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:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Digital Asset Market Clarity Act''.

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

TITLE I—RESPONSIBLE SECURITIES INNOVATION

TITLE II—PROTECTING AGAINST ILLICIT FINANCE

TITLE III—RESPONSIBLE INNOVATION IN DECENTRALIZED FINANCE

TITLE IV—RESPONSIBLE BANKING INNOVATION

TITLE V—RESPONSIBLE REGULATORY INNOVATION

SEC. 2. DEFINITIONS.

In this Act:

(1) ANCILLARY ASSET; ANCILLARY ASSET ORIGINATOR; NETWORK TOKEN.—The terms ''ancillary asset'', ''ancillary asset originator'', and ''network token'' have the meanings given those terms in section 4B(a) of the Securities Act of 1933, as added by this Act.

(2) BANK SECRECY ACT.—The term ''Bank Secrecy Act'' means—

(A) section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b);

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

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

(3) COMMISSION.—Except where otherwise expressly provided, the term ''Commission'' means the Securities and Exchange Commission.

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

(5) DECENTRALIZED GOVERNANCE SYSTEM.—

(A) IN GENERAL.—The term ''decentralized governance system'' means, with respect to a distributed ledger system, any transparent, rules-based system permitting persons to form consensus or reach agreement in the development, provision, publication, maintenance, or administration of such distributed ledger system, in which participation is not limited to, or

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

(B) RELATIONSHIP OF PERSONS TO DECENTRALIZED GOVERNANCE SYSTEMS.—With respect to a decentralized governance system, the decentralized governance system and any persons participating in the decentralized governance system shall be treated as separate persons unless such persons are under common control or acting pursuant to an agreement to act in concert.

(C) LEGAL ENTITIES FOR DECENTRALIZED GOVERNANCE SYSTEMS.—The term ''decentralized governance system'' shall include a legal entity, including a decentralized unincorporated nonprofit association or other entity created pursuant to State law, used to implement the rules-based system described in subparagraph (A), provided that the legal entity does not operate pursuant to centralized management. For the purposes of this subparagraph, the delegation of ministerial or administrative authority at the direction of the participants in a decentralized governance system shall not be construed to be centralized management.

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

(7) DIGITAL ASSET INTERMEDIARY.—The term ''digital asset intermediary'' means a person that is engaged in digital asset activities and required by law to register with the Commodity Futures Trading Commission or with the Commission under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.)

(8) DIGITAL COMMODITY.—The term ''digital commodity'' has the meaning given the term in section 1a of the Commodity Exchange Act (7 U.S.C. 1a).

(9) DISTRIBUTED LEDGER.—The term ''distributed ledger'' means technology—

(A) through which data is shared across a network that creates a public digital ledger of verified transactions or information among network participants; and

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

(i) maintain the integrity of the digital ledger described in that subparagraph; and

(ii) execute other functions.

(10) DISTRIBUTED LEDGER APPLICATION.—The term ''distributed ledger application'' means any executable software that is deployed to and maintained on a distributed ledger and composed of a distributed ledger protocol, including a smart contract or any network of smart contracts, or other similar technology.

(11) DISTRIBUTED LEDGER PROTOCOL.—The term ''distributed ledger protocol'' means publicly available source code of a distributed ledger or distributed ledger application that is executed by the network participants of a distributed ledger to facilitate its functioning, or other similar technology.

(12) DISTRIBUTED LEDGER SYSTEM.—The term ''distributed ledger system'' means any distributed ledger, distributed ledger application, or network of distributed ledger applications, together with its distributed ledger protocol.

(13) RELATED PERSON.—The term ''related person'', with respect to an ancillary asset originator or an ancillary asset—

(A) means—

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

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

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

(ii) any person that is, or in preceding 12-month period was, an executive officer, director, trustee, general partner, owner of more than 10 percent of any class of equity shares of the ancillary asset originator, or person serving in a similar capacity with respect to an ancillary asset originator;

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

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

(B) does not include a decentralized governance system.

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

(15) SMART CONTRACT.—The term ''smart contract'' means a self-executing contract or program that—

(A) is stored on a distributed ledger system; and

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

TITLE I—RESPONSIBLE SECURITIES INNOVATION

SEC. 101. SHORT TITLE.

This title may be cited as the ''Lummis-Gillibrand Responsible Financial Innovation Act of 2026''.

SEC. 102. DISCLOSURE REQUIREMENTS FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

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

''SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

''(a) DEFINITIONS.—In this section:

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

''(2) ANCILLARY ASSET ORIGINATOR.—

''(A) IN GENERAL.—The term 'ancillary asset originator' means, with respect to a particular ancillary asset, a person that (whether

directly or through 1 or more subsidiary or controlled entities)—

"(i) initially offers, sells, or distributes the ancillary asset; or

"(ii) during the 12-month period beginning on the date on which the ancillary asset is initially offered, sold, or distributed, controls or causes the initial offer, sale, or distribution of that ancillary asset.

"(B) JOINT AND SEVERAL CONSIDERATION.—For the purposes of this paragraph, if the person that initially offered, sold, or distributed an ancillary asset (or otherwise sold, distributed, controlled, or caused the initial offer, sale, or distribution of the ancillary asset) did not receive the largest amount of those ancillary assets distributed in the 12-month period following the commencement of that offer, sale, or distribution, then either of the following persons, solely for purposes of subsection (c), shall be jointly and severally considered to be an ancillary asset originator with respect to that ancillary asset (with the person that controlled such offer, sale, or distribution):

''(i) A person that is a related person or under common control with the person that initially offered, sold, or distributed such ancillary asset (or otherwise sold, distributed, controlled, or caused the initial offer, sale, or distribution of the ancillary asset); and

''(ii) The person that received the largest amount of those ancillary assets in that period, other than in an intermediary capacity, solely through a gratuitous distribution, through an offer or sale of an investment contract to the public registered under section 5, or otherwise in a broad and public manner that the Commission determines, pursuant to regulation, should not subject the person to disclosure requirements under subsection (c).

''(C) RULEMAKING.—Not later than 360 days after the date of enactment of this section, the Commission shall, after providing notice and the opportunity for comment, issue rules regarding the circumstances under which persons that are jointly and severally considered an ancillary asset originator pursuant to subpara-

graph (B) are responsible for furnishing the disclosures required under subsection (d) on behalf of the ancillary asset originator.

"(3) FOREIGN ORIGINATOR.—

"(A) IN GENERAL.—The term 'foreign originator' means an ancillary asset originator incorporated or organized outside of the United States that has, as of the last business day of the most recently completed fiscal quarter of the ancillary asset originator, only offered, sold, or distributed ancillary assets outside of the United States or, to the knowledge of the ancillary asset originator, only to persons other than United States persons.

"(B) EXCLUSIONS.—Notwithstanding paragraph (A), the term 'foreign originator' shall not include—

"(i) a foreign government;

"(ii) an ancillary asset originator that does not have shareholders, members, or other equity owners; or

"(iii) an ancillary asset originator for which—

"(I) more than 50 percent of the ownership interests of the ancillary

asset originator are directly or indirectly owned by residents of the United States; and

''(II)(aa) the majority of the executive officers or directors of the ancillary asset originator are citizens or residents of the United States;

''(bb) more than 50 percent of the business assets of which are located in the United States or owned by persons located in the United States; or

''(cc) the business of the ancillary asset originator is principally administered in the United States.

''(4) GRATUITOUS DISTRIBUTION.—

''(A) IN GENERAL.—The term 'gratuitous distribution'—

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

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

"(ii) includes the mechanisms and methods of distribution described in subparagraph (B).

"(B) MECHANISMS AND METHODS OF DISTRIBUTION.—The mechanisms and methods of distribution described in this subparagraph are the following:

"(i) SELF STAKING.—The distribution of a unit of a network token, as a programmatic result of validating or staking activity for a distributed ledger system's consensus mechanism, including the staking of a network token, and the operation of a node, validator, or substantially similar software for such activity where the owner of the staked network token and the operator of the node, validator, or substantially similar software are the same person or entity.

"(ii) SELF-CUSTODIAL STAKING WITH A THIRD PARTY.—The distribution of a unit of a network token, as a programmatic result of validating or staking

activity for a distributed ledger system's consensus mechanism, including the staking of a network token, and the operation of a node, validator, or substantially similar software for such activity in which—

''(I) the owner of the staked network token, and operator of the node, validator, or substantially similar software for such activity are different persons or entities; and

''(II) the operator of the node, validator, or substantially similar software does not maintain custody or control of the staked network token.

