSIT OUTFLOWS.—Not later  
23 than 2 years after the date of enactment of this Act, the  
24 Board of Governors of the Federal Reserve System, the  
25 Comptroller of the Currency, and the Federal Deposit In-

1 surance Corporation shall jointly submit to the Committee  
2 on Banking, Housing, and Urban Affairs of the Senate  
3 and the Committee on Financial Services of the House of  
4 Representatives a report that—

5 (1) describes how compensation, if any, is paid  
6 or provided by digital asset service providers with re-  
7 spect to payment stablecoins, including through re-  
8 wards, incentives, or similar programs; and

9 (2) analyzes the effect of any compensation de-  
10 scribed in paragraph (1), including through rewards,  
11 incentives, or similar programs, on—

12 (A) deposits at insured depository institu-  
13 tions, including whether there is any evidence of  
14 substantial outflows or shifts in deposits, such  
15 as deposit flight from community banks;

16 (B) consumer access to credit; and

17 (C) payment costs of consumers and mer-  
18 chants.

19 (f) RULES OF CONSTRUCTION.—

20 (1) IN GENERAL.—Nothing in this section may  
21 be construed to—

22 (A) modify or alter the restrictions applica-  
23 ble to permitted payment stablecoin issuers  
24 under section 4(a)(11) of the GENIUS Act (12  
25 U.S.C. 5903(a)(11)); or

1 (B) prohibit the disclosure of truthful,  
2 non-misleading factual information required by  
3 Federal law or regulation.

4 (2) NO DEEMING OF PAYMENT OF INTEREST OR  
5 YIELD.—A permitted payment stablecoin issuer shall  
6 not be deemed to pay interest or yield with respect  
7 to a payment stablecoin solely because a third party  
8 independently offers consideration, rewards, or in-  
9 centives with respect to that payment stablecoin, un-  
10 less the permitted payment stablecoin issuer directs  
11 the program with respect to that consideration or  
12 those rewards or incentives.

13 **TITLE V—RESPONSIBLE**  
14 **REGULATORY INNOVATION**

15 **SEC. 501. CFTC-SEC MICRO-INNOVATION SANDBOX.**

16 (a) DEFINITIONS.—In this section:

17 (1) COMMISSION.—The term “Commission”  
18 means either of the Commissions, as the context re-  
19 quires.

20 (2) COMMISSIONS.—The term “Commissions”  
21 means the Securities and Exchange Commission and  
22 the Commodity Futures Trading Commission.

23 (3) ELIGIBLE FIRM.—The term “eligible firm”  
24 means a person that is eligible to participate in the

1       Sandbox, in accordance with the requirements under  
2       this section.

3           (4) INNOVATIVE.—The term “innovative”  
4       means new or emerging technology, or a novel appli-  
5       cation of technology, including artificial intelligence,  
6       that—

7           (A) provides a financial product, service,  
8       business model, or delivery mechanism to the  
9       public; and

10          (B) lacks—

11           (i) a substantially comparable, widely  
12       available analogue in common use in the  
13       United States; and

14           (ii) an analogous Federal regulatory  
15       regime.

16          (5) PERSON.—The term “person” means a per-  
17       son, as defined in section 3(a) of the Securities Ex-  
18       change Act of 1934 (15 U.S.C. 78c(a)) or section 1a  
19       of the Commodity Exchange Act (7 U.S.C. 1a).

20          (6) SANDBOX.—The term “Sandbox” means  
21       the CFTC-SEC Micro-Innovation Sandbox estab-  
22       lished under subsection (b).

23          (7) SELF-REGULATORY ORGANIZATION.—The  
24       term “self-regulatory organization” means a self-  
25       regulatory organization, as defined in—

1 (A) section 3(a) of the Securities Exchange  
2 Act of 1934 (15 U.S.C. 78c(a)); or

3 (B) section 1.52(a)(2) of title 17, Code of  
4 Federal Regulations, or any successor regula-  
5 tion.

6 (b) ESTABLISHMENT.—Not later than 360 days after  
7 the date of enactment of this Act, the Commissions shall,  
8 by joint notice and comment rulemaking, establish a  
9 CFTC-SEC Micro-Innovation Sandbox to enable eligible  
10 firms to test innovative activities within the United States,  
11 subject to—

12 (1) applicable Federal and State securities and  
13 commodities laws;

14 (2) other State laws that are not specific to the  
15 regulation of securities or commodities; and

16 (3) the limitations of this section.

17 (c) ELIGIBLE FIRM.—

18 (1) IN GENERAL.—A United States-based per-  
19 son shall be an eligible firm, and shall be eligible to  
20 participate in the Sandbox, if the person—

21 (A) submits an application under sub-  
22 section (e) that is approved under that sub-  
23 section;

24 (B) seeks to conduct an eligible and lawful  
25 innovative activity in the United States;

1 (C) is not subject to—

2 (i) a statutory disqualification, as de-  
3 fined in section 3(a) of the Securities Ex-  
4 change Act of 1934 (15 U.S.C. 78c(a));

5 (ii) a disqualification resulting from  
6 an investigation conducted under section  
7 8(a)(2) of the Commodity Exchange Act (7  
8 U.S.C. 12(a)(2)); or

9 (iii) a disqualification under State  
10 law;

11 (D) does not have a criminal conviction for  
12 fraud;

13 (E) agrees to submit to the jurisdiction  
14 and oversight of the Commissions, to the extent  
15 that the person is not subject to that jurisdic-  
16 tion or oversight, for purposes of, and while  
17 participating in, the Sandbox;

18 (F) designates to the Commissions an indi-  
19 vidual as a point of contact with respect to ac-  
20 tivities that the person undertakes as an appli-  
21 cant and participant with respect to the Sand-  
22 box;

23 (G) employs not more than 25 employees;  
24 and

1 (H) has annual gross revenues of not more  
2 than \$10,000,000 in any fiscal year.

3 (2) APPLICATION OF REQUIREMENTS.—The re-  
4 quirements under paragraph (1) shall be satisfied  
5 during the entire period in which an eligible firm  
6 participates in the Sandbox.

7 (d) ELIGIBLE ACTIVITIES AND ACTIVITY CEIL-  
8 INGS.—

9 (1) LIST OF ELIGIBLE ACTIVITIES.—

10 (A) IN GENERAL.—After providing notice  
11 and an opportunity for public comment, the  
12 Commissions shall maintain and publish a list  
13 of eligible innovative activities (which may in-  
14 clude activities relating to artificial intel-  
15 ligence), which shall be—

16 (i) updated once every 2 years after  
17 providing notice and an opportunity for  
18 public comment;

19 (ii) reasonably tailored to include ac-  
20 tivities that—

21 (I) further the purposes of this  
22 section; and

23 (II) are consistent with the inter-  
24 ests of the public and the protection  
25 of investors;

1 (iii) sufficiently flexible to accommo-  
2 date evolving technological developments,  
3 including distributed ledger-based products  
4 and services; and

5 (iv) focused exclusively on activities  
6 for which specific provisions of the securi-  
7 ties and commodities laws may create a  
8 material impediment to the proposed inno-  
9 vative activity.

10 (B) IDENTIFICATION OF REQUIRE-  
11 MENTS.—

12 (i) IN GENERAL.—For each eligible  
13 innovative activity, the Commissions shall,  
14 consistent with existing statutory and reg-  
15 ulatory precedent concerning the respective  
16 jurisdiction of each Commission, identify  
17 the requirements that each Commission  
18 will administer.

19 (ii) JOINT JURISDICTION.—With re-  
20 spect to an eligible innovative activity that  
21 is subject to the jurisdiction of both Com-  
22 missions, the rulemaking under subsection  
23 (b) shall specify which requirements each  
24 Commission will administer and any co-

1                   ordinated conditions needed to protect in-  
2                   vestors and market integrity.

3                   (2) ACTIVITY CEILINGS.—For each eligible in-  
4                   novative activity, the Commissions shall, after public  
5                   input and consultation, establish individual customer  
6                   and monetary ceilings, which shall provide that an  
7                   eligible firm may not raise or commit more than  
8                   \$20,000,000 in aggregate customer, investor, or  
9                   counterparty funds in connection with Sandbox ac-  
10                  tivities.

11                  (3) ANNUAL PARTICIPATION CAP.—Each of the  
12                  Commissions may approve not more than 20  
13                  projects per year.

14                  (e) APPLICATION.—

15                  (1) IN GENERAL.—An eligible firm seeking to  
16                  participate in the Sandbox shall submit to the Com-  
17                  mission or Commissions, as applicable, an applica-  
18                  tion that—

19                         (A) describes the proposed innovative ac-  
20                         tivity and the desired outcomes;

21                         (B) subject to approval of the applicable  
22                         Commission, identifies the provisions of the se-  
23                         curities laws, or of the Commodity Exchange  
24                         Act (7 U.S.C. 1 et seq.), from which the eligible  
25                         firm proposes to be exempt during the period in

1           which the eligible firm participates in the Sand-  
2           box, which—

3                   (i) shall not include any Federal or  
4                   State anti-fraud law or any other law that  
5                   is not specific to the regulation of securi-  
6                   ties or commodities; and

7                   (ii) shall be subject to the limitations  
8                   of this section;

9                   (C) sets forth how relief from the provi-  
10                  sions of law identified under subparagraph (B)  
11                  is reasonably necessary to engage in the innova-  
12                  tive activity;

13                  (D) identifies material risks to investors,  
14                  customers, or market integrity and how the eli-  
15                  gible firm will mitigate those risks;

16                  (E) certifies that the eligible firm will com-  
17                  ply with applicable Federal and State anti-fraud  
18                  laws;

19                  (F) states an exit objective of the eligible  
20                  firm involving action from the applicable Com-  
21                  mission, which may include registration, an ex-  
22                  emptive order, interpretive guidance, a no-ac-  
23                  tion letter, or a rulemaking petition, together  
24                  with milestones and metrics the eligible firm  
25                  will use to demonstrate readiness for that exit;

1           (G) states the agreement of the eligible  
2           firm to submit to the jurisdiction and oversight  
3           of the Commissions, to the extent that the eligi-  
4           ble firm is not otherwise subject to that juris-  
5           diction and oversight, for purposes of, and while  
6           participating in, the Sandbox;

7           (H) designates to the Commissions an in-  
8           dividual as a point of contact with respect to  
9           activities that the eligible firm undertakes as an  
10          applicant and participant with respect to the  
11          Sandbox; and

12          (I) states the agreement of the eligible firm  
13          to abide by any condition that either of the  
14          Commissions may impose for engaging in an el-  
15          igible innovative activity in the Sandbox.

16          (2) DEADLINE FOR DECISION.—Not later than  
17          180 business days after the date on which an eligible  
18          firm submits an application under this subsection,  
19          the Commission or Commissions, as applicable, shall  
20          make a decision with respect to the application, after  
21          which the eligible firm submitting the application  
22          may commence eligible innovative activities in the  
23          Sandbox unless the application is denied.

24          (3) UPDATES AND STATUS REPORTS.—Each eli-  
25          gible firm shall submit to the applicable Commission

1 or to the Commissions, on a semi-annual basis while  
2 participating in the Sandbox, an updated application  
3 that—

4 (A) describes any material changes to the  
5 information originally provided under para-  
6 graph (1); and

7 (B) reports the progress of the eligible  
8 firm toward the stated exit objective described  
9 in paragraph (1)(F), including milestones  
10 achieved, remaining impediments, and any  
11 pending requests for official action before the  
12 applicable Commission or the Commissions.