''(iii) LIQUID STAKING.—The distribution of network tokens, as the issuance, transfer, or redemption of liquid staking tokens representing a pro rata interest in staked network tokens, and their associated rewards, provided that such tokens are issued as administrative or ministerial receipts and not pursuant to investment contracts or discretionary management.

''(iv) CUSTODIAL AND ANCILLARY STAKING SERVICES.—

"(I) IN GENERAL.—Subject to the rules issued pursuant to subclause (II), the provision of custodial or ancillary staking services enabling the owner of a network token to participate in validating or staking activity for a distributed ledger system's consensus mechanism that results in the programmatic distribution of a unit of a network token, provided that such custodial or ancillary services are exclusively administrative or ministerial in nature.

"(II) RULEMAKING TO DEFINE THE CUSTODIAL AND ANCILLARY STAKING SERVICES.—The Commission shall issue rules defining the custodial and ancillary staking services described in subclause (I) that are exclusively administrative or ministerial in nature, consistent with what is necessary or appropriate for the public interest or for the protection of investors.

"(v) PROGRAMMATIC AND AUTOMATED DISTRIBUTIONS.—The automated, programmatic, protocol-defined, or rules-based distribution of network tokens achieved through the transparent functioning of a distributed ledger system, a distributed ledger, or distributed ledger applications, in which—

"(I) distributions occur pursuant to public, transparent, rules-based parameters set forth in publicly available, open-source code and accessible on a permissionless basis, without individualized or real-time negotiation with recipients;

"(II) recipients receive network tokens, as a direct, programmatic result of objective, verifiable network participation, consumption, or contribution, including consensus participation, data availability, bandwidth, governance, or use and interaction with the protocol or application;

"(III) the number of network tokens received is proportionate to the

verifiable service, usage, or contribution;

''(IV) any expected utility or value of the network tokens arises primarily from decentralized network participation and market forces, rather than the discretionary actions of any single person or affiliated group; and

''(V) no person or group has unilateral authority to alter, restrict, or direct the issuance parameters or distribution mechanisms of the distributed ledger system, and any modification occurs only through rules-based, transparent, constrained processes.

''(vi) UNILATERAL AUTHORITY.—For purposes of clause (v)(V), a decentralized governance system shall not be deemed a person or group with unilateral authority unless its participants are under common control, or acting pursuant to an agreement to act in concert.

''(vii) TECHNOLOGY-NEUTRAL CLAUSE.—The distribution employing a

mechanism, protocol, or technology not specifically described in clauses (i) through (v), without regard to whether such mechanism, protocol, or technology is in existence at the time of enactment of this section, and without regard to terminology or underlying technical framework, provided such distribution meets the requirements described in subparagraph (A)(i).

''(5) INVESTMENT COMPANY.—The term 'investment company' has the meaning given the term in section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)).

''(6) NETWORK TOKEN.—

''(A) IN GENERAL.—The term 'network token' means a digital commodity that is intrinsically linked to a distributed ledger system and that derives, or is reasonably expected to derive, its value from the use of such distributed ledger system, and, pursuant to the Digital Asset Market Clarity Act and the amendments made by the Digital Asset Market Clarity Act, is treated as a non-security solely for purposes of the Federal securities laws.

"(B) DISQUALIFYING FINANCIAL RIGHTS.—The term 'network token' does not include any of the following:

"(i) Any security, other than an investment contract or a certificate of interest or participation in any profit-sharing agreement.

"(ii) An investment contract or a certificate of interest or participation in any profit-sharing agreement that represents, gives the holder, or is substantially economically or functionally equivalent to, any of the following, as the Commission shall establish by rule:

"(I) A debt or equity interest, or an option on a debt or equity interest, in a person.

"(II) Liquidation rights with respect to a person.

"(III) An entitlement to, or a reasonable expectation of, an interest, dividend, or other payment, or direct or indirect transfer of value, from a person (other than a decentralized governance system).

"(IV) An express or implied financial interest in (including a limited partnership interest or interest in intellectual property of), or provided by, a person (other than a decentralized governance system).

"(iii) Any interest that is, represents, or is functionally equivalent to an interest in an investment company or a company (as defined in section 2 of that Act (15 U.S.C. 80a–2)) that would be an investment company under section 3(a) of that Act (15 U.S.C. 80a–3(a)) but for the exclusions provided from that definition by section 3(c) of that Act (15 U.S.C. 80a–3(c)).

"(iv) Any interest that is, represents, or is functionally equivalent to an interest in any entity or person that is not an investment company but holds or will hold assets other than securities.

"(C) RULE OF CONSTRUCTION.—A digital commodity—

"(i) shall be deemed to be intrinsically linked to a distributed ledger system if the

digital commodity is directly related to the functionality or operation of the distributed ledger system or to the activities or services for which the distributed ledger system is created or utilized; and

''(ii) shall not be disqualified from being deemed a network token due to the granting of economic interests or voting capabilities with respect to a distributed ledger system or its decentralized governance system, as further clarified by the Commission through the final rule adopted under section 105 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026.

''(7) RELATED PERSON.—The term 'related person' has the meaning given the term in section 2 of the Digital Asset Market Clarity Act.

''(b) TREATMENT OF NETWORK TOKENS AND TRANSACTIONS.—

''(1) IN GENERAL.—Except as provided in this section, and subject to paragraph (2), a network token shall be treated as a non-security, to the extent materially consistent with the requirements and conditions of this section, for purposes of —

"(A) section 2(a)(1);

"(B) section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a));

"(C) section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a));

"(D) section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a));

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

"(F) any applicable requirement of State law or any functionally equivalent provisions of State law to the provisions described in subparagraphs (A) through (E), including any provision of State law that directly or indirectly prohibits, limits, or imposes any conditions on the use, offer, sale, transfer, or disposition of a network token in a manner that is—

"(i) not substantially similar to prohibitions, limitations, or conditions imposed by that State relating to assets that are commodities under the laws of that State; and

"(ii) inconsistent with this section.

"(2) SECONDARY MARKET TREATMENT.—Except as provided in this section, and to the extent

materially consistent with the requirements and conditions of this section, the offer or sale of a network token by a person (other than the offer or sale of an investment contract pursuant to which an ancillary asset is offered or sold by an ancillary asset originator, or an underwriter, with respect to an investment contract pursuant to which such ancillary asset was originally sold) shall be treated as not involving the offer or sale of a security under—

''(A) section 2(a)(1);

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

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

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

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

''(F) any applicable requirement of State law or any functionally equivalent provisions of State law to the provisions described in subparagraphs (A) through (E), including any provision of State law that directly or indirectly prohibits, limits, or imposes any conditions on

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

''(i) not substantially similar to prohibitions, limitations, or conditions imposed by that State relating to assets that are commodities under the laws of that State; and

''(ii) inconsistent with this section.

''(3) GRATUITOUS DISTRIBUTION NOT AN OFFER OR SALE OF A SECURITY.—

''(A) IN GENERAL.—A gratuitous distribution, by itself, shall be presumed to not constitute an offer or sale of a security.

''(B) SAVINGS CLAUSE.—Nothing in this paragraph may be construed to limit, impair, or otherwise affect the anti-fraud or anti-manipulation authorities of the Commission, the Commodity Futures Trading Commission, or a State regulator.

''(4) PRIOR CERTIFICATION.—

''(A) SUBMISSION AND DEFAULT TREATMENT.—

''(i) IN GENERAL.—

''(I) PRESUMPTION.—For purposes of this section, there shall be a

rebuttable presumption that a network token, including a network token distributed in the manner described in paragraph (3), is an ancillary asset unless the originator of that network token submits to the Commission a completed written certification, supported by reasonable evidence, as defined by the Commission, sufficient to demonstrate that the network token is not an ancillary asset.

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

''(ii) NOTIFICATION.—The Commission shall notify the Commodity Futures Trading Commission of each certification made pursuant to clause (i) and of any final agency action with regards to such certification.

''(B) AUTOMATIC EFFECTIVENESS.—A certification submitted under subparagraph (A) by an originator shall become effective upon the earlier of—

''(i) the date on which the Commission notifies the originator in writing that the Commission does not object to the certification; or

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

''(C) SEC DENIAL.—

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

''(I) only during the 60-day period described in subparagraph (B)(ii) or upon determining, based on reasonable evidence, that a material change in circumstances has occurred after the submission of the certification and before or after the certification takes effect; and

''(II) by providing to the originator 10 days notice of the intent of the Commission to deny that certification, during which period interested

persons shall have an opportunity to submit written data, views, and arguments relating to that certification;

''(ii) REQUIREMENTS AFTER NOTICE OF INTENT.—After the 10-day period described in clause (i)(II), the Commission shall—

''(I) upon request of the originator, provide an opportunity for the oral presentation of data, views, and arguments by interested persons; and

''(II) have a vote of the Commission to deny the certification after a finding that the related asset provides the owner of the asset with a right described in subsection (a)(6)(B).

''(iii) INTERESTED PERSON.—For purposes of this subparagraph, the term 'interested person' means, with respect to a network token—

''(I) the originator of the network token (referred to in this clause as 'the originator');

''(II) a subsidiary of the originator;

"(III) a related person of the originator;

"(IV) any entity that directly or indirectly controls or is controlled by a common entity with the originator;

"(V) any broker or dealer (as those terms are defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))), or an exchange registered pursuant to section 6 of that Act (15 U.S.C. 78f), that operates in connection with digital assets; or

"(VI) any person registered with the Commodity Futures Trading Commission that operates or proposes to operate in connection with digital assets.

"(D) FINAL AGENCY ACTION.—Denial under this paragraph constitutes final agency action reviewable under applicable law.

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

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

''(F) WITHDRAWAL.—An originator may withdraw a certification submitted under subparagraph (A) at any time before approval.

''(G) DESIGNATED COMMISSION OFFICE.—The Commission shall designate an office that shall—

''(i) acknowledge receipt of certifications submitted under subparagraph (A);

''(ii) support those seeking certification under subparagraph (A) by providing guidance regarding the mechanics of preparing and submitting those certifications; and

''(iii) route certifications submitted under subparagraph (A), together with any associated comments or recommendations, to the appropriate division or office of the Commission for review.

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

tinuing compliance, in a certification that has become effective under this paragraph shall constitute grounds for the Commission, consistent with the securities laws, as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)), to issue an order denying, suspending, or revoking the effectiveness of the certification and to pursue any appropriate enforcement action.

''(c) DISCLOSURE REQUIREMENTS FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.—

''(1) SPECIFIED INITIAL AND PERIODIC DISCLOSURE REQUIREMENTS.—

''(A) IN GENERAL.—Any offer, sale, or distribution of an ancillary asset by, or caused by, an ancillary asset originator pursuant to Regulation Crypto (as adopted pursuant to section 103 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026) or an effective registration statement, and any resale of any ancillary asset offered, sold, or distributed pursuant to any other exemption from registration provided under this title, shall be subject to the initial and periodic disclosure requirements under subsection (d).

''(B) EXCLUSION.—Subparagraph (A) shall not apply if—

''(i) the aggregate gross proceeds from the offer, sale, or distribution of the ancillary asset were $5,000,000 or less (adjusted for inflation) during the 12-month period immediately following the date of the first such offer, sale, or distribution; or

''(ii) the average daily aggregate value of trading in the ancillary asset in all spot markets open to the public in the United States for which trading volume is generally available is $5,000,000 or less (adjusted for inflation) during the 12-month period (or such shorter period as the Commission may determine) immediately preceding the reporting date specified by paragraph (2), based on the knowledge of the ancillary asset originator after due inquiry.

''(C) CALCULATION.—For the purposes of this paragraph, the calculation of daily aggregate value shall be based on a reasonable calculation of public data.

''(2) COMMENCEMENT OF COMPLIANCE WITH SPECIFIED INITIAL AND PERIODIC DISCLOSURE REQUIREMENTS.—

''(A) IN GENERAL.—An ancillary asset originator subject to the requirements of paragraph (1) shall comply with the disclosure requirements under subsection (d)—

''(i) either—

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

''(II) prior to eligibility for resale of any ancillary asset offered, sold, or distributed pursuant to an effective registration statement or an exemption from registration under this Act; and

''(ii) semiannually thereafter.

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

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

''(3) TRANSITION RULE.—

''(A) IN GENERAL.—An ancillary asset originator that initially offered, sold, or distributed (or otherwise controlled or caused the offer, sale, or distribution of) an investment contract involving an ancillary asset before the date of enactment of this section shall comply with the periodic disclosure requirements under subsection (d), if applicable, beginning on the effective date of section 103 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026.

''(B) EFFECT ON CERTIFICATION.—An ancillary asset originator, or any other certification covered party, subject to this paragraph that meets the requirements of subsection (d)(3) may furnish a certification as provided in that subsection without complying with the periodic disclosure requirements under subsection (d).

"(C) PERIOD OF DISCLOSURES.—The disclosures required under subparagraph (A) shall apply with respect to the 3-year period preceding the effective date described in that subparagraph.

"(4) APPLICATION TO OTHER TRANSACTIONS.—

"(A) IN GENERAL.—For resales of ancillary assets to the public by any person, after any initial offer, sale, or distribution of the ancillary assets occurring after the date of enactment of this section that is conducted pursuant to sections 230.500 through 230.508 of title 17, Code of Federal Regulations (commonly known as 'Regulation D') (or any successor regulations), or another private placement exemption under this Act (including pursuant to sections 230.901 through 230.905 of title 17, Code of Federal Regulations (commonly known as 'Regulation S') or any successor regulations) or otherwise involving a public securities offering occurring within the United States, there shall be current public information as if that resale was made in reliance on section 230.144 of title 17 (referred to in this paragraph as 'Rule 144'), and on a semiannual basis thereafter

until terminated under subsection (d)(3), regardless of whether any such resale would be considered a transaction in a security.

"(B) CURRENT PUBLIC INFORMATION.—For purposes of subparagraph (A), the disclosures required under subsection (d) shall be deemed to constitute current public information for purposes of Rule 144.

"(5) FAILURE TO COMPLY.—Subject to the requirements of this section, an ancillary asset shall not be listed for trading on a digital asset intermediary if the Commission notifies the Commodity Futures Trading Commission that the ancillary asset originator that initially offered, sold, or distributed the ancillary asset after the date of enactment of this section has materially failed to furnish the required disclosures under this subsection after a reasonable opportunity to cure, as provided by the Commission by rule, in consultation with the Commodity Futures Trading Commission.

"(d) SPECIFIED INITIAL AND PERIODIC DISCLOSURE REQUIREMENTS.—

"(1) IN GENERAL.—

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

requirements of paragraph (1) or (3) of subsection (c) shall furnish the Commission with, in such form as the Commission may prescribe by rule after providing notice and the opportunity for comment, and until the requirement terminates under paragraph (3) of this subsection, the information described in paragraph (2) of this subsection, to the extent that the information is material and known, or reasonably knowable, to the ancillary asset originator.

''(B) REQUIREMENTS FOR RULES.—A rule prescribed under subparagraph (A) shall be reasonably tailored based on the size of the applicable ancillary asset originator in accordance with section 108(a) of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026.

''(2) CATEGORIES OF INFORMATION.—The information required under paragraph (1) shall include the following with respect to the applicable ancillary asset originator and the related ancillary asset:

''(A) Basic corporate information regarding the ancillary asset originator and the ancillary asset activities of the ancillary asset origi-

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

''(i) The experience of the ancillary asset originator (or persons controlling the ancillary asset originator) in developing ancillary assets.

''(ii) If the ancillary asset originator (or persons controlling the ancillary asset originator) has previously distributed ancillary assets, information on the subsequent distribution history of those ancillary assets, including price history, if the information is publicly available.

''(iii) The activities that the ancillary asset originator has taken in the relevant disclosure period, and is projecting to take in the 1-year period following the submission of the disclosure, with respect to promoting the use, value, or resale of the ancillary asset (including any activity to facilitate the creation or maintenance of a trading market for the ancillary asset and any distributed ledger system, application, or system that uses the ancillary asset).

''(iv) The anticipated cost of the activities of the ancillary asset originator described in clause (iii), whether the ancillary asset originator has unencumbered, liquid funds equal to that amount, and, if the ancillary asset originator does not have those funds, the anticipated plan of operations of the ancillary asset originator for the portion of time where those liquid funds are less than the anticipated cost of the activities of the ancillary asset originator.