13 (4) UNREDACTED AND REDACTED VERSIONS.—

14 (A) IN GENERAL.—An eligible firm that  
15 submits an initial or updated application under  
16 this subsection may submit to the applicable  
17 Commission or the Commissions an unredacted  
18 version, together with a request for confidential  
19 treatment, pursuant to procedures the applica-  
20 ble Commission shall establish that are modeled  
21 on the rules of that Commission relating to the  
22 confidential treatment of information, which  
23 shall include—

24 (i) for the Securities and Exchange  
25 Commission, sections 200.83, 230.406, and

1                   2402.24b–2 of title 17, Code of Federal  
2                   Regulation, or any successor regulations;  
3                   and

4                   (ii) for the Commodity Futures Trad-  
5                   ing Commission, section 145.9 of title 17,  
6                   Code of Federal Regulations, or any suc-  
7                   cessor regulations.

8                   (B) OMITTED INFORMATION.—An eligible  
9                   firm may omit information granted confidential  
10                  treatment under subparagraph (A) from any  
11                  public posting under subsection (h) in accord-  
12                  ance with the procedures established under sub-  
13                  paragraph (A).

14                  (C) INDICATION OF CONFIDENTIAL INFOR-  
15                  MATION.—Any omission in a public posting  
16                  under subsection (h) shall be clearly indicated  
17                  by brackets with a prominent legend stating  
18                  that—

19                         (i) confidential information has been  
20                         omitted; and

21                         (ii) an unredacted version has been  
22                         filed with the applicable Commission or the  
23                         Commissions.

24                  (f) DURATION OF PARTICIPATION.—

1           (1) DURATION.—Except as provided in para-  
2           graph (2), an eligible firm may participate in the  
3           Sandbox for a period of not more than 2 years, pro-  
4           vided that the eligible firm does not exceed the ceil-  
5           ings established under subsection (d)(2).

6           (2) EXTENSION.—

7           (A) SOLE JURISDICTION.—Where an eligi-  
8           ble innovative activity is subject only to the ju-  
9           risdiction of 1 Commission, that Commission  
10          may extend participation by an eligible firm in  
11          the Sandbox by not more than 1 additional  
12          year, if the eligible firm—

13               (i) is actively pursuing the exit objec-  
14               tive described in subsection (e)(1)(F) in  
15               good faith;

16               (ii) is making demonstrable progress  
17               toward achieving such an exit; and

18               (iii) establishes that such an extension  
19               is necessary to achieve such an exit.

20          (B) JOINT JURISDICTION.—Where an eligi-  
21          ble innovative activity is subject to the jurisdic-  
22          tion of both Commissions, an extension of par-  
23          ticipation by an eligible firm in the Sandbox by  
24          not more than 1 additional year shall be by  
25          joint order of the Commissions after making

1           the findings described in clauses (i) through  
2           (iii) of subparagraph (A).

3           (g) CONDITIONS AND ENFORCEMENT.—

4           (1) CONDITIONS.—An eligible firm shall comply  
5           with applicable regulatory conditions approved by  
6           the applicable Commission or the Commissions  
7           under subsection (e)(1)(B), which shall be consistent  
8           with applicable Federal and State anti-fraud laws.

9           (2) MONITORING.—The Commissions shall  
10          monitor Sandbox activities and enforce compliance  
11          with applicable regulatory conditions and Federal  
12          anti-fraud laws.

13          (3) COORDINATION.—

14                (A) IN GENERAL.—The Commissions shall  
15                coordinate supervision, information requests,  
16                and examinations to avoid duplication while  
17                each Commission retains full authority under  
18                the provisions of law that such Commission ad-  
19                ministers.

20                (B) COOPERATION WITH STATES.—The  
21                Commissions may cooperate with any State in  
22                enforcing compliance with applicable regulatory  
23                conditions and Federal and State anti-fraud  
24                laws with respect to the operation of the Sand-  
25                box.

1           (4) SELF-REGULATORY ORGANIZATIONS.—Each  
2 self-regulatory organization shall recognize and re-  
3 spect Sandbox conditions that are applicable to a  
4 participant in the Sandbox.

5           (5) CESSATION OF ACTIVITIES.—The Commis-  
6 sions may, at any time during the participation of  
7 an eligible firm in the Sandbox, disqualify the eligi-  
8 ble firm from continued participation in the Sand-  
9 box, order the eligible firm to cease engaging in a  
10 permitted activity in the Sandbox, revoke a grant of  
11 exemptive relief, or impose additional or more strin-  
12 gent conditions on continuing participation or en-  
13 gagement in a permitted activity in the Sandbox, if  
14 the Commissions find that the eligible firm has  
15 failed to comply with—

16                   (A) the requirements of this section;

17                   (B) the terms or conditions of participa-  
18 tion established by the Commissions; or

19                   (C) other applicable law.

20           (h) PUBLIC DISCLOSURE.—

21           (1) INITIAL POSTING.—Each eligible firm shall  
22 post, in a prominent location on a public website of  
23 the eligible firm, the information required under  
24 subsection (e)(1), subject to confidential treatment  
25 under subsection (e)(4), not later than the date on

1       which the notice becomes effective under subsection  
2       (e)(3).

3           (2) UPDATES.—Each eligible firm shall post, in  
4       the same manner as under paragraph (1), the infor-  
5       mation required under subsection (e)(3), subject to  
6       confidential treatment under subsection (e)(4), con-  
7       currently with submission to the applicable Commis-  
8       sion or the Commissions.

9           (3) DISCLOSURE REQUIREMENTS.—Each post  
10       under this subsection shall satisfy the disclosure re-  
11       quirements of both Commissions where the jurisdic-  
12       tions of both Commissions are implicated.

13       (i) USE OF DATA BY COMMISSIONS.—Each Commis-  
14       sion may collect and share data from Sandbox activities  
15       with the other Commission to inform permanent, prin-  
16       ciples-based regulatory frameworks that advance the mis-  
17       sions of the Commissions.

18       (j) PUBLICATION BY COMMISSIONS.—Not less fre-  
19       quently than annually, each Commission shall publish on  
20       the public website of the Commission a report summa-  
21       rizing the activities conducted under this section, includ-  
22       ing—

23           (1) the number and general nature of eligible  
24       firms participating in the Sandbox;

25           (2) the categories of innovative activities tested;

1           (3) the impact of Sandbox participation on in-  
2           novation, investor protection, market integrity, and  
3           the public interest;

4           (4) the disclosures posted by eligible firms  
5           under subsection (h)(1); and

6           (5) exit outcomes, including the types of relief  
7           requested and actions taken by the Commissions.

8           (k) RELATIONSHIP OF SANDBOX PARTICIPATION TO  
9           STATE LAW.—

10           (1) LIMITED PREEMPTION FOR SANDBOX PAR-  
11           TICIPANTS.—Participation in the Sandbox, and any  
12           exemption or relief granted under this section, shall  
13           supersede any State securities or commodities law  
14           requiring registration, qualification, or licensing as a  
15           condition of engaging in an approved activity or oth-  
16           erwise regulating that activity as a security or com-  
17           modity.

18           (2) STATE ENFORCEMENT PRESERVED.—Noth-  
19           ing in this section may be construed to prohibit or  
20           limit any State securities or commodities regulator,  
21           any State bank regulator, or any State law enforce-  
22           ment agency from conducting an investigation or  
23           bringing an administrative, civil, or criminal enforce-  
24           ment action under—

1 (A) a State law prohibiting fraud or de-  
2 ceive, or fraudulent, deceptive, manipulative,  
3 unethical, dishonest, or other unlawful conduct  
4 or practices, in connection with securities or se-  
5 curities transactions;

6 (B) the anti-fraud provisions of the Com-  
7 modity Exchange Act (7 U.S.C. 1 et seq.) or  
8 State commodities laws; or

9 (C) any State law of general applicability,  
10 including such a law relating to banking, con-  
11 sumer protection, contracts, property, or crimi-  
12 nal conduct.

13 (3) NOTICE FILINGS.—A State may require no-  
14 tice of any document filed with either of the Com-  
15 missions in connection with participation in the  
16 Sandbox, together with consent to service of process  
17 and reasonable fees, consistent with section 18(c) of  
18 the Securities Act of 1933 (15 U.S.C. 77r(c)).

19 **SEC. 502. INTERNATIONAL COOPERATION.**

20 (a) DEFINITIONS.—In this section, the term “Com-  
21 missions” means the Securities and Exchange Commission  
22 and the Commodity Futures Trading Commission.

23 (b) COOPERATION.—In order to promote United  
24 States leadership in effective, reciprocal, and innovative  
25 global regulation of digital assets, and to advance the stra-

1 tegic economic and policy interests of the United States,  
2 the Commissions, as appropriate—

3           (1) shall consult and coordinate with foreign  
4 regulatory authorities or other relevant international  
5 organizations on the application of consistent inter-  
6 national standards with respect to the regulation of  
7 digital assets;

8           (2) may enter into such information sharing ar-  
9 rangements as may be determined to be necessary or  
10 appropriate in the public interest or for the protec-  
11 tion of investors, customers, and users of digital as-  
12 sets;

13           (3) shall pursue reciprocal arrangements with  
14 foreign regulatory authorities that ensure United  
15 States-based digital asset firms, exchanges, and in-  
16 frastructure providers receive treatment equivalent  
17 to that granted to foreign counterparts operating  
18 within the United States;

19           (4) shall advocate in international fora for the  
20 development and adoption of technology-neutral,  
21 open standards that preserve lawful access to public  
22 distributed ledger infrastructure, support dollar-de-  
23 nominated digital asset usage, and safeguard indi-  
24 vidual rights, including self-custody and privacy; and

1           (5) may, as appropriate, engage in, at the least,  
2           cooperative enforcement, supervisory coordination,  
3           and joint technical assistance, in a manner that pro-  
4           motes responsible innovation in digital financial  
5           markets.

6           (c) **CROSS-BORDER SANDBOX.**—The Commissions  
7           may leverage the activities described in paragraphs (1)  
8           through (5) of subsection (b) to establish or participate  
9           in cross-border regulatory sandboxes that build upon the  
10          Micro-Innovation Sandbox established pursuant to section  
11          501.

12          **SEC. 503. AUTOMATED REGULATORY COMPLIANCE STUDY.**

13          (a) **DEFINITIONS.**—In this section:

14               (1) **AUTOMATED REGULATORY COMPLIANCE.**—  
15               The term “automated regulatory compliance” means  
16               the use of technology, including data standards, au-  
17               tomation, and distributed ledger or smart contract  
18               functionality, to automate, tag, or otherwise stream-  
19               line regulatory reporting, disclosure, supervisory, or  
20               other compliance obligations.

21               (2) **INNOVATIVE.**—The term “innovative” has  
22               the meaning given the term in section 501(a).

23          (b) **STUDY REQUIRED.**—The Comptroller General of  
24          the United States shall, in consultation with the Depart-  
25          ment of the Treasury (including the Financial Crimes En-

1 enforcement Network, the Office of Foreign Assets Control,  
2 and the Office of Financial Research), the Office of the  
3 Comptroller of the Currency, the Federal Deposit Insur-  
4 ance Corporation, the National Credit Union Administra-  
5 tion, the Commission, the Commodity Futures Trading  
6 Commission, the Bureau of Consumer Financial Protec-  
7 tion, and the Federal Housing Finance Agency, carry out  
8 a study of distributed ledger-based compliance tools  
9 that—

10 (1) to the extent feasible, identifies and evalu-  
11 ates—

12 (A) the landscape of existing distributed  
13 ledger-based compliance tools for—

14 (i) statutory and regulatory disclo-  
15 sures;

16 (ii) real-time reporting and audit-trail  
17 logging; and

18 (iii) anti-money-laundering practices,  
19 sanctions screening, and customer-identi-  
20 fication checks;

21 (B) the feasibility, benefits, and risks of al-  
22 lowing regulated entities to satisfy applicable  
23 regulatory obligations through on-chain, code-  
24 based, or other automated mechanisms;

1 (C) the potential for interoperability with  
2 automated regulatory compliance mechanisms  
3 across and among each of those agencies;

4 (D) the data collection systems of each of  
5 those agencies; and

6 (E) standards or taxonomies, or other  
7 common data elements, if any, that those agen-  
8 cies could publish or adopt to support the inter-  
9 operability described in subparagraph (C) in  
10 order to ensure consistency and regulatory ac-  
11 cess;

12 (2) recommends pilot programs, guidance, rule  
13 changes, or amendments to statutes that would be  
14 needed to implement effective automated regulatory  
15 compliance approaches and any other related ap-  
16 proaches addressed in the study;

17 (3) identifies the costs and benefits to issuers of  
18 different sizes, secondary market intermediaries,  
19 regulators, investors, and other applicable parties,  
20 including differential impacts on smaller entities and  
21 options to reduce those burdens;

22 (4) benchmarks international efforts with re-  
23 spect to automated regulatory compliance mecha-  
24 nisms and consults with any appropriate State, Fed-  
25 eral, or foreign regulators; and

1           (5) evaluates whether existing oversight, en-  
2           forcement, and liability frameworks are sufficient  
3           to—

4                   (A) ensure accountability, transparency,  
5                   fairness, and consumer protection; and

6                   (B) prevent misuse of distributed ledger-  
7                   based compliance tools.