''(v) The experience of the ancillary asset originator with the use of a distributed ledger system or technology.

''(vi) The identities and expertise of the board of directors (or equivalent body) and senior management of the ancillary asset originator, the experience or functions of whom are material to the development or value of the ancillary asset, as well as any personnel changes relating to the ancillary asset originator during the period covered by the disclosure.

''(vii) Financial statements of the ancillary asset originator that are—

''(I) if the aggregate amount of such ancillary assets offered, sold, or distributed to the public does not exceed $25,000,000 in gross proceeds, reviewed by a public accountant that is independent of the ancillary asset originator; or

''(II) if the aggregate amount of such ancillary assets offered, sold, or distributed to the public exceeds $25,000,000 in gross proceeds, audited by a public accountant that is independent of the ancillary asset originator.

''(viii) A description of any legal proceedings in which the ancillary asset originator is engaged.

''(ix) Risk factors arising from the activities of the ancillary asset originator with respect to the ancillary asset, and not generally applicable to other kinds of ancillary assets, that may limit the utility or liquidity of the ancillary asset, investor demand with respect to the ancillary asset, or

the market price or value of the ancillary asset.

''(x) Information relating to ownership of the ancillary asset by—

''(I) persons owning not less than 10 percent of any class of equity security or other ownership interest of the ancillary asset originator; and

''(II) the board of directors (or equivalent body) and senior management of the ancillary asset originator, if those individuals, in the aggregate, own not less than 5 percent of the ancillary asset.

''(xi) For any material transactions involving the ancillary asset between the ancillary asset originator and any related person, a description, in the aggregate, of the parties, the number of ancillary assets involved, and a summary of any material features of the transactions, including any material terms or ongoing obligations.

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

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

''(xiii) Purchases or similar acquisitions of ancillary assets by the ancillary asset originator and affiliates of the ancillary asset originator.

''(xiv) A statement, made in good faith, from the chief financial officer of the ancillary asset originator or equivalent official, stating whether the ancillary asset originator reasonably expects to maintain or have the financial resources to continue business as a going concern for the 12-month period following the furnishing of the disclosure, absent a change in circumstances.

''(xv) The current state and timeline for the development of any distributed ledger system to which the ancillary asset relates, detailing how and when the distributed ledger system is intended to no longer be subject to control by any person, or group of persons under common control,

including by related persons, if the distributed ledger system has not yet received a certification under section 104(d) of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026.

''(B) Economic and technical information relating to the ancillary asset, which may include the following items, as the Commission shall determine by rule:

''(i) A general description of the ancillary asset and any distributed ledger, distributed ledger system, or distributed ledger application that uses the ancillary asset, including—

''(I) a plain-English description of how the distributed ledger, distributed ledger system, or distributed ledger application functions;

''(II) the intended or known functionality and uses of the ancillary asset and any associated fees for use or disposition of the ancillary asset;

''(III) the market for the ancillary asset;

''(IV) other assets or services that may compete with the ancillary asset;

''(V) the total supply of the ancillary asset or the manner and rate of the ongoing production or creation of the ancillary asset; and

''(VI) the governance and consensus mechanism for the ancillary asset and any distributed ledger, distributed ledger system, or distributed ledger application that uses the ancillary asset, as applicable, including for validating transactions and implementing changes to the distributed ledger system, method of generating or mining ancillary assets, and any process for burning or destroying units of the ancillary asset on the distributed ledger, distributed ledger system, or distributed ledger application that uses the ancillary asset.

''(ii) If the ancillary asset originator has offered, sold, or otherwise provided ancillary assets to affiliates, investors, em-

ployees, intermediaries, or resellers, a description of the amount of assets offered, sold, or otherwise provided to such persons and a summary of any material resale restrictions or other material obligations arising from related contracts, agreements, or other arrangements.

''(iii) If ancillary assets were distributed by the ancillary asset originator without charge or upon meeting certain conditions, a description of the distributions, in the aggregate, along with the identity of any recipient that received more than 5 percent of the total amount of ancillary assets (calculated as a percentage of the total supply of such asset at the time of distribution).

''(iv) The amount of ancillary assets owned by the ancillary asset originator.

''(v) For the 12-month period following the furnishing of the disclosure, a description of the current state and anticipated timeline for the development of any distributed ledger, distributed ledger sys-

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

''(I) plans of the ancillary asset originator to support (or to cease supporting) the use or development of the ancillary asset, including markets for the ancillary asset and each distributed ledger, distributed ledger system, or distributed ledger application that uses the ancillary asset;

''(II) the various roles that exist or are intended to exist in connection with the distributed ledger, distributed ledger system, or distributed ledger application, such as users, service providers, developers, transaction validators, and governance participants;

''(III) a discussion of any mechanisms by which control or authority are exerted with respect to the distributed ledger, distributed ledger system, or distributed ledger application, or a related ancillary asset; and

''(IV) any critical operational dependencies of the distributed ledger system or a related ancillary asset.

''(vi) Risk factors that may materially affect the liquidity of the ancillary asset, investor demand with respect to the ancillary asset, or the market price or value of the ancillary asset.

''(vii) To the extent available to the ancillary asset originator, the average daily price for a constant unit of value of the ancillary asset during the relevant reporting period, as well as the 12-month high and low prices for the ancillary asset, as calculated based on the 3 largest exchanges on which the ancillary asset trades.

''(viii) If applicable, and subject to cybersecurity best practices, information relating to any external audit of the code and functionality of the ancillary asset, including the entity performing the audit and the experience of the entity in conducting similar audits.

''(ix) Information relating to custodial services available for the ancillary asset.

''(x) Information on intellectual property rights claimed or disputed relating to the ancillary asset.

''(xi) A description of the technology underlying the initial distribution and trading of the ancillary asset, including the source code for the ancillary asset, if applicable, and technical requirements for holding, accessing, and transferring the ancillary asset.

''(xii) If applicable, a description of the steps necessary to independently access, search, and verify the transaction history of the ancillary asset.

''(C) In addition to the information expressly required to be included under subparagraphs (A) and (B), the ancillary asset originator shall provide such further material information, if any, as may be necessary to ensure that the statements made in the disclosure are not, in light of the circumstances under which the statements are made, materially misleading.

''(3) TERMINATION OF REQUIREMENTS.—

"(A) DEFINITION.—In this paragraph, the term 'certification covered party' means—

"(i) an ancillary asset originator;

"(ii) a subsidiary of the ancillary asset originator;

"(iii) a related person of the ancillary asset originator; or

"(iv) any entity that directly or indirectly controls or is controlled by a common entity with the ancillary asset originator.

"(B) TERMINATION.—The obligation of an ancillary asset originator to provide disclosures under paragraph (1) shall terminate on the date that a certification becomes effective under subparagraph (C), including through an approval or deemed approval.

"(C) CERTIFICATION.—

"(i) IN GENERAL.—A certification covered party may submit to the Commission a certification, based on the knowledge of the certification covered party after due inquiry and supported by reasonable evidence, that states—

''(I) that during the 1-year period preceding the date on which the certification covered party submits the certification, and as of the date of submission, the certification covered party engaged in not more than a nominal level of entrepreneurial or managerial efforts, as determined by the Commission by rule, and any such efforts were not a primary factor in determining the value of the related ancillary asset (which may include that any essential promises made by the certification covered party have been fulfilled), except that providing administrative services shall not alone be considered entrepreneurial or managerial efforts for the purposes of this clause;

''(II) in good faith that the certification covered party does not reasonably expect there to be any efforts that would render the certification covered party unable to provide a new

certification following the date of the certification; and

''(III) that substantially all material information that is reasonably expected to contribute to the value of the ancillary assets offered, sold, or distributed to the public by the ancillary asset originator is reasonably expected to be available to the public.

''(ii) CHANGE IN CIRCUMSTANCES.—

''(I) EFFECTIVENESS OF THE CERTIFICATION.—A certification under clause (i) shall remain effective until the date on which any certification covered parties engaged in efforts that would render the certification covered party unable to meet the standards of the certification.

''(II) NEW DISCLOSURES REQUIRED.—On and after the date described in subclause (I), the certification covered party undertaking efforts described in that subclause shall be responsible for furnishing to the Commission the disclosures required

under paragraph (1), including a description of the change in circumstances.

''(III) PERIODIC DISCLOSURES.—The furnishing of disclosures pursuant to subclause (II) shall restart the schedule for periodic disclosures under paragraph (1).

''(IV) PRIOR CERTIFICATIONS.—A certification submitted under clause (i) prior to a change in circumstances shall not be deemed false or misleading solely by reason of subsequent reengagement under this clause.

''(iii) SEC DENIAL.—

''(I) IN GENERAL.—The Commission may deny a certification submitted under clause (i) by a certification covered party—

''(aa) by issuing a written notice of objection to the certification submitted under clause (i) or upon determining that more than a nominal level of entrepreneurial or managerial efforts has

been undertaken by any certification covered party after the submission of the certification; and

''(bb) by providing to the certification covered party 10 days notice of the intent of the Commission to deny that certification, during which period interested persons shall have an opportunity to submit written data, views, and arguments relating to that certification.

''(II) REQUIREMENTS AFTER NOTICE OF INTENT.—After the 10-day period described in subclause (I)(bb), the Commission shall—

''(aa) upon request of the certification covered party, provide an opportunity for the oral presentation of data, views, and arguments by interested persons; and

''(bb) have a vote of the Commission on whether to grant

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

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

''(4) VOLUNTARY DISCLOSURE.—An ancillary asset originator may voluntarily furnish with the Commission the information required under this subsection if the ancillary asset originator determines that it is reasonably likely that the ancillary asset originator will become subject to the requirements of paragraph (1) or (3) of subsection (c) in the future.

''(5) RULEMAKING CONSIDERATIONS.—In promulgating rules under this subsection, the Commission shall—

''(A) require only such information as the Commission finds to be necessary and appropriate to protect investors, maintain fair, or-

derly, and efficient markets, and facilitate capital formation, innovation, and efficiency; and

''(B) include in any final versions of those rules a cost–benefit analysis evaluating the effects of any such rule on innovation, efficiency, competition, maintaining fair and orderly markets, and capital formation.

''(6) LIMITATIONS.—Rules promulgated under this subsection shall not require the inclusion of financial statements of an ancillary asset originator, except with respect to the disclosure of financial information under paragraph (2).

''(e) EXEMPTIONS.—The Commission may, by order, exempt an ancillary asset originator, or any class of ancillary asset originators, from specified requirements under subsection (c) if it is in the public interest or for the protection of investors, consistent with the purposes of this section and subject to such conditions as the Commission determines necessary to protect investors and in the public interest.

''(f) CONFIDENTIAL TREATMENT OF CERTAIN INFORMATION.—Subject to Commission rules and procedures, an ancillary asset originator required to furnish the Commission with disclosures under subsection (d) may submit a request for confidential treatment of information

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

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

''(h) LIABILITY FOR FALSE OR MISLEADING STATEMENTS.—

''(1) IN GENERAL.—It shall be unlawful for an ancillary asset originator, in any disclosure, certification, or other document furnished under this section, to make an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

''(2) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed as limiting the application of section 240.10b–5 of title 17, Code of Federal Regulations, or any successor regulation, to false or misleading disclosure statements or preventing any private right of action otherwise available under the Federal securities laws.

''(i) SPECIAL DISPOSITION RESTRICTIONS BY RELATED PERSONS.—

''(1) IN GENERAL.—The Commission shall adopt rules, consistent with the purposes of section 104 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026, establishing limitations on the disposition of certain ancillary assets with specified characteristics by related persons.

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

''(j) SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS.—In any action against an ancillary asset originator arising under this Act that is based on an untrue statement of a material fact or omission of a material fact necessary to make the statement not misleading, no liability shall arise with respect to any forward-looking statement (including any statement of plans, objectives, projections, expectations, or assumptions concerning future performance, financial position, development milestones, asset utility, system adoption, or market conditions) made in an

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

''(1) identified as forward-looking; and

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

''(k) TRANSACTIONS PRIOR TO EFFECTIVE DATE.—

''(1) PRIMARY TRANSACTIONS.—Notwithstanding any other provision of law, neither the Commission nor any private plaintiff may initiate, pursue, or maintain any action, or an appeal of an action, for a violation of section 5 or 12(a)(1) of this Act arising from any offer, sale, or distribution of ancillary assets occurring before the effective date of the Digital Asset Market Clarity Act, provided that the ancillary asset originator or a certification covered party complies with any applicable requirements under subsection (c)(3).

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

''(3) SECONDARY TRANSACTIONS.—Notwithstanding any other provision of law, the offer or sale

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

''(A) section 2(a)(1);

''(B) section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a));

''(C) section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a));

''(D) section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a));

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

''(F) any applicable requirement of State law or any functionally equivalent provisions of State law to the provisions described in subparagraphs (A) through (E), including any provision of State law that directly or indirectly prohibits, limits, or imposes any conditions on the use, offer, sale, transfer, or disposition of a network token in a manner that is—

"(i) not substantially similar to prohibitions, limitations, or conditions imposed by that State relating to assets that are commodities under the laws of that State; and

"(ii) inconsistent with this section.

"(4) NO INFERENCE OF LIABILITY.—Nothing in paragraph (1), (2), or (3) may be construed as an admission, acknowledgment, or inference of liability for any act, transaction, or conduct occurring before the effective date of the Digital Asset Market Clarity Act.

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

"(A) impair vested rights or contractual obligations lawfully established before the effective date of the Digital Asset Market Clarity Act; or

"(B) limit the authority of the Commission to bring an action against an ancillary asset originator or a related person for securities fraud or manipulation in connection with a statement, a disclosure, or conduct by that ancillary asset originator or related person, except that the Commission may not exercise that au-

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

''(6) RULE OF CONSTRUCTION.—

''(l) RULES OF CONSTRUCTION.—Nothing in this section may be construed to—

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

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

''(3) prohibit the offer, sale, or distribution of a digital asset in reliance on an exemption from registration under this Act, other than Regulation Crypto (as adopted pursuant to section 103 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026); or

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

''(m) ANTI-EVASION.—

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

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

"(A) this section;

"(B) sections 103 and 104 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026; and

"(C) with respect to an ancillary asset originator and related persons, the Federal securities amended by the Lummis-Gillibrand Responsible Financial Innovation Act of 2026.

"(2) CONSIDERATIONS.—In promulgating rules under this section—

"(A) the form, label, and written documentation of an agreement, contract, or transaction, or an entity, shall not be dispositive in determining whether the agreement, contract, or transaction, or entity, has been entered into or structured to willfully evade the requirements of this section;

"(B) the Commission may consider if, based on the totality of facts and circumstances, the principal purpose of any arrangement, allocation of rights, interposition of entities, or sequencing of steps is to willfully circumvent the requirements of this section or

the restrictions set forth in section 104 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026, by satisfying the literal terms while defeating the purpose and policy of this section;

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

''(i) removal of a disqualifying financial right from the instrument coupled with its re-introduction through a substantially equivalent right held by a related person or controlled vehicle, including, by way of example, any nominally independent foundation, decentralized autonomous organization, laboratory, or similar arrangement;

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

''(iii) timing of steps designed to trigger, accelerate, or delay certification or termination of disclosure obligations without

a material change in circumstances relating to the asset; and

''(D) the Commission shall provide that evasion shall not occur if an agreement, contract, or transaction is entered into for a legitimate business purpose and is not structured with a principal purpose of willfully circumventing the requirements of this section.

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

''(o) SENSE OF CONGRESS.—It is the sense of Congress that common control under section 104 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026 shall terminate prior to the completion of entrepreneurial and managerial efforts under this section.

''(p) FIDUCIARY OBLIGATIONS.—

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

any director, officer, or controlling person of an ancillary asset originator, arising under the laws of any State.

''(2) PRESERVATION OF FIDUCIARY AND OTHER DUTIES TO CUSTOMERS, CLIENTS, AND SHAREHOLDERS.—Nothing in this section, or in any rules issued under this section, may be construed to limit, preempt, or otherwise affect any fiduciary duty that any person owes to a customer, client, or shareholder under any other provision of Federal or State law, including in connection with the offer, sale, transfer, or custody of an ancillary asset.