8           (c) REPORT.—Not later than 1 year after the date  
9           of enactment of this Act, the Comptroller General of the  
10          United States shall make publicly available a report that  
11          includes the results of the study conducted under sub-  
12          section (b).

13   **SEC. 504. REPORT ON LEGISLATIVE RECOMMENDATIONS.**

14          (a) DEFINITIONS.—In this section:

15                  (1) APPROPRIATE COMMITTEES OF CON-  
16                  GRESS.—The term “appropriate committees of Con-  
17                  gress” means—

18                          (A) the Committee on Banking, Housing  
19                          and Urban Affairs of the Senate;

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

22                          (C) the Committee on Financial Services of  
23                          the House of Representatives; and

24                          (D) the Committee on Agriculture of the  
25                          House of Representatives.

1           (2) FEDERAL FINANCIAL REGULATOR.—The  
2           term “Federal financial regulator” means—

3                   (A) the Board of Governors of the Federal  
4           Reserve System;

5                   (B) the Commodity Futures Trading Com-  
6           mission;

7                   (C) the Department of the Treasury;

8                   (D) the Federal Deposit Insurance Cor-  
9           poration;

10                  (E) the Federal Housing Finance Agency;

11                  (F) the National Credit Union Administra-  
12           tion;

13                  (G) the Office of the Comptroller of the  
14           Currency;

15                  (H) the Bureau of Consumer Financial  
16           Protection; and

17                  (I) the Commission.

18           (b) REQUIREMENT.—Not later than 1 year after the  
19           date of enactment of this Act, and every 3 years thereafter  
20           for a total of not fewer than 12 years after the date of  
21           enactment of this Act, each Federal financial regulator  
22           shall submit to the appropriate committees of Congress  
23           a report that includes—

24                   (1) a description of the implementation of this  
25           Act and the amendments made by this Act (includ-

1       ing the adoption of rules and guidance, and the ap-  
2       proval or rejection of applications submitted, under  
3       this Act and the amendments made by this Act),  
4       where applicable to the Federal financial regulator;  
5       and

6               (2) any legislative recommendations for the fur-  
7       ther effective implementation of this Act and the  
8       amendments made by this Act.

9       **SEC. 505. TOKENIZATION OF SECURITIES AND OTHER**  
10               **REAL-WORLD ASSETS.**

11       (a) **DEFINITIONS.**—In this section:

12               (1) **FINANCIAL INSTRUMENT.**—The term “fi-  
13       nancial instrument” means any security, derivative,  
14       contract of sale of a commodity for future delivery,  
15       option on any such security, derivative, contract, or  
16       deposit, or any other security or financial instrument  
17       that the appropriate Federal banking agencies, the  
18       Commission, and the Commodity Futures Trading  
19       Commission may, by rule determine.

20               (2) **QUALIFIED THIRD-PARTY CUSTODIAN.**—The  
21       term “qualified third-party custodian” means an  
22       independent entity that—

23                       (A) is registered or regulated in a manner  
24       consistent with qualified custodians under the  
25       securities laws;

1 (B) meets standards for asset verification,  
2 custody, and audit, as established by the Com-  
3 mission pursuant to subsection (c); and

4 (C) is authorized to verify the legal exist-  
5 ence, title, and ongoing status of real-world as-  
6 sets represented by digital tokens.

7 (3) REAL-WORLD ASSET.—The term “real-  
8 world asset”—

9 (A) means any tangible property or prop-  
10 erty right, including real estate, a physical com-  
11 modity, equipment, or a contractual right; and

12 (B) does not include a financial instrument  
13 or a deposit.

14 (4) TOKENIZATION.—The term “tokenization”  
15 means the process of creating a unique digital rep-  
16 resentation of rights, obligations, or interests in a  
17 tangible or intangible asset on a distributed ledger.

18 (5) TOKENIZED.—The term “tokenized”, with  
19 respect to an asset, means that the asset has under-  
20 gone tokenization.

21 (6) TOKENIZED FINANCIAL INSTRUMENT.—The  
22 term “tokenized financial instrument” means any  
23 digital representation of a financial instrument, in-  
24 cluding any security, commodity future, swap or  
25 other derivative, that is recorded on a distributed

1 ledger or comparable technology, whether or not the  
2 digital representation is issued by the issuer of the  
3 underlying financial instrument.

4 (b) SENSE OF CONGRESS.—It is the sense of Con-  
5 gress that States should promptly consider and adopt com-  
6 mercial law frameworks under the Uniform Commercial  
7 Code that provide clear and uniform rules for the owner-  
8 ship, control, and enforceability of rights relating to digital  
9 assets.

10 (c) JOINT STUDY AND RULEMAKING.—

11 (1) JOINT STUDY.—

12 (A) IN GENERAL.—Not later than 360  
13 days after the date of enactment of this Act,  
14 the Commission and the Commodity Futures  
15 Trading Commission, shall jointly conduct a  
16 comprehensive study of the regulatory treat-  
17 ment of tokenized real-world assets.

18 (B) CONTENTS.—The study required  
19 under subparagraph (A) shall—

20 (i) address standards for the  
21 verification, custody, audit, regulatory re-  
22 porting, transaction reporting, and investor  
23 reporting of underlying real-world assets  
24 issued as digital assets, including setting

1 criteria for qualified third-party custodians  
2 and how to address fraud and false claims;

3 (ii) assess the Federal jurisdictional  
4 treatment of tokenized real-world assets,  
5 how State and international regulatory re-  
6 gimes may interact with that treatment,  
7 and mechanisms for interagency coordina-  
8 tion, cross-border cooperation, and enforce-  
9 ment with respect to tokenized real-world  
10 assets;

11 (iii) assess consumer protection issues,  
12 including the potential for fraud, scams,  
13 and misrepresentation of financial returns;  
14 and

15 (iv) assess how tokenization may af-  
16 fect the sovereign interests of States re-  
17 lated to the ownership and transfers of  
18 rights to tangible and intangible property,  
19 including the regulation of firearms, auto-  
20 mobiles, and real estate.

21 (2) JOINT AGENCY RULEMAKING.—After com-  
22 pleting the study required under paragraph (1), the  
23 Commission and the Commodity Futures Trading  
24 Commission may initiate notice and comment rule-

1 making to jointly establish tailored regulatory path-  
2 ways for tokenized real-world assets.

3 (d) PROHIBITION ON MISREPRESENTATION.—

4 (1) REAL WORLD ASSETS.—It shall be unlawful  
5 for any person to represent that a tokenized real-  
6 world asset is itself, or is equivalent to, the under-  
7 lying real-world asset, except to the extent that such  
8 representation is expressly supported by the legal  
9 rights and obligations associated with such tokenized  
10 real-world asset.

11 (2) TOKENIZED FINANCIAL INSTRUMENTS.—It  
12 shall be unlawful for any person to market, offer,  
13 sell, or otherwise represent that a tokenized financial  
14 instrument is, or is economically or legally equivalent  
15 to, the financial instrument it represents unless—

16 (A) the tokenized financial instrument con-  
17 fers substantially equivalent in all material re-  
18 spects economic rights, legal rights, and obliga-  
19 tions as the underlying financial instrument;

20 (B) the tokenized financial instrument is  
21 issued or created in full compliance with all ap-  
22 plicable laws governing the underlying financial  
23 instrument;

24 (C) records of ownership are maintained in  
25 accordance with applicable recordkeeping re-

1            requirements established by the appropriate agen-  
2            cy, including pursuant to section 106; and

3            (D) the distributed ledger or comparable  
4            technology employed meets such requirements  
5            for accuracy, resilience, auditability, and settle-  
6            ment finality as the appropriate agency may es-  
7            tablish by rule, consistent with sections 106 and  
8            107.

9            (e) PARITY IN REGULATORY TREATMENT.—

10            (1) IN GENERAL.—Except as otherwise pro-  
11            vided in this section or any other provision of this  
12            Act, a tokenized financial instrument shall be treat-  
13            ed for all regulatory purposes as the financial instru-  
14            ment it represents.

15            (2) NO WAIVER OR MODIFICATION.—No waiver  
16            or modification of any requirement applicable to the  
17            underlying financial instrument may be granted sole-  
18            ly because the instrument is issued, recorded, or  
19            transferred using distributed ledger technology.

20            (f) RULEMAKING FOR TOKENIZED FINANCIAL IN-  
21            STRUMENTS.—

22            (1) SEC.—The Commission shall issue rules  
23            governing tokenized financial instruments rep-  
24            resenting securities and security-based swaps.

1           (2) CFTC.—The Commodity Futures Trading  
2           Commission shall issue rules governing tokenized fi-  
3           nancial instruments representing futures, swaps, and  
4           other derivatives regulated under the Commodity  
5           Exchange Act.

6           (3) REQUIREMENTS.—Rules issued under this  
7           subsection shall address, and in the case of the Com-  
8           mission, consistent with sections 106 and 107, how  
9           requirements applicable to the underlying financial  
10          instrument apply to custody, books and records, rec-  
11          onciliation with transfer agents or other record-  
12          keepers, auditability, settlement finality, treatment  
13          of chain reorganizations, and other operational risks  
14          arising from the use of distributed ledger technology.

15          (g) ENFORCEMENT.—

16               (1) SEC.—The Commission may enforce sub-  
17               sections (d) through (f) as violations of section 10(b)  
18               of the Securities Exchange Act of 1934 (15 U.S.C.  
19               78j(b)), provided that the elements of such section  
20               are satisfied.

21               (2) CFTC.—The Commodity Futures Trading  
22               Commission may enforce subsections (d) through (f)  
23               as violations of section 6(c)(1) of the Commodity  
24               Exchange Act (7 U.S.C. 8(c)(1)), provided that the  
25               elements of such section are satisfied.

1 (h) SAVINGS CLAUSES.—

2 (1) FINANCIAL INSTRUMENT.—Any financial  
3 instrument that is a security under the securities  
4 laws shall not cease to be a security because the fi-  
5 nancial instrument is issued, recorded, represented,  
6 or transferred using distributed ledger technology.

7 (2) TOKENIZATION.—The tokenization of a  
8 real-world asset that is not otherwise a security  
9 under Federal law shall not, solely by reason of that  
10 tokenization, be deemed to be a security under the  
11 securities laws.

12 (3) NO AUTHORIZATION.—Nothing in this sec-  
13 tion shall authorize the Commission or the Com-  
14 modity Futures Trading Commission, or any other  
15 Federal or State regulator, to adopt any rule, ex-  
16 emption, interpretation, or other action that would  
17 result in a tokenized financial instrument not being  
18 subject to the otherwise applicable rules, require-  
19 ments, or restrictions for an untokenized financial  
20 instrument with the same rights and interests.

21 (4) NO EXEMPTION.—Except as provided in  
22 paragraph (6) and (7), nothing in this section shall  
23 authorize the Commission or the Commodity Fu-  
24 tures Trading Commission to exempt any person  
25 from an applicable registration requirement arising

1 under the securities laws or Commodity Exchange  
2 Act (7 U.S.C. 1 et seq.) solely because that person  
3 conducts activities with tokenized financial instru-  
4 ments.

5 (5) EFFECT ON STATE LAW.—Nothing in this  
6 section may be construed, interpreted, or applied in  
7 a manner that preempts, supersedes, invalidates, or  
8 otherwise affects any State property transfer rules,  
9 laws, regulations, or common law principles relating  
10 to the transfer or recording of real tangible or intan-  
11 gible assets or interests therein.

12 (6) RULEMAKINGS, ORDERS, AND OTHER AC-  
13 TIONS.—For the avoidance of doubt, section 106  
14 shall apply to any rulemaking, order, or other action  
15 of the Commission under this section.

16 (7) NO LIMIT OF AUTHORITY.—Nothing in this  
17 section, or any rule or regulation promulgated under  
18 this section, may be construed to limit the authority  
19 of the Commodity Futures Trading Commission to  
20 grant exemptions pursuant to section 4(c) of the  
21 Commodity Exchange Act (7 U.S.C. 6(c)).

22 **SEC. 506. VOLUNTARY ADOPTION OF NATIONAL INSTITUTE**  
23 **OF STANDARDS AND TECHNOLOGY POST-**  
24 **QUANTUM CRYPTOGRAPHY STANDARDS.**

25 (a) DEFINITIONS.—In this section:

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

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

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

8                   (C) the Committee on Commerce, Science,  
9                   and Transportation of the Senate;

10                  (D) the Committee on Financial Services  
11                  of the House of Representatives;

12                  (E) the Committee on Agriculture of the  
13                  House of Representatives; and

14                  (F) the Committee on Energy and Com-  
15                  merce of the House of Representatives.

16           (2) DIRECTOR.—The term “Director” means  
17           the Under Secretary of Commerce for Standards  
18           and Technology.

19           (b) SENSE OF CONGRESS.—Congress finds the fol-  
20           lowing:

21                   (1) Technical standards with respect to digital  
22                   assets ensure quality, interoperability, and reliability  
23                   in products, processes, and services and facilitate in-  
24                   novation.

1           (2) The digital asset ecosystem should harness  
2 standards to solve coordination problems and foster  
3 innovation, not through regulation, but through vol-  
4 untary, market-driven measures.

5           (3) Advances in quantum computing threaten  
6 existing cryptographic standards and the security of  
7 digital assets.

8           (c) VOLUNTARY ADOPTION.—The Director, in con-  
9 sultation with the Secretary of Homeland Security and the  
10 heads of sector risk management agencies, as appropriate,  
11 shall promote the voluntary adoption and deployment of  
12 post-quantum cryptography standards, including by—

13           (1) disseminating and making publicly available  
14 guidance and resources to help organizations adopt  
15 and deploy those standards;

16           (2) providing technical assistance, as prac-  
17 ticable, to entities that are at high risk of quantum  
18 cryptography analytic attacks, such as entities deter-  
19 mined to be critical infrastructure or digital infra-  
20 structure providers; and

21           (3) conducting such other activities determined  
22 necessary by the Director to promote the adoption  
23 and deployment of those standards across the  
24 United States.

1 (d) INDUSTRY CONSULTATION.—In implementing  
2 subsection (c), the Director shall, at a minimum—

3 (1) solicit regular input from a broad range of  
4 industry stakeholders regarding the feasibility and  
5 practical challenges of adopting the standards de-  
6 scribed in that subsection;

7 (2) facilitate ongoing dialogue between the Na-  
8 tional Institute of Standards and Technology and in-  
9 dustry participants to identify, assess, and address  
10 barriers to the adoption of the standards described  
11 in that subsection;

12 (3) not later than 2 years after the date of en-  
13 actment of this Act, and biennially thereafter until  
14 2035, submit to the appropriate congressional com-  
15 mittees a report on the implementation of subsection  
16 (c), including stakeholder engagement with respect  
17 to those actions and continued challenges in adopt-  
18 ing the standards described in that subsection; and

19 (4) not later than 5 years after the date of en-  
20 actment of this Act, make available to the public a  
21 report on stakeholder engagement and lessons  
22 learned in implementing subsection (c).

1 **SEC. 507. INTERNATIONAL COORDINATION TO COMBAT**  
2 **DIGITAL ASSET ILLICIT FINANCE.**

3 (a) **IN GENERAL.**—The Secretary of the Treasury, in  
4 coordination with the Secretary of State, the Attorney  
5 General, the Secretary of Homeland Security, and the  
6 heads of such other Federal departments and agencies as  
7 the President may designate, shall lead an interagency ini-  
8 tiative to strengthen international cooperation to prevent  
9 the misuse of digital assets for illicit finance, sanctions  
10 evasion, terrorist financing, or other national-security  
11 threats.

12 (b) **OBJECTIVES.**—The initiative established under  
13 subsection (a) shall—

14 (1) engage foreign counterparts, including fi-  
15 nance ministries, central banks, and financial intel-  
16 ligence units, to promote anti-money-laundering,  
17 sanctions evasion, and counter-terrorist financing  
18 controls applicable to digital asset activities, con-  
19 sistent with United States standards for those con-  
20 trols and the framework established under the Na-  
21 tional Strategy for International Digital Asset Illicit  
22 Finance submitted under subsection (c);

23 (2) encourage the adoption and enforcement of  
24 effective regulatory and supervisory frameworks for  
25 digital asset service providers to ensure transparency  
26 and prevent illicit use;

1           (3) identify and prioritize jurisdictions of con-  
2           cern that present significant risk of facilitating illicit  
3           digital asset activity and develop coordinated diplo-  
4           matic, economic, and law enforcement strategies to  
5           address those risks;

6           (4) support technical assistance and capacity-  
7           building programs for partner jurisdictions to en-  
8           hance anti-money laundering, sanctions evasion, and  
9           counter-terrorist financing supervision, enforcement,  
10          and information sharing relating to digital assets;  
11          and

12          (5) report annually to Congress on progress  
13          made toward the objectives described in paragraphs  
14          (1) through (4), including a list of cooperative and  
15          non-cooperative jurisdictions and any recommenda-  
16          tions for additional actions or sanctions.

17          (c) NATIONAL STRATEGY.—Not later than 270 days  
18          after the date of enactment of this Act, the Secretary of  
19          the Treasury, in consultation with the Secretary of State,  
20          the Attorney General, and the Director of National Intel-  
21          ligence, shall submit to the Committee on Banking, Hous-  
22          ing, and Urban Affairs, the Committee on Foreign Rela-  
23          tions, and the Committee on Homeland Security and Gov-  
24          ernmental Affairs of the Senate, and the Committee on  
25          Financial Services, the Committee on Foreign Affairs, and

1 the Committee on Homeland Security of the House of  
2 Representatives a National Strategy for International  
3 Digital Asset Illicit Finance, which shall—

4 (1) assess global vulnerabilities and enforce-  
5 ment gaps with respect to digital assets;

6 (2) set measurable goals and timelines for mul-  
7 tilateral engagement with respect to digital assets;

8 (3) recommend resource and staffing require-  
9 ments for Treasury attaches, financial intelligence li-  
10 aisons, and other personnel necessary to implement  
11 the strategy; and

12 (4) identify standards for anti-money laun-  
13 dering, sanctions evasion, and counter-terrorist fi-  
14 nancing controls applicable to digital asset activities  
15 by foreign jurisdictions, informed by United States  
16 law, regulation, and supervisory standards, including  
17 standards relating to—

18 (A) anti-money laundering and countering  
19 the financing of terrorism policies, national risk  
20 assessment, and interagency coordination to  
21 identify, prioritize, and mitigate illicit finance  
22 threats;

23 (B) money laundering offenses, asset sei-  
24 zure, and confiscation to recover proceeds of  
25 crime;

1 (C) terrorist financing and proliferation-fi-  
2 nancing offenses and related targeted financial  
3 sanctions;

4 (D) preventive measures for financial insti-  
5 tutions and other covered entities, including  
6 customer due diligence, recordkeeping, internal  
7 controls, and reporting of suspicious trans-  
8 actions; and

9 (E) regulation, supervision, and enforce-  
10 ment by competent authorities, including finan-  
11 cial intelligence, law enforcement, and sanctions  
12 measures.

13 **SEC. 508. ANNUAL REPORT ON FOREIGN DIGITAL ASSET**  
14 **TRADING VOLUME, COMPLIANCE WITH**  
15 **UNITED STATES STANDARDS AND REMEDI-**  
16 **ATION ACTIONS.**

17 (a) IN GENERAL.—Not later than 1 year after the  
18 date of enactment of this Act, and annually thereafter for  
19 a period of 4 years, the Secretary of the Treasury shall  
20 submit to the Committee on Banking, Housing, and  
21 Urban Affairs of the Senate and the Committee on Finan-  
22 cial Services of the House of Representatives a report  
23 that—

24 (1) lists the top 20 foreign jurisdictions by vol-  
25 ume of digital asset trading activity on foreign dig-

1       ital asset service providers during the calendar year  
2       immediately preceding the year of the report, as  
3       measured by reliable market data providers and dis-  
4       tributed ledger analytics;

5           (2) assesses the degree to which each foreign  
6       jurisdiction listed under paragraph (1) has imple-  
7       mented and enforced anti-money laundering, sanc-  
8       tions evasion, and counter-terrorist financing con-  
9       trols applicable to digital asset activities consistent  
10      with the standards and framework identified under  
11      the National Strategy for International Digital Asset  
12      Illicit Finance submitted under section 507; and

13           (3) identifies foreign jurisdictions with—

14                   (A) material deficiencies in the implemen-  
15                   tation or enforcement of the standards de-  
16                   scribed in paragraph (2); and

17                   (B) trading volumes that present systemic  
18                   illicit finance risk to the United States.

19       (b) FORM.—Each report required under subsection  
20 (a) shall be submitted in unclassified form, but may in-  
21 clude a classified annex, as appropriate.

22       (c) REMEDIATION AND ENGAGEMENT REPORT.—For  
23 each foreign jurisdiction identified pursuant to subsection  
24 (a)(3), the Secretary of the Treasury shall include in the  
25 applicable report—

1           (1) a description of bilateral diplomatic, regu-  
2           latory, or law enforcement engagements undertaken  
3           during the calendar year immediately preceding the  
4           year in which the report is submitted to remedy the  
5           deficiencies of the foreign jurisdiction;

6           (2) a summary of actions taken by the United  
7           States individually, or in conjunction with any appli-  
8           cable international body, to identify, monitor, and  
9           remedy high-risk or non-cooperative jurisdictions  
10          with respect to digital asset illicit finance, including  
11          designations or public statements identifying those  
12          jurisdictions and measures to support their remedi-  
13          ation;

14          (3) any commitments obtained from the foreign  
15          jurisdiction to address identified deficiencies, includ-  
16          ing timeliness and benchmarks; and

17          (4) an assessment of progress made toward full  
18          implementation of the standards identified under the  
19          National Strategy for International Digital Asset Il-  
20          licit Finance submitted under section 507.

1 **TITLE VI—PROTECTING SOFT-**  
2 **WARE DEVELOPERS AND**  
3 **SOFTWARE INNOVATION**

4 **SEC. 601. PROTECTING SOFTWARE DEVELOPERS.**

5 (a) AMENDMENT TO THE SECURITIES ACT OF  
6 1933.—The Securities Act of 1933 (15 U.S.C. 77a et  
7 seq.) is amended by inserting after section 27B (15 U.S.C.  
8 77z–2a) the following:

9 **“SEC. 27C. APPLICATION TO SOFTWARE DEVELOPERS.**

10 “(a) DISTRIBUTED LEDGER SYSTEM DEFINED.—In  
11 this section, the term ‘distributed ledger system’ has the  
12 meaning given the term in section 2 of the Digital Asset  
13 Market Clarity Act.