''(q) APPLICATION OF REGULATION BEST INTEREST TO A BROKER OR DEALER.—Section 240.15l–1 of title 17, Code of Federal Regulations (commonly known as 'Regulation Best Interest'), or any successor regulation, shall apply to any recommendation to a retail customer by a broker or dealer registered with the Commission under section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 78o), to the same extent that such section 240.15l–1 applied before the date of enactment of this section, regarding a digital commodity or a strategy to engage in transactions involving a digital commodity.

''(r) APPLICATION OF INVESTMENT ADVISERS FIDUCIARY DUTY TO DIGITAL COMMODITIES.—Any investment

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

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

SEC. 103. EXEMPTION AND RULEMAKING FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

(a) PROMULGATION OF REGULATION CRYPTO.—The Commission shall adopt rules under the Securities Act of 1933 (15 U.S.C. 77a et seq.) and the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), which shall be referred to collectively as ''Regulation Crypto'', to implement subsections (b), (c), and (d) of this section.

(b) EXEMPTION FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.—

(1) EXEMPTION.—

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

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

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

(ii) 10 percent of the total dollar value of those ancillary assets that are outstanding, as of the date of that offer or sale.

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

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

(3) REVIEW AND ADJUSTMENT FOR INFLATION.—

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

every 2 years thereafter, the Commission shall—

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

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

(iii) increase the amounts described in paragraphs (1)(A)(i) and (2) as the Commission determines appropriate, if that action would be in the public interest and consistent with the protection of investors.

(B) REPORT.—If the Commission, after conducting a review under subparagraph (A), determines not to increase the amount described in paragraph (1)(A)(i) or (2) (other than to adjust that amount for inflation, as required under subparagraph (A)(ii) of this paragraph), the Commission shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report detailing the reasons that the Commission did not increase that amount.

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

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

(1) INITIAL DISCLOSURES.—Not later than 30 days before the date on which the applicable ancillary asset originator, any affiliate of the ancillary asset originator, or any underwriter of the investment contract, offers or sells an ancillary asset in reliance on Regulation Crypto, the ancillary asset originator shall furnish with the Commission the disclosures required under section 4B(d) of the Securities Act of 1933, as added by this Act, subject to the ongoing semiannual disclosure requirements of that section.

(2) COMMON CONTROL.—If the applicable ancillary asset is reliant on a distributed ledger system that is subject to common control, including by related persons, the restrictions on disposition under section 104 shall apply.

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

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

(B) a development stage company that either—

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

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

(C) an investment company (as defined in section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)) or a company (as defined in section 2 of that Act (15 U.S.C. 80a–2)) that would be an investment company under section 3(a) of that Act (15 U.S.C. 80a–3(a)) but for the exclusions provided from that definition by section 3(c) of that Act (15 U.S.C. 80a–3(c)), provided that an ancillary asset originator shall not be deemed to be an investment company solely by virtue of investing, reinvesting, owning, holding, or trading ancillary

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

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

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

(F) a person that is or has been disqualified pursuant to section 230.506(d) of title 17, Code of Federal Regulations, or any successor regulation, unless waived by order of the Commission;

(G) a person that is or has been disqualified pursuant to section 230.251 through 230.263 of title 17, Code of Federal Regulations (commonly referred to as ''Regulation A''), or any successor regulation, unless waived by order of the Commission; or

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

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

(4) FURNISHING NOTICE OF RELIANCE.—The applicable ancillary asset originator shall electronically furnish with the Commission a notice of reliance on Regulation Crypto not fewer than 30 days before the date on which the ancillary asset originator first offers, sells, or distributes an ancillary asset in reliance on Regulation Crypto, which shall contain the following information:

(A) The name of the ancillary asset originator.

(B) A statement by a person duly authorized by the ancillary asset originator that the conditions of Regulation Crypto are satisfied.

(C) The website where the summary documents of the ancillary asset originator, if any, may be found and made available for public consumption.

(D) An email address at which the ancillary asset originator may be contacted.

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

available in a manner that provides timely and continuing access.

(6) FORM AND MANNER.—The disclosures furnished with the Commission under section 4B(d) of the Securities Act of 1933, as added by this Act, shall be prepared, furnished, and made public in the form and manner prescribed by the Commission, including through the use of electronic furnishing, web posting, machine-readable formats, and plain-English legends, as the Commission determines necessary or appropriate in the public interest or for the protection of investors.

(d) STATUS UNDER SECURITIES LAWS.—

(1) IN GENERAL.—An ancillary asset disclosure under section 4B of the Securities Act of 1933, as added by this Act, and any other document furnished under Regulation Crypto, shall be deemed to be—

(A) a ''prospectus'' solely—

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

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

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

(2) REGISTRATION STATEMENT.—

(A) IN GENERAL.—An ancillary asset disclosure under section 4B of the Securities Act of 1933, as added by this Act, or any other document furnished under Regulation Crypto, shall not be deemed to be a ''registration statement'' for purposes of section 11 of the Securities Act of 1933 (15 U.S.C. 77k) or to have been filed under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

(B) CIVIL LIABILITY.—Liability under section 12(a)(2) of the Securities Act of 1933 (15 U.S.C. 77l(a)(2)) relating to an ancillary asset disclosure or any other document furnished under Regulation Crypto shall only apply to the person making statements in that disclosure or other document and only a person that purchased an ancillary asset in a transaction made in reliance on Regulation Crypto shall have a claim under such section 12(a)(2).

(3) FORWARD-LOOKING STATEMENTS.—In any action against an ancillary asset originator under this title or the amendments made by this title that is based on an untrue statement of a material fact or omission of a material fact necessary to make the statement not misleading, no liability shall arise with respect to any forward-looking statement (including a statement of plans, objectives, projections, expectations, or assumptions concerning future performance, financial position, development milestones, digital asset utility, system adoption, or market conditions) made in an ancillary asset disclosure, statement, or other document furnished pursuant to section 4B of the Securities Act of 1933, as added by this Act, or this section, if the statement is—

(A) identified as forward-looking; and

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

SEC. 104. SPECIAL DISPOSITION RESTRICTIONS BY RELATED PERSONS.

(a) DEFINITIONS.—In this section:

(1) CERTIFICATION COVERED PARTY.—The term ''certification covered party'' means, with respect to an ancillary asset—

(A) the ancillary asset originator;

(B) a subsidiary of the ancillary asset originator;

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

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

(2) COVERED TOKEN.—The term ''covered token'' means any unit of an ancillary asset that was acquired from the ancillary asset originator with respect to that ancillary asset or an agent or underwriter thereof.

(3) DISTRIBUTED LEDGER CONTROL PERSON.—The term ''distributed ledger control person'' means, with respect to a distributed ledger system, any person or group of persons under common control, other than a decentralized governance system, that has the unilateral authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the distributed ledger system or a related ancillary asset.

(b) COMMON CONTROL.—

(1) IN GENERAL.—The Commission shall promulgate rules, based on the criteria described in paragraph (2), to define the circumstances under which a distributed ledger system, together with a related ancillary asset, is considered to be under common control by related persons.

(2) CONSIDERATIONS.—In promulgating rules under paragraph (1), the Commission shall consider criteria with respect to a distributed ledger system described in that paragraph, which shall include the following criteria:

(A) OPEN DIGITAL SYSTEM.—Whether the distributed ledger system is—

(i) a distributed ledger, the protocol of which is freely and publicly available via open-source code;

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

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

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

(iii) an analogue to a distributed ledger or distributed ledger application de-

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

(B) PERMISSIONLESS AND CREDIBLY NEUTRAL DIGITAL SYSTEM.—Whether person or group of persons under common control has—

(i) the unilateral authority, via operation of the distributed ledger system, to restrict, censor, or prohibit use of the distributed ledger system, including any applicable system-based user activity; or

(ii) private permissions, hard-coded privileges, or similar capabilities granted by the source code of the distributed ledger system that provides preferential treatment compared to other similarly situated persons.

(C) DISTRIBUTED DIGITAL NETWORK.—The extent to which a person or group of persons under common control has beneficial ownership of, in the aggregate, not less than 49 percent of the total amount of outstanding units of the ancillary asset.

(D) AUTONOMOUS DISTRIBUTED LEDGER SYSTEM.—Whether—

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

(ii) a person or group of persons under common control has the unilateral authority, directly or indirectly, to alter or change the functionality, operation, or rules of consensus or agreement of the distributed ledger system.

(E) ECONOMIC INDEPENDENCE.—Whether the primary programmatic mechanisms of the distributed ledger system that are intended to facilitate substantial value accrual to the ancillary asset through the functioning of the distributed ledger system are functional.

(3) SAFE HARBORS.—

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

(B) NONEXCLUSIVE.—The safe harbors established under subparagraph (A) shall not be exclusive and the Commission shall consider such other circumstances as the Commission

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

(4) EVIDENCE.—The Commission may, in promulgating rules under this subsection, require such certifications, third party verifications, or other evidence as the Commission determines necessary or appropriate to determine whether a distributed ledger system is under common control by related persons for the purposes of section 103(c)(2).

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

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

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

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

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

(C) the net amount of covered tokens sold in any 12-month period by the related person is not greater than an amount to be determined by the Commission pursuant to notice and comment rulemaking not later than 360 days after the date of enactment of this Act, which rulemaking shall consider what is necessary or appropriate in the public interest, including, among other things, the protection of investors, whether the action will promote efficiency, competition, and capital formation, and how to foster the development of distributed ledger systems that are not subject to common control.

(2) SALES AFTER CERTIFICATION.—If the ancillary asset was acquired after the effective date of this Act and principally relies on a distributed ledger system that is certified as not subject to common control by related persons pursuant to subsection (d), the ancillary asset may be sold by a related person, if—

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

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

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

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

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

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

1933, as added by this Act, have been furnished; and

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

(B) in the case that the distributed ledger system has been certified as not subject to common control by related persons pursuant to subsection (d), the holder of the covered token has held the units for not less than 6 months.

(4) LIMITATIONS ON TRANSACTIONS BY DISTRIBUTED LEDGER CONTROL PERSONS.—If the holder of an ancillary asset that principally relies on a distributed ledger system that has been certified as not subject to common control by related persons is a distributed ledger control person with respect to that distributed ledger system, that control person may resell that ancillary asset if—

(A) that control person furnishes notice with the Commission, in a form and manner determined by the Commission, that the person has or intends to obtain an authority described in subparagraph (B) with respect to the distributed ledger system;

(B) that distributed ledger control person furnishes disclosures with the Commission, in a form and manner determined by the Commission, describing the material activities, as determined by the Commission, of the control person;

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

(D) that control person has satisfied such other requirements applicable to that control person that may be established by the Commission to prevent manipulation or distortion of the value of the ancillary asset, including resale restrictions consistent with those applied to related persons that are not control persons.

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

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

tributed ledger system is not under the common control of related persons.

(2) AUTOMATIC EFFECTIVENESS.—A certification furnished under paragraph (1) shall become effective, and the distributed ledger system shall be deemed not to be under the common control of related persons, on the date that is the earlier of—

(A) the date on which the Commission notifies the certification covered party in writing that the Commission does not object to the certification; or

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

(3) DENIAL.—

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

(i) only during the 90-day period beginning on the date on which the certification is furnished, or such shorter period as the Commission may determine by rule, or upon determining, based on reasonable

evidence, that a material change in circumstances has occurred after the furnishing of the certification; and

(ii) by providing to the certification covered party 10 days notice of the intent of the Commission to deny that certification.

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

(i) conduct a hearing before the Commission; and

(ii) vote to deny the certification if there is a finding that the applicable ancillary asset does not meet the standard for certification that the operations of the distributed ledger system are not under such common control.

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

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

(e) DISGORGEMENT.—

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

(2) ENFORCEMENT.—An action to recover profit described in paragraph (1)—

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

(i) the applicable ancillary asset originator;

(ii) the owner of any units of the applicable ancillary asset; or

(iii) the owner of any units of the applicable ancillary asset, in the name and on behalf of the ancillary asset originator, if the ancillary asset originator—

(I) fails or refuses to bring the action within 60 days after a written request by any owner of not less than 5 percent of the total amount of outstanding units of that ancillary asset; or

(II) fails to diligently prosecute the action; and

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

(3) EXPENSES.—If an action under this subsection is brought by a person described in paragraph (2)(A)(ii) and that action is unsuccessful, the person that brought the action shall be responsible for the fees and expenses incurred by the person against which the action is brought.

(f) EXEMPTION FROM DISPOSITION RESTRICTIONS.—The Commission shall adopt rules that provide for the following exemptions from, or waivers to, disposition restrictions described in subsection (c):

(1) MATERIAL HARDSHIP EXEMPTION.—

(A) IN GENERAL.—Subject to subparagraph (B), the Commission shall adopt rules and procedures to exempt parties from resale restrictions with respect to an ancillary asset where those restrictions conflict with an obligation or requirement arising from one of the following material hardships on a related person with respect to the ancillary asset or the ancillary asset originator:

(i) The death of the related person.

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

(iii) The dissolution, merger, or acquisition of a corporate person.

(iv) Tax liability relating to the receipt of the applicable ancillary asset.

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

(B) REQUIREMENTS.—The rules and procedures adopted under subparagraph (A) shall be designed to mitigate the risk that parties may seek to structure holdings to evade resale restrictions and exempt or waive the application of resale restrictions only to the extent necessary to address the identified material hardship.

(2) LIQUIDITY PROVISION EXEMPTION.—The Commission shall adopt rules to exempt from disposition restrictions parties buying or selling an ancillary asset through regular two-sided bidding and offering for the purposes of providing market liquidity, provided that such activities are not undertaken for the purpose of evading the requirements of this section.

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

(4) EXCHANGE-TRADED PRODUCT AND PASSIVE FUND EXEMPTION.—The Commission shall adopt rules to exempt from disposition restrictions, as appropriate, exchange-traded products, the shares of which are created and redeemed by authorized participants and registered with the Commission or other passive pooled investment vehicles, whether or not the shares of which are registered with the Commission.

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

(1) DISCLOSURE REPORTS.—

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

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

(B) SALES OF COVERED TOKENS BY RELATED PERSON PRIOR TO CERTIFICATION OF NON-CONTROL.—Quarterly reports relating to the number of ancillary assets sold by a related person in a form as required by the Commission.

(C) SALES OF COVERED TOKENS BY RELATED PERSON AFTER CERTIFICATION OF NON-CONTROL.—Quarterly reports relating to the number of ancillary assets sold by a related person that holds, at any point during the applicable calendar quarter, in excess of 5 percent of the total amount of outstanding units of such ancillary asset in a form as required by the Commission.

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

by a related person that holds in excess of 5 percent of the total amount of outstanding units of such ancillary asset in a form as required by the Commission.

(2) CONFIDENTIAL TREATMENT.—The Commission may provide for confidential treatment of information provided under, or exempt, certain related persons from the requirement to furnish a report required under this subsection, pursuant to procedures the Commission shall establish and that are modeled on or identical to section 230.406 of title 17, Code of Federal Regulations, or any successor regulation.

(3) GOOD-FAITH FURNISHING STANDARD.—

(A) IN GENERAL.—Any obligation to furnish information under this section applies only to the furnisher acting on its own behalf and is limited to information that is material and known, or reasonably knowable after due inquiry, to that furnisher.

(B) RELIANCE.—A furnisher described in subparagraph (A) may reasonably rely on public sources and third party attestations where appropriate.

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

for information outside the furnisher's possession, custody, or control, or for omissions of information the furnisher could not reasonably obtain without breaching legal privilege, contractual confidentiality, or other applicable law.

(D) OTHER PERSONS.—Any person other than the furnisher may, in good faith and absent knowledge to the contrary, presume that a report required under paragraph (1) has been timely furnished.

(4) LIFE CYCLE EVENT CONSIDERATIONS.—The Commission shall adopt rules establishing streamlined processes for the following life cycle events:

(A) SUCCESSOR DISCLOSURES IN CORPORATE TRANSACTIONS.—The transfer of disclosure obligations under this section to a successor entity in the event of a merger, acquisition, or sale of substantially all assets relating to the ancillary asset activities, including a notice of succession.

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

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

(C) CONTRACTUAL TERMINATION.—The termination of disclosure obligations under this section that attach solely by virtue of a person's status as a related person when a contractual arrangement with the ancillary asset originator or distributed ledger system has concluded, including a notice of cessation of contractual relationship.