14 “(b) APPLICATION TO SOFTWARE DEVELOPERS.—  
15 Notwithstanding any other provision of this Act, a person  
16 shall not be subject to this Act and the regulations pro-  
17 mulgated under this Act solely based on the person engag-  
18 ing in any of the following activities, whether singly or  
19 in combination, in relation to the operation of a distrib-  
20 uted ledger system or any component thereof:

21 “(1) Compiling network transactions or relay-  
22 ing, searching, sequencing, validating, or acting in a  
23 similar capacity.

24 “(2) Providing computational work, operating a  
25 node or oracle service, or procuring, offering, or uti-

1 lizing network bandwidth, or providing other similar  
2 incidental services.”.

3 (b) AMENDMENT TO THE SECURITIES EXCHANGE  
4 ACT OF 1934.—The Securities Exchange Act of 1934 (15  
5 U.S.C. 78a et seq.) is amended by inserting after section  
6 15G (15 U.S.C. 78o–11) the following:

7 **“SEC. 15H. APPLICATION TO SOFTWARE DEVELOPERS.**

8 “(a) DEFINITIONS.—In this section:

9 “(1) CONSTITUTE.—The term ‘constitute’  
10 means to compile, assemble, integrate, or otherwise  
11 combine software components into a complete soft-  
12 ware system.

13 “(2) DECENTRALIZED FINANCE TRADING PRO-  
14 TOCOL.—

15 “(A) IN GENERAL.—The term ‘decentral-  
16 ized finance trading protocol’ means a distrib-  
17 uted ledger system through which multiple par-  
18 ticipants can execute a financial transaction—

19 “(i) in accordance with an automated  
20 rule or algorithm that is predetermined  
21 and non-discretionary; and

22 “(ii) without reliance on a person  
23 other than the user to maintain custody or  
24 control of the digital assets subject to the  
25 financial transaction.

1 “(B) EXCLUSIONS.—

2 “(i) IN GENERAL.—The term ‘decen-  
3 tralized finance trading protocol’ does not  
4 include a distributed ledger system if—

5 “(I) a person or group of persons  
6 under common control or acting pur-  
7 suant to an agreement to act in con-  
8 cert has the authority, directly or in-  
9 directly, through any contract, ar-  
10 rangement, understanding, relation-  
11 ship, or otherwise, to control or mate-  
12 rially alter the functionality, oper-  
13 ation, or rules of consensus or agree-  
14 ment of the distributed ledger system;  
15 or

16 “(II) the distributed ledger sys-  
17 tem does not operate, execute, and en-  
18 force its operations and transactions  
19 based solely on pre-established, trans-  
20 parent rules encoded directly within  
21 the source code of the distributed  
22 ledger system.

23 “(III) a person or group of per-  
24 sons under common control has the  
25 unilateral authority, via operation of

1 the distributed ledger system, to re-  
2 strict, censor, or prohibit the use of  
3 the distributed ledger system, includ-  
4 ing any applicable system-based user  
5 activity.

6 “(ii) SPECIAL RULE.—For purposes of  
7 clause (i), a decentralized governance sys-  
8 tem shall not be considered to be a person  
9 or a group of persons under common con-  
10 trol or acting pursuant to an agreement to  
11 act in concert.

12 “(3) DEPLOY.—The term ‘deploy’ means to  
13 bring software or hardware onto a distributed ledger  
14 system for active use.

15 “(4) DIGITAL ASSET; DISTRIBUTED LEDGER  
16 APPLICATION; DISTRIBUTED LEDGER SYSTEM; DIS-  
17 TRIBUTED LEDGER PROTOCOL; DECENTRALIZED  
18 GOVERNANCE SYSTEM; SMART CONTRACT.—The  
19 terms ‘digital asset’, ‘distributed ledger application’,  
20 ‘distributed ledger system’, ‘distributed ledger pro-  
21 tocol’, ‘decentralized governance system’, and ‘smart  
22 contract’ have the meanings given those terms in  
23 section 2 of the Digital Asset Market Clarity Act.

24 “(5) DECENTRALIZED FINANCE MESSAGING  
25 SYSTEM.—

1                   “(A) IN GENERAL.—The term ‘decentral-  
2                   ized finance messaging system’ means a soft-  
3                   ware application that provides a user with the  
4                   ability to create or submit an instruction, com-  
5                   munication, or message to a decentralized fi-  
6                   nance trading protocol.

7                   “(B) ADDITIONAL REQUIREMENTS.—The  
8                   term ‘decentralized finance messaging system’  
9                   does not include any system that provides any  
10                  person other than the user with —

11                   “(i) control over the funds of the user;

12                   or

13                   “(ii) the authority to execute any of  
14                  the transaction of the user.

15                  “(b) APPLICATION TO SOFTWARE DEVELOPERS.—  
16                  Notwithstanding any other provision of this Act, a person  
17                  shall not be subject to this Act and the regulations pro-  
18                  mulgated under this Act solely based on the person engag-  
19                  ing in any of the following activities, whether singly or  
20                  in combination, in relation to the operation of a distrib-  
21                  uted ledger system or any component thereof:

22                   “(1) Compiling network transactions or relay-  
23                  ing, searching, sequencing, validating, or acting in a  
24                  similar capacity.

1           “(2) Providing computational work, operating a  
2           node or oracle service, or procuring, offering, or uti-  
3           lizing network bandwidth, or providing other similar  
4           incidental services.

5           “(3) Developing, publishing, or constituting—

6                   “(A) a distributed ledger system; or

7                   “(B) software or systems that create or  
8           utilize hardware or software, including wallets  
9           or other systems, that facilitate the ability of a  
10          user to keep, safeguard, or have custody of the  
11          digital assets or private keys of the user.

12          “(c) RULE OF CONSTRUCTION.—Subsection (b)(3)  
13          does not extend to any activity covered in any of the activi-  
14          ties described in subparagraphs (A) through (D) of sub-  
15          section (d)(1), including activity taken following deploy-  
16          ment of such software or hardware.

17          “(d) CLARIFICATION.—

18                   “(1) IN GENERAL.—The Commission shall, pur-  
19          suant to notice and comment rulemaking, clarify the  
20          circumstances under which a person shall not be  
21          subject to this Act by reason of engaging solely in  
22          1 or more of the following activities in relation to  
23          the operation of a decentralized finance trading pro-  
24          tocol or any component thereof:

1           “(A) Providing a user interface that en-  
2 ables a user to read and access data.

3           “(B) Administering, maintaining, or other-  
4 wise distributing a decentralized governance  
5 system relating to a decentralized finance trad-  
6 ing protocol, or a decentralized finance trading  
7 protocol.

8           “(C) Administering, maintaining, or other-  
9 wise distributing a decentralized finance mes-  
10 saging system or operating or participating in  
11 a smart contract-based liquidity pool in a de-  
12 centralized finance trading protocol.

13           “(D) Administering, maintaining, or other-  
14 wise distributing software or systems that cre-  
15 ate or deploy hardware or software, including  
16 wallets or other systems, that facilitate the abil-  
17 ity of a user to keep, safeguard, or custody the  
18 digital assets or related private keys of the  
19 user.

20           “(2) CONSIDERATIONS.—In providing the clari-  
21 fication under paragraph (1) the Commission shall—

22           “(A) ensure that the rules are consistent  
23 with the purposes of the securities laws, includ-  
24 ing the public interest, the protection of inves-

1           tors, and the maintenance of fair and orderly  
2           markets;

3           “(B) provide that section 108(a) of the  
4           Lummis-Gillibrand Responsible Financial Inno-  
5           vation Act of 2026 shall apply to such rules;

6           “(C) protect the rights of software devel-  
7           opers, publishers, and users to create, publish,  
8           and use code and software in a manner con-  
9           sistent with the First Amendment to the Con-  
10          stitution of the United States; and

11          “(D) provide legal clarity for the develop-  
12          ment, publication, and operation of distributed  
13          ledger systems and the components therein in a  
14          manner consistent with the purposes of this sec-  
15          tion.

16          “(3) RULE OF CONSTRUCTION.—Nothing in  
17          this subsection may be construed to grant the Com-  
18          mission authority over persons, systems, software, or  
19          activities that do not otherwise fall within the juris-  
20          diction of the Commission under this Act, or to cre-  
21          ate a presumption that any such activity is subject  
22          to this Act.

23          “(e) ANTI-FRAUD, ANTI-MANIPULATION, AND FALSE  
24          REPORTING.—The determination to be not subject to this  
25          Act under subsections (b) and (d) shall not apply to the

1 anti-fraud, anti-manipulation, or false reporting enforce-  
2 ment authorities of the Commission.

3 “(f) RULE OF CONSTRUCTION.—For the avoidance of  
4 doubt, nothing in this Act or the rules and regulations  
5 promulgated under this Act may be construed to apply any  
6 requirement of the securities laws to a digital commodity,  
7 as defined in section 2 of the Digital Asset Market Clarity  
8 Act, or expand the authority of the Commission beyond  
9 that which the Commission had before the date of enact-  
10 ment of the Digital Asset Market Clarity Act to regulate  
11 the activities described in subsection (d)(1).

12 “(g) FEDERAL PREEMPTION.—

13 “(1) IN GENERAL.—Notwithstanding any other  
14 provision of law, no securities, commodities, or digi-  
15 tal assets law of any State (or of any political sub-  
16 division of a State) shall apply to an activity de-  
17 scribed in subsection (b).

18 “(2) RULE OF CONSTRUCTION.—Nothing in  
19 paragraph (1) may be construed to apply to the  
20 anti-money laundering, anti-fraud, or anti-manipula-  
21 tion authorities of a State (or of any political sub-  
22 division of a State).”.

23 (c) APPLICABILITY.—This section, and the amend-  
24 ments made by this section, shall apply to conduct occur-  
25 ring before, on, or after the date of enactment of this Act.

1 **SEC. 602. SAFE HARBOR FOR NONFUNGIBLE TOKENS.**

2 (a) DEFINITIONS.—In this section:

3 (1) NONFUNGIBLE TOKEN.—The term “non-  
4 fungible token” means a digital asset recorded on a  
5 distributed ledger that—

6 (A) is individually identifiable and distin-  
7 guishable from any other digital asset;

8 (B) represents ownership of, or rights in,  
9 a work of authorship, art, a collectible, a mem-  
10 bership, an access credential, a certificate of au-  
11 thenticity, an in-game or in-application item, or  
12 another similar specific item or discrete digital  
13 or physical good, service, or benefit;

14 (C) is not interchangeable on a 1-to-1  
15 basis with any other token or digital asset; and

16 (D) may be bought, sold, or transferred for  
17 consideration.

18 (2) PROMOTER.—The term “promoter” means  
19 a person or group that manages, controls, or oper-  
20 ates an enterprise in which capital is invested, or  
21 any person or group acting on behalf of such a per-  
22 son or group with respect to such an enterprise, in-  
23 cluding an affiliate, agent, or coordinated actor that  
24 contributes to the capital raising efforts of the enter-  
25 prise.

26 (b) SAFE HARBOR.—

1           (1) IN GENERAL.—Except as provided in para-  
2           graph (3), the offer, sale, resale, transfer, or convey-  
3           ance of a nonfungible token shall not be deemed to  
4           constitute an offer or sale of a security or invest-  
5           ment contract under the Securities Act of 1933 (15  
6           U.S.C. 77a et seq.), the Securities Exchange Act of  
7           1934 (15 U.S.C. 78a et seq.), or any equivalent  
8           State law, unless the transaction, in substance, in-  
9           volves all of the elements of an investment contract.

10          (2) RULES OF CONSTRUCTION.—Neither of the  
11          following shall be considered to be a security under  
12          the Securities Act of 1933 (15 U.S.C. 77a et seq.)  
13          or the Securities Exchange Act of 1934 (15 U.S.C.  
14          78a et seq.):

15               (A) The resale or secondary market trans-  
16               fer of a nonfungible token, where the payment  
17               for that resale or transfer does not flow to a  
18               promoter or is not used to raise new capital for  
19               an enterprise.

20               (B) A nonfungible token that serves as a  
21               collectible, membership right, event ticket, ac-  
22               cess credential, or other non-investment-based  
23               use case solely because the nonfungible token  
24               may appreciate in value or depend in part on

1 continued efforts or the reputation of the cre-  
2 ator or issuer of the nonfungible token.

3 (3) EXCEPTIONS.—The safe harbor under para-  
4 graph (1) shall not apply to—

5 (A) a mass-minted series of items with  
6 substantially similar or nearly identical traits  
7 that are marketed or sold interchangeably;

8 (B) a fractionalized interest in a nonfun-  
9 gible token; or

10 (C) an interest representing a beneficial or  
11 economic claim on a nonfungible token or an  
12 asset that a nonfungible token represents.

13 (4) RELIANCE; PROSPECTIVE EFFECT.—

14 (A) RELIANCE.—A person, other than an  
15 originator or related person, that reasonably  
16 and in good faith relies on the safe harbor  
17 under this subsection shall not be subject to  
18 any civil or administrative penalties.

19 (B) PROSPECTIVE EFFECT.—Any deter-  
20 mination by the Commission that the safe har-  
21 bor under this subsection does not apply to a  
22 particular circumstance shall—

23 (i) be prospective only; and

1 (ii) take effect not earlier than 60  
2 days after the date on which the Commis-  
3 sion publicly posts that determination.

4 **SEC. 603. STUDY ON NONFUNGIBLE TOKENS.**

5 (a) DEFINITION.—In this section, the term “nonfun-  
6 gible token” has the meaning given the term in section  
7 602.

8 (b) STUDY.—The Comptroller General of the United  
9 States shall carry out a study of nonfungible tokens that  
10 analyzes—

11 (1) the nature, size, role, purpose, and use of  
12 nonfungible tokens;

13 (2) the similarities and differences between non-  
14 fungible tokens and other digital commodities, in-  
15 cluding digital commodities and payment stablecoins,  
16 and how the markets for those digital commodities  
17 intersect;

18 (3) how nonfungible tokens are minted by  
19 issuers and subsequently administered to purchasers;

20 (4) how nonfungible tokens are stored after  
21 being purchased by a consumer;

22 (5) the interoperability of nonfungible tokens  
23 between different distributed ledger systems;

24 (6) the scalability of different nonfungible token  
25 marketplaces;

1           (7) the benefits of nonfungible tokens, including  
2       verifiable digital ownership;

3           (8) the risks of nonfungible tokens, including—

4               (A) intellectual property rights;

5               (B) cybersecurity risks; and

6               (C) market risks;

7           (9) whether and how nonfungible tokens have  
8       been, or could be, integrated with traditional mar-  
9       ketplaces, including marketplaces for music, real es-  
10      tate, gaming, events, and travel;

11          (10) whether and how nonfungible tokens have  
12      been, or could be, used to facilitate commerce or  
13      other activities through the representation of docu-  
14      ments, identification, contracts, licenses, and other  
15      commercial, governmental, or personal records;

16          (11) any risks to traditional markets from the  
17      integration described in paragraph (9); and

18          (12) the levels and types of illicit activity in  
19      nonfungible token markets.

20       (c) REPORT.—Not later than 1 year after the date  
21      of enactment of this Act, the Comptroller General of the  
22      United States shall make publicly available a report that  
23      includes the results of the study required under subsection  
24      (b).

1 **SEC. 604. BLOCKCHAIN REGULATORY CERTAINTY ACT.**

2 (a) **SHORT TITLE.**—This section may be cited as the  
3 “Blockchain Regulatory Certainty Act”.

4 (b) **DEFINITIONS.**—In this section:

5 (1) **DEVELOPER OR PROVIDER.**—The term “de-  
6 veloper or provider” means any person or business  
7 that creates or publishes software to facilitate the  
8 creation of, or provide maintenance to, a distributed  
9 ledger, or a service associated with a distributed  
10 ledger.

11 (2) **DISTRIBUTED LEDGER SERVICE.**—The term  
12 “distributed ledger service” means any information,  
13 transaction, or computing service or system that  
14 provides or enables access to a distributed ledger  
15 system by multiple users, including a service or sys-  
16 tem that enables users to send, receive, exchange, or  
17 store digital assets described by distributed ledger  
18 systems.

19 (3) **NON-CONTROLLING DEVELOPER OR PRO-**  
20 **VIDER.**—The term “non-controlling developer or pro-  
21 vider” means a developer or provider of a distributed  
22 ledger service that, in the regular course of oper-  
23 ations, does not have the legal right or the unilateral  
24 and independent ability to control, initiate upon de-  
25 mand, or effectuate transactions involving digital as-  
26 sets to which users are entitled, without the ap-

1       proval, consent, or direction of any other third  
2       party.

3       (c) TREATMENT.—Notwithstanding any other provi-  
4       sion of law, a non-controlling developer or provider—

5             (1) shall not be treated as—

6                 (A) a money transmitting business, as de-  
7                 fined in section 5330 of title 31, United States  
8                 Code, and the regulations promulgated under  
9                 that section; or

10                (B) engaged in money transmitting, as de-  
11                fined in section 1960 of title 18, United States  
12                Code, as amended by this Act; and

13             (2) on or after the date of enactment of this  
14       Act, shall not be otherwise subject to any registra-  
15       tion requirement that is substantially similar to a re-  
16       quirement (as in effect on the day before the date  
17       of enactment of this Act) that applies to an entity  
18       described in subparagraph (A) or (B) of paragraph  
19       (1), solely on the basis of—

20                 (A) creating or publishing software to fa-  
21                 cilitate the creation of, or providing mainte-  
22                 nance services to, a distributed ledger or a serv-  
23                 ice associated with a distributed ledger;

1 (B) providing hardware or software to fa-  
2 cilitate a customer's own custody or safekeeping  
3 of the digital assets of the customer; or

4 (C) providing infrastructure support to  
5 maintain a distributed ledger service.

6 (d) RULES OF CONSTRUCTION.—Nothing in this sec-  
7 tion may be construed—

8 (1) to affect whether a developer or provider of  
9 a distributed ledger service is otherwise subject to  
10 classification or treatment as a money transmitter,  
11 or as engaged in money transmitting, under applica-  
12 ble Federal or State law, including laws relating to  
13 anti-money laundering or countering the financing of  
14 terrorism, based on conduct outside the scope of  
15 subsection (c);

16 (2) to affect whether a developer or provider is  
17 otherwise subject to classification or treatment as a  
18 financial institution under subchapter II of chapter  
19 53 of title 31, United States Code, this Act, any  
20 amendment made by this Act, or any Act enacted  
21 after the date of enactment of this Act;

22 (3) to limit or expand any law pertaining to in-  
23 tellectual property;

24 (4) to prevent any State from enforcing any  
25 State law that is consistent with this section; or

1           (5) to create a cause of action or impose liabil-  
2           ity under any State or local law that is inconsistent  
3           with this section.

4 **SEC. 605. KEEP YOUR COINS ACT.**

5           (a) **SHORT TITLE.**—This section may be cited as the  
6 “Keep Your Coins Act”.

7           (b) **DEFINITIONS.**—In this section:

8           (1) **COVERED USER.**—The term “covered user”  
9           means a United States individual who obtains digital  
10           assets to purchase goods or services on behalf of  
11           that individual, without regard to the method in  
12           which that individual obtained those digital assets.

13           (2) **SELF-HOSTED WALLET.**—The term “self-  
14           hosted wallet” means a digital interface—

15           (A) that is used to secure and transfer dig-  
16           ital assets; and

17           (B) under which the owner of digital assets  
18           secured and transferred under subparagraph  
19           (A) retains independent control over those dig-  
20           ital assets.

21           (c) **SELF-CUSTODY.**—A Federal agency may not pro-  
22           hibit, restrict, or otherwise impair the ability of a covered  
23           user to self-custody digital assets using a self-hosted wallet  
24           or other means to conduct transactions for any lawful pur-  
25           pose.

1 (d) RULE OF CONSTRUCTION.—Nothing in this sec-  
2 tion may be construed to limit the authority of the Sec-  
3 retary of the Treasury, the Commission, the Commodity  
4 Futures Trading Commission, the Board of Governors of  
5 the Federal Reserve System, the Comptroller of the Cur-  
6 rency, the Federal Deposit Insurance Corporation, or the  
7 National Credit Union Administration to carry out any en-  
8 forcement action or special measure authorized under ap-  
9 plicable law, including—

10 (1) the Bank Secrecy Act, section 9714 of the  
11 Combating Russian Money Laundering Act (31  
12 U.S.C. 5318A note), and section 7213A of the  
13 Fentanyl Sanctions Act (21 U.S.C. 2313a); or

14 (2) any other law relating to illicit finance,  
15 money laundering, terrorism financing, or United  
16 States sanctions.

17 **TITLE VII—PROTECTING**  
18 **CUSTOMER PROPERTY**

19 **SEC. 701. CUSTOMER PROPERTY PROTECTIONS FOR ANCIL-**  
20 **LARY ASSETS AND DIGITAL COMMODITIES IN**  
21 **BANKRUPTCY.**

22 (a) DEFINITIONS FOR STOCKBROKER LIQUIDA-  
23 TION.—

24 (1) IN GENERAL.—Section 741 of title 11,  
25 United States Code, is amended—

1 (A) by redesignating paragraphs (5)  
2 through (9) as paragraphs (7) through (11), re-  
3 spectively;

4 (B) by redesignating paragraphs (1)  
5 through (4) as paragraphs (2) through (5), re-  
6 spectively;

7 (C) by inserting before paragraph (2), as  
8 so redesignated, the following:

9 “(1) ‘ancillary asset’ has the meaning given  
10 that term section 2 of the Digital Asset Market  
11 Clarity Act;”;

12 (D) in paragraph (3), as so redesignated—

13 (i) in subparagraph (A)(vi), by strik-  
14 ing “and” at the end;

15 (ii) by redesignating subparagraph  
16 (B) as subparagraph (C);

17 (iii) by inserting after subparagraph  
18 (A) the following:

19 “(B) entity with whom a person deals as  
20 principal or agent and that has a claim against  
21 such person on account of a digital commodity  
22 or an ancillary asset received, acquired, or held  
23 by such person from or for the securities ac-  
24 count or accounts of such entity for 1 or more  
25 of the purposes identified in clauses (i) through

1 (vi) of subparagraph (A) of this paragraph;  
2 and”; and

3 (iv) in subparagraph (C), as so redesi-  
4 gnated—

5 (I) in clause (i)—

6 (aa) by inserting “, ancillary  
7 asset, or digital commodity” after  
8 “security”; and

9 (bb) by inserting “or (B)”  
10 after “subparagraph (A)”; and

11 (II) in clause (ii), by inserting  
12 “an ancillary asset, a digital com-  
13 modity,” after “a security,”;

14 (E) in paragraph (5), as so redesignated,  
15 in the matter preceding subparagraph (A), by  
16 inserting “ancillary asset, digital commodity,”  
17 after “cash, security,” each place it appears;

18 (F) by inserting after paragraph (5), as so  
19 redesignated, the following:

20 “(6) ‘digital commodity’ has the meaning given  
21 that term in section 2 of the Digital Asset Market  
22 Clarity Act;”; and

23 (G) in paragraph (8), as so redesignated,  
24 in subparagraph (A)(i), by inserting “, ancillary

1           asset positions, and digital commodities posi-  
2           tions” after “securities positions”.

3           (b) EXTENT OF CUSTOMER CLAIMS.—Section 746(b)  
4 of title 11, United States Code, is amended, in the matter  
5 preceding paragraph (1), by striking “cash or a security”  
6 and inserting “cash, a security, an ancillary asset, or a  
7 digital commodity”.

8           (c) TECHNICAL AND CONFORMING AMENDMENTS.—

9           (1) Section 546(e) of title 11, United States  
10 Code, is amended—

11                   (A) by striking “section 741(7)” and in-  
12                   serting “section 741”; and

13                   (B) by striking “section 761(4)” and in-  
14                   serting “section 761”.

15           (2) Section 561 of title 11, United States Code,  
16 is amended—

17                   (A) in paragraph (1), by striking “section  
18                   741(7)” and inserting “section 741”; and

19                   (B) in paragraph (2), by striking “section  
20                   761(4)” and inserting “section 761”.

21           (3) Section 752(c) of title 11, United States  
22 Code, is amended by striking “section 741(4)(B)”  
23 and inserting “section 471(5)(B)”.

24           (d) CLARIFICATION.—For the avoidance of doubt—

1           (1) nothing in this section or an amendment  
2           made by this section may be construed to apply to  
3           securities or cash held by a broker-dealer and such  
4           assets and related claims shall be governed exclu-  
5           sively by the Securities Investor Protection Act of  
6           1970 (15 U.S.C. 78aaa et seq.);

7           (2) nothing in this section or an amendment  
8           made by this section may be construed to apply to  
9           deposits held by a bank or commodity contracts,  
10          which shall be governed by the relevant applicable  
11          law; and

12          (3) in any liquidation proceeding under sub-  
13          chapter III or IV of chapter 7 of title 11, United  
14          States Code, those provisions shall be construed to  
15          treat ancillary assets and digital commodities held  
16          for customers as customer property governed by title  
17          11 and required to be distributed according to such  
18          title.

## 19                   **TITLE VIII—CUSTOMER** 20                   **PROTECTION**

### 21   **SEC. 801. EDUCATIONAL MATERIALS.**

22          The Commission and the Commodity Futures Trad-  
23          ing Commission shall require digital asset intermediaries  
24          to provide clear and accessible educational materials to the  
25          public, including—

- 1 (1) an overview of how distributed ledger sys-  
2 tems function;
- 3 (2) a description of common risks associated  
4 with digital assets;
- 5 (3) a description of the differences between dig-  
6 ital asset markets and traditional financial markets;
- 7 (4) information on reporting and disclosure re-  
8 quirements related to digital asset transactions and  
9 investment contracts which may be accompanied by  
10 network tokens or ancillary assets; and
- 11 (5) guidance on recognizing fraudulent schemes  
12 and instructions for reporting suspected fraud.

13 **SEC. 802. SAVINGS CLAUSES.**

14 (a) DEFINITIONS.—In this section:

15 (1) DIGITAL CONSUMER TOKEN.—The term  
16 “digital consumer token” means a digital asset that  
17 is primarily acquired for a consumptive purpose, in-  
18 cluding redemption for a specified good or service at  
19 the time of sale or within a reasonable token after  
20 sale, as defined by the Federal Trade Commission  
21 pursuant to rule.

22 (2) NONFUNGIBLE TOKEN.—The term “non-  
23 fungible token” means a digital asset recorded on a  
24 distributed ledger that—

1 (A) is individually identifiable and distin-  
2 guishable from any other digital asset;

3 (B) represents ownership of, or rights in,  
4 a work of authorship, art, a collectible, a mem-  
5 bership, an access credential, a certificate of au-  
6 thenticity, an in-game or in-application item, or  
7 another similar specific item or discrete digital  
8 or physical good, service, or benefit;

9 (C) is not interchangeable on a 1-to-1  
10 basis with any other token or digital asset; and

11 (D) may be bought, sold, or transferred for  
12 consideration.

13 (b) FEDERAL TRADE COMMISSION.—Nothing in this  
14 Act, or any amendment made by this Act, may be con-  
15 strued as limiting or abridging the jurisdiction of the Fed-  
16 eral Trade Commission with respect to—

17 (1) investigations or enforcement actions relat-  
18 ing to unfair or deceptive acts or practices by per-  
19 sons relating to commerce in nonfungible tokens or  
20 digital consumer tokens, including deceptive acts  
21 with respect to advertising and endorsements relat-  
22 ing to nonfungible tokens and digital consumer to-  
23 kens;

1           (2) highlighting best practices relating to com-  
2           merce in nonfungible tokens or digital consumer to-  
3           kens;

4           (3) promoting responsible innovation;

5           (4) consumer education relating to fraudulent  
6           digital asset activity; or

7           (5) investigating unlawful restraints of trade in  
8           the digital asset industry.

9           (c) **RULE OF CONSTRUCTION.**—Nothing in this Act,  
10          or any amendment made by this Act, may be construed  
11          to expand, contract, or otherwise affect the jurisdiction or  
12          authority with respect to the Federal consumer financial  
13          laws under the Consumer Financial Protection Act of  
14          2010 (12 U.S.C. 5481 et seq.), as in effect on the day  
15          before the date of enactment of this Act, including with  
16          respect to subsection (i) or (j) of section 1027 of the Con-  
17          sumer Financial Protection Act of 2010 (12 U.S.C. 5517).

18          **SEC. 803. STUDY ON EXPANDING FINANCIAL LITERACY.**

19          (a) **STUDY.**—The Commission and the Commodity  
20          Futures Trading Commission shall jointly conduct a study  
21          to identify—

22                 (1) the existing level of financial literacy among  
23                 retail digital asset customers;

1           (2) methods to improve the timing, content, and  
2           format of financial literacy materials regarding dig-  
3           ital assets provided by the respective commissions;

4           (3) methods to improve coordination between  
5           the Securities and Exchange Commission and the  
6           Commodity Futures Trading Commission with other  
7           agencies, including the Financial Literacy and Edu-  
8           cation Commission, nonprofit organizations, and  
9           State and local jurisdictions, to better disseminate  
10          financial literacy materials;

11          (4) the efficacy of current financial literacy ef-  
12          forts with a focus on rural communities and commu-  
13          nities with majority-minority populations;

14          (5) the most useful and understandable relevant  
15          information, including clear disclosures, that retail  
16          digital asset customers need to make informed finan-  
17          cial decisions before engaging with or purchasing a  
18          digital asset;

19          (6) the most effective public-private partner-  
20          ships in providing financial literacy regarding digital  
21          asset;

22          (7) the most relevant metrics to measure suc-  
23          cessful improvement of the financial literacy of an  
24          individual after engaging with financial literacy ef-  
25          forts; and

1           (8) in consultation with the Financial Literacy  
2           and Education Commission, a strategy (including to  
3           the extent practicable, measurable goals and objec-  
4           tives) to increase financial literacy of investors re-  
5           garding digital assets.

6           (b) REPORT.—Not later than 1 year after the date  
7           of enactment of this Act, the Commission and the Com-  
8           modity Futures Trading Commission shall jointly submit  
9           to the Committee on Banking, Housing, and Urban Af-  
10          fairs and the Committee on Agriculture, Nutrition, and  
11          Forestry of the Senate and the Committee on Financial  
12          Services and the Committee on Agriculture of the House  
13          of Representatives a written report on the study required  
14          under subsection (a).

15   **SEC. 804. CONSULTATION WITH SIPC REGARDING MANDA-**  
16                           **TORY BROKER-DEALER DISCLOSURES TO IN-**  
17                           **VESTORS CONCERNING THE STATUS OF PAY-**  
18                           **MENT STABLECOINS AND DIGITAL COMMOD-**  
19                           **ITIES.**

20          (a) DEFINITION.—In this section, the term “payment  
21          stablecoin” has the meaning given the term in section 2  
22          of the GENIUS Act (12 U.S.C. 5901).

23          (b) RULES.—Not later than 270 days after the date  
24          of enactment of this Act, the Commission, after consulta-  
25          tion with the Commodity Futures Trading Commission

1 and the Securities Investor Protection Corporation, shall  
2 issue rules requiring written disclosures regarding the  
3 treatment of customer assets in the event of an insolvency,  
4 resolution, or liquidation proceeding to be provided by a  
5 registered broker or dealer to an investor—

6 (1) before a digital commodity, a payment  
7 stablecoin, or an investment contract involving a  
8 unit of a digital commodity is received, acquired, or  
9 held by the broker or dealer for the account of the  
10 investor; and

11 (2) after the provision of the disclosures under  
12 paragraph (1), at such frequency as the Commission  
13 may prescribe.

14 (c) CONTENTS.—The rules issued under subsection  
15 (b) shall include, as necessary or appropriate for the pro-  
16 tection of investors—

17 (1) a description of the manner in which any  
18 digital commodity, payment stablecoin, or invest-  
19 ment contract involving a unit of a digital com-  
20 modity received, acquired, or held by a broker or  
21 dealer for the account of an investor would be treat-  
22 ed in an insolvency, resolution, or liquidation pro-  
23 ceeding with respect to the broker or dealer under—

1 (A) title II of the Dodd-Frank Wall Street  
2 Reform and Consumer Protection Act (12  
3 U.S.C. 5381 et seq.);

4 (B) the Securities Investor Protection Act  
5 of 1970 (15 U.S.C. 78aaa et seq.); or

6 (C) as applicable, chapter 7 or 11 of title  
7 11, United States Code; and

8 (2) how the treatment described in paragraph  
9 (1) differs from the treatment of securities and cash  
10 received, acquired, or held by the broker or dealer  
11 for the account of the applicable investor in the  
12 event of an insolvency, resolution, or liquidation pro-  
13 ceeding with respect to the broker or dealer under  
14 each provision of law described in subparagraph (A),  
15 (B), and (C) of paragraph (1).

## 16 **TITLE IX—OTHER MATTERS**

### 17 **SEC. 901. JOINT ADVISORY COMMITTEE ON DIGITAL AS-** 18 **SETS.**

19 (a) ESTABLISHMENT.—The Commodity Futures  
20 Trading Commission and the Securities and Exchange  
21 Commission (referred to collectively in this section as the  
22 “Commissions”) shall jointly establish the Joint Advisory  
23 Committee on Digital Assets (referred to in this section  
24 as the “Committee”).

25 (b) PURPOSE.—

- 1 (1) IN GENERAL.—The Committee shall—
- 2 (A) provide the Commissions with official
- 3 findings and nonbinding recommendations on—
- 4 (i) the rules, regulations, oversight,
- 5 and other matters of the Commissions re-
- 6 lating to digital assets, including with re-
- 7 spect to regulatory harmonization between
- 8 the Commissions;
- 9 (ii) how to further the regulatory har-
- 10 monization of digital asset policy between
- 11 the Commissions or areas in which that
- 12 harmonization should occur; and
- 13 (iii) the implementation by the Com-
- 14 missions of this Act, and the amendments
- 15 made by this Act, including with respect to
- 16 regulatory harmonization between the
- 17 Commissions, memoranda of under-
- 18 standing, and the Joint Micro-Innovation
- 19 Sandbox established pursuant to section
- 20 501;
- 21 (B) develop and share objective methods
- 22 and best practices for evaluating digital asset
- 23 networks and activities, including, as appro-
- 24 priate, technical features, economic design, and

1           implications for market integrity, investor pro-  
2           tection, and operational resilience; and

3                   (C) issue nonbinding recommendations to  
4           assist in resolving disputes between the Com-  
5           missions.

6           (c) REVIEW BY THE COMMISSIONS.—Each of the  
7   Commissions shall—

8                   (1) review the findings and nonbinding rec-  
9           ommendations provided under subsection (b)(1)(A);

10                   (2) promptly publish a public statement each  
11           time the Committee submits a finding or nonbinding  
12           recommendation to the applicable Commission under  
13           subsection (b)(1)(A) that—

14                           (A) assesses the finding or recommenda-  
15           tion; and

16                           (B) if applicable, discloses the action or de-  
17           cision not to take action; and

18                   (3) provide the Committee with a formal writ-  
19           ten response not later than 90 days after the date  
20           of submission of the finding or nonbinding rec-  
21           ommendation under subsection (b)(1)(A).

22           (d) MEMBERSHIP AND LEADERSHIP.—

23                   (1) NON-FEDERAL MEMBERS; SIZE AND COM-  
24           POSITION.—

1 (A) IN GENERAL.—The Commissions shall  
2 appoint to the Committee not more than 14  
3 nongovernmental voting members who—

4 (i) represent a broad spectrum of in-  
5 terests, equally divided between the Com-  
6 missions; and

7 (ii) serve at the pleasure of the ap-  
8 pointing Commission.

9 (B) SPECIFIC MEMBERS.—For each of the  
10 Commissions, the appointees under subpara-  
11 graph (A) of this paragraph shall include—

12 (i) 2 individuals described in para-  
13 graph (2)(A);

14 (ii) 2 individuals described in para-  
15 graph (2)(B);

16 (iii) 1 individual described in para-  
17 graph (2)(C);

18 (iv) 2 individuals described in para-  
19 graph (2)(D); and

20 (v) 1 individual described in para-  
21 graph (2)(E).

22 (2) MEMBERS DESCRIBED.—A member de-  
23 scribed in this paragraph is—

1 (A) an individual who is employed by, or is  
2 a related person with respect to, a digital asset  
3 market participant;

4 (B) a person registered with either of the  
5 Commissions and that is engaged in activities  
6 relating to digital assets;

7 (C) an individual engaged in academic re-  
8 search relating to digital assets;

9 (D) a retail user of digital assets; and

10 (E) a State securities regulator.

11 (3) NIST.—The Director of the National Insti-  
12 tute of Standards and Technology, or the designee  
13 of the Director, shall serve in an advisory capacity  
14 as a nonvoting, ex officio member of the Committee,  
15 and shall not be excluded from any proceedings,  
16 meetings, discussions, or deliberations of the Com-  
17 mittee, except that the chair of the Committee, upon  
18 an affirmative vote of the Committee, may exclude  
19 the Director or the designee from any proceedings,  
20 meetings, discussions, or deliberations of the Com-  
21 mittee when necessary to safeguard and promote the  
22 free exchange of confidential information.

23 (4) CO-DESIGNATED FEDERAL OFFICERS; COM-  
24 MISSIONER SUPPORT.—

1 (A) CO-DESIGNATED FEDERAL OFFI-  
2 CERS.—

3 (i) IN GENERAL.—Each Commission  
4 shall designate 1 Federal officer to serve  
5 as co-designated Federal officers of the  
6 Committee.

7 (ii) SHARED DUTIES.—The duties re-  
8 quired by section 1009(e) of title 5, United  
9 States Code, to be carried out by a des-  
10 ignated Federal officer with respect to the  
11 Committee shall be shared by the Federal  
12 officers of the Committee who are co-des-  
13 ignated under clause (i).

14 (B) COMMISSIONER SUPPORT.—

15 (i) IN GENERAL.—Commissioners of  
16 the Commissions may be supported by offi-  
17 cers or employees of the respective Com-  
18 mission who may prepare or transmit ma-  
19 terials, coordinate with agency staff, liaise  
20 with Committee leadership, propose agenda  
21 items, gather information, and otherwise  
22 support the participation of that commis-  
23 sioner in Committee business, in an ex  
24 officio, nonvoting capacity.

1                   (ii) RULE OF CONSTRUCTION.—An of-  
2                   ficer or employee described in clause (i)  
3                   shall not be considered to be a member of  
4                   the Committee for purposes of chapter 10  
5                   of title 5, United States Code.

6                   (C) INFORMATION SHARING.—The co-des-  
7                   ignated Federal officers and their Commis-  
8                   sioner support shall share information about  
9                   digital asset activities under this Act, in accord-  
10                  ance with section 902, including with regard to  
11                  preventing insider trading.

12                 (5) COMMITTEE LEADERSHIP.—The members  
13                 of the Committee shall elect, from among the mem-  
14                 bership of the Committee, a secretary and an assist-  
15                 ant secretary.

16                 (6) ROTATING CHAIR.—The chair and vice  
17                 chair of the Committee shall rotate annually between  
18                 the Commissions, with the Commission designating  
19                 the chair in even-numbered calendar years, the Com-  
20                 modity Futures Trading Commission designating the  
21                 chair in odd-numbered calendar years, the Commis-  
22                 sion designating the vice chair in odd-numbered cal-  
23                 endar years, and the Commodity Futures Trading  
24                 Commission designating the vice chair in even-num-  
25                 bered calendar years.

1 (7) TERMS; VACANCIES; HOLDOVER.—

2 (A) IN GENERAL.—Each non-Federal  
3 member of the Committee shall be appointed  
4 for a term of 4 years.

5 (B) SERVICE UNTIL NEW APPOINTMENT.—  
6 A member of the Committee may continue to  
7 serve after the expiration of the term of the  
8 member until a successor is appointed.

9 (C) VACANCIES.—A vacancy with respect  
10 to membership in the Committee shall be filled  
11 only for the remainder of the applicable term.

12 (D) REAPPOINTMENT.—A member of the  
13 Committee may be reappointed.

14 (8) STATUS OF MEMBERS.—A member of the  
15 Committee appointed under paragraph (1) shall not  
16 be deemed to be an employee or agent of either of  
17 the Commissions solely by reason of membership on  
18 the Committee.

19 (e) NO COMPENSATION FOR COMMITTEE MEM-  
20 BERS.—

21 (1) NON-FEDERAL MEMBERS.—All Committee  
22 members appointed under subsection (d)(1) shall—

23 (A) serve without compensation; and

24 (B) while away from the home or regular  
25 place of business of the member in the perform-

1           ance of services for the Committee, be allowed  
2           travel expenses, including per diem in lieu of  
3           subsistence, in the same manner as persons em-  
4           ployed intermittently in Government service are  
5           allowed expenses under section 5703 of title 5,  
6           United States Code.

7           (2) NO COMPENSATION FOR CO-DESIGNATED  
8           FEDERAL OFFICERS.—The Federal officers co-des-  
9           ignated under subsection (d)(4)(A) shall serve with-  
10          out compensation in addition to that received for  
11          their services as officers or employees of the United  
12          States.

13          (f) FREQUENCY OF MEETINGS.—The Committee  
14          shall meet—

15               (1) not less frequently than twice annually; and

16               (2) at such other times as either of the Com-  
17          missions may request.

18          (g) PROCEDURES; ADVISORY NATURE.—

19               (1) IN GENERAL.—The Committee shall operate  
20          pursuant to chapter 10 of title 5, United States  
21          Code, except as otherwise expressly provided by this  
22          section.

23               (2) ADVISORY NATURE OF RECOMMENDA-  
24          TIONS.—The recommendations of the Committee are  
25          advisory in nature, shall not create any legal rights

1 or obligations, and shall not limit or delay the inde-  
2 pendent authority of either of the Commissions.

3 (h) TIME LIMITS.—The Commissions shall—

4 (1) not later than 90 days after the date of en-  
5 actment of this Act, adopt a joint charter for the  
6 Committee;

7 (2) not later than 120 days after the date of  
8 enactment of this Act, make the appointments re-  
9 quired under subsection (d)(1); and

10 (3) not later than 180 days after the date of  
11 enactment of this Act, hold the initial meeting of the  
12 Committee.

13 (i) FUNDING.—Subject to the availability of funds,  
14 the Commissions shall jointly fund the Committee.

15 (j) DURATION AND RENEWAL.—

16 (1) INITIAL PERIOD.—The Committee shall re-  
17 main in effect for 10 years beginning on the date of  
18 enactment of this section.

19 (2) RENEWAL THEREAFTER.—At the conclu-  
20 sion of the 10-year period described in paragraph  
21 (1)—

22 (A) the Committee shall be subject to sub-  
23 sections (a) and (b) of section 1013 of title 5,  
24 United States Code; and

1 (B) the Commissions may renew the Com-  
2 mittee for successive 2-year periods by pub-  
3 lishing a notice in the Federal Register, con-  
4 sistent with chapter 10 of title 5, United States  
5 Code.

6 **SEC. 902. MEMORANDUM OF UNDERSTANDING.**

7 (a) MEMORANDUM OF UNDERSTANDING.—The Com-  
8 mission shall enter into a memorandum of understanding  
9 with the Commodity Futures Trading Commission to en-  
10 sure—

11 (1) coordinated supervision and enforcement  
12 with respect to registrants of the Commission and  
13 the Commodity Futures Trading Commission, in-  
14 cluding with regard to—

15 (A) the anti-fraud and anti-manipulation  
16 authorities of the Commission, such as with re-  
17 gard to insider trading; and

18 (B) the market integrity authorities of the  
19 Commodity Futures Trading Commission; and

20 (2) appropriate information sharing between  
21 the Commission and the Commodity Futures Trad-  
22 ing Commission to further the purposes of and com-  
23 pliance with this Act, the Securities Act of 1933 (15  
24 77a et seq.), the Securities Exchange Act of 1934

1 (15 U.S.C. 78a et seq.), and the Commodity Ex-  
2 change Act (7 U.S.C. 1 et seq.).

3 (b) RULE OF CONSTRUCTION.—Nothing in this sec-  
4 tion may be construed to limit the anti-fraud, anti-manip-  
5 ulation, or false reporting enforcement authorities of the  
6 Commodity Futures Trading Commission with respect to  
7 a contract of sale of a commodity and persons effecting  
8 such contracts.

9 (c) RULE OF CONSTRUCTION.—Nothing in this Act,  
10 or any amendment made by this Act, may be construed  
11 to limit or prevent the continued application of applicable  
12 law regarding the insider trading of securities, including  
13 digital asset securities, including section 21A of the Secu-  
14 rities Exchange Act of 1934 (15 U.S.C. 78u–1).

15 **SEC. 903. FINCEN APPROPRIATIONS.**

16 (a) AUTHORIZATION OF APPROPRIATIONS.—For the  
17 purposes of developing policy relating to digital assets, ac-  
18 quiring information technology resources, funding the op-  
19 erations described in sections 202 and 203 of this Act,  
20 and enforcement of the laws within its jurisdiction relating  
21 to digital assets, there is authorized to be appropriated  
22 to the Financial Crimes Enforcement Network of the De-  
23 partment of the Treasury the following:

24 (1) \$30,000,000 for fiscal year 2026, to remain  
25 available until September 30, 2027.

1           (2) \$30,000,000 for fiscal year 2027, to remain  
2           available until September 30, 2028.

3           (3) \$30,000,000 for fiscal year 2028, to remain  
4           available until September 30, 2029.

5           (4) \$30,000,000 for fiscal year 2029, to remain  
6           available until September 30, 2030.

7           (5) \$30,000,000 for fiscal year 2030, to remain  
8           available until September 30, 2031.

9           (b) INCENTIVE PREMIUM FOR HIGHLY QUALIFIED  
10 INDIVIDUALS.—Notwithstanding any other provision of  
11 law or regulation, the Director of the Financial Crimes  
12 Enforcement Network of the Department of the Treasury  
13 may pay an annual incentive premium of not more than  
14 20 percent of the annual rate of basic pay for a position  
15 if necessary to attract highly qualified individuals for posi-  
16 tions that the Director has certified to the Director of the  
17 Office of Personnel Management reflects the needs of the  
18 Financial Crimes Enforcement Network.

19 **SEC. 904. RULEMAKINGS.**

20           Except as otherwise provided, not later than 1 year  
21 after the date of enactment of this Act, each applicable  
22 regulator shall promulgate regulations to carry out this  
23 Act, and the amendments made by this Act, through ap-  
24 propriate notice and comment rulemaking.

1 **SEC. 905. EFFECTIVE DATE.**

2 This Act, and the amendments made by this Act,  
3 shall take effect on the date that is 360 days after the  
4 date of enactment of this Act, except that, if a provision  
5 of this Act, or an amendment made by this Act, requires  
6 a rulemaking, that provision shall take effect on the later  
7 of—

8 (1) the date that is 360 days after the date of  
9 enactment of this Act; or

10 (2) the date that is 60 days after the publica-  
11 tion in the Federal Register of the final rule imple-  
12 menting the provision.