(h) RULE OF CONSTRUCTION.—Nothing in this section may be construed to—

(1) limit or impair the anti-fraud or anti-manipulation authorities of the Commission; or

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

SEC. 105. FINANCIAL INTERESTS OF ANCILLARY ASSETS.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Commission shall promulgate regulations that provide that—

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

(A) the mechanisms of the distributed ledger system collect, receive, accrue, or distribute consideration from the functioning of the distributed ledger system;

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

(C) the value of the network token appreciates or depreciates due to the use of, or in response to the efforts, operations, or financial performance of, the distributed ledger system to which the network token relates or its decentralized governance system; or

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

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

(2) participants in offers or sales of network tokens providing financial interests described in paragraph (1) shall not be precluded from relying on the exemption from registration under section 4B(b) of the Securities Act of 1933, as added by this Act.

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

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

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

cipal asset of an exchange-traded product, the shares of which are listed and traded on a national securities exchange registered under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f).

SEC. 106. EXEMPTIVE AUTHORITY.

(a) CONTINUED APPLICABILITY.—Nothing in this Act, or any amendment made by this Act, may be construed to amend, limit, impair, or otherwise affect the authority of the Commission to grant an exemption pursuant to any provision of law that is in effect on the day before the date of enactment of this Act, including pursuant to any of the following:

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

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

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

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

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

(6) Section 4(g) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78ddd(g)).

(b) GENERAL EXEMPTIVE AUTHORITY.—Section 28 of the Securities Act of 1933 (15 U.S.C. 77z–3) is amended, in the matter preceding to the matter relating to Schedule A—

(1) by striking ''by rule or regulation'' and inserting ''by rule, regulation, or order''; and

(2) by adding at the end the following: ''The Commission shall, by rule or regulation, determine the procedures under which an exemptive order under this section shall be granted and may, in the sole discretion of the Commission, decline to entertain any application for an order of exemption under this section.''.

SEC. 107. MODERNIZATION OF RECORDKEEPING REQUIREMENTS.

(a) IN GENERAL.—The Commission shall promulgate rules to modernize the recordkeeping requirements under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.), and the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.), including to facilitate utilization of distributed ledger records.

SEC. 108. MODERNIZATION OF SECURITIES REGULATIONS FOR DIGITAL ASSET ACTIVITIES.

(a) TAILORING OF EXISTING REQUIREMENTS.—

(1) DEFINITION.—In this subsection:

(A) DIGITAL ASSET RECEIPT; LIQUIDITY PROVIDER TOKEN; VAULT TOKEN.—The terms ''digital asset receipt'', ''liquidity provider token'', and ''vault token'' mean a digital token or electronic receipt that—

(i) is issued by a vault or a smart contract to a user depositing digital assets; and

(ii) evidences the proportionate interest of the user in, or the ability of the user to redeem, the underlying digital assets and any accrued yield or profits.

(B) VAULT.—The term ''vault'' means a programmable, self-custodial smart contract on a distributed ledger system—

(i) that deploys digital assets according to pre-defined code;

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

(iii) under which the user retains ownership of the digital assets described in clause (i), as evidenced by digital asset re-

ceipts, liquidity provider tokens, or vault tokens.

(2) REQUIREMENT.—The Commission shall—

(A) amend, rescind, replace, or supplement by rule, order, guidance, exemptive relief, or any other appropriate action (provided such action is consistent with chapter 5 of title 5, United States Code, and other applicable law) each regulation, form, interpretive statement, or other requirement within the jurisdiction of the Commission that is not otherwise amended by this Act (or required to be amended because of a provision of this Act or an amendment made by this Act), to the extent that such provision applies to any digital asset activity, including any activity involving a security that is issued, recorded, or transferred using distributed ledger technology, to the extent that the provision is outdated, unnecessary, or unduly burdensome in light of the unique technological characteristics of digital assets or substantially similar technology, which may include regulatory provisions governing—

(i) customer protection, including custody of digital assets or substantially similar technology;

(ii) transfer agent rules;

(iii) books and records, or recordkeeping requirements;

(iv) clearance and settlement rules;

(v) broker-dealer, alternative trading system, and exchange rules;

(vi) issuer disclosure and ongoing reporting requirements tailored to digital asset securities or substantially similar technology involving securities; and

(vii) the use of vaults, digital asset receipts, or receipts involving substantially similar technology, vault tokens, or liquidity provider tokens; and

(B) shall, in imposing future obligations as those obligations relate to digital assets or substantially similar technology do so in a manner consistent with the requirements described in subparagraph (A).

(b) RULE OF CONSTRUCTION.—Nothing in this section may be construed to limit the authority of the Commission to pursue fraud, manipulation, or deceptive prac-

tices involving digital assets or substantially similar technology.

(c) USE OF EXISTING AUTHORITY.—When considering, proposing, adopting, or engaging in any rule or program or developing new rules or programs, including those mandated or authorized under this Act, or any amendment made by this Act, the activities of the Commission (which may include the solicitation of data and other input from investors, regulated entities, and market participants or the representatives of any of those persons) shall be considered actions taken under subsection (e) of section 19 of the Securities Act of 1933 (15 U.S.C. 77s) and shall be subject to subsection (f) of that section.

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

(1) in subsection (b)—

(A) in paragraph (3)—

(i) in the paragraph heading, by inserting ''IN QUALIFIED TRANSACTIONS OR'' after ''SALES'';

(ii) in the first sentence, by inserting ''in a qualified transaction or'' after ''the security''; and

(iii) in the second sentence—

(I) by striking ''term 'qualified purchaser' '' and inserting ''term 'qualified transaction' and 'qualified purchaser' '';

(II) by inserting ''and categories of transactions, including secondary transactions,'' after ''securities''; and

(III) by inserting ''and with due regard to the facilitation of capital formation and the promotion of innovation'' before the period at the end; and

(B) in paragraph (4)—

(i) in subparagraph (A), by inserting ''or, if the issuer is not required to file such reports, where the Commission otherwise determines, consistent with the public interest and the protection of investors and with due regard to the facilitation of capital formation and the promotion of innovation'' before the semicolon at the end;

(ii) in subparagraph (D)(ii) after ''offered or sold'' by inserting ''in a qualified transaction or'';

(iii) in subparagraph (F), by striking ''or'' at the end;

(iv) in subparagraph (G), by striking the period at the end and inserting ''; or''; and

(v) by adding at the end the following:

''(H) Commission rules or regulations issued under section 28, except that this subparagraph does not apply to rules or regulations adopted before the date of enactment of this subparagraph.''.

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

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

''(5) EXEMPTION IN CONNECTION WITH NETWORK TOKENS.—A network token, as defined in section 4B(a), shall be treated as a covered security.''.

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

commission (or any agency or office performing like functions) of any State with respect to a covered security or any security.

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

''(5) LIMITATIONS ON STATE LAW REGARDING ANCILLARY ASSETS.—

''(A) DEFINITIONS.—In this paragraph, the term 'ancillary asset' has the meaning given the term in section 4B(a).

''(B) EXEMPTION IN CONNECTION WITH ANCILLARY ASSETS.—An ancillary asset offered, sold, or distributed in Reliance on Regulation Crypto, as adopted under section 103 of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026, shall be treated as a covered security.''.

SEC. 109. SECURITIES INVESTOR PROTECTION CORPORATION APPLICABILITY.

Section 16(14) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78lll(14)) is amended by inserting after the second sentence the following: ''The term 'security' does not include a digital commodity.''.

TITLE II—PROTECTING AGAINST ILLICIT FINANCE

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

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

(1) by inserting ''digital commodity broker, digital commodity dealer,'' after ''futures commission merchant,''; and

(2) by inserting before the period the following: ''and any digital commodity exchange registered, or required to register, under that Act that permits direct customer access''.

(b) BANK SECRECY ACT REQUIREMENTS.—

(1) REGULATIONS.—The Secretary of the Treasury, acting through the Director of the Financial Crimes Enforcement Network, and in consultation with Commodity Futures Trading Commission, shall issue requirements consistent with the requirements of futures commission merchants to apply the Bank Secrecy Act to digital commodity brokers, digital commodity dealers, and digital commodity exchanges that are tailored to the size and complexity of such entities, including by requiring each such entity to—

(A) establish and maintain an anti-money laundering and countering the financing of terrorism program, which shall include—

(i) an appropriate risk assessment;

(ii) the development of internal policies, procedures, and controls;

(iii) the designation of a compliance officer;

(iv) an ongoing employee training program; and

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

(B) retain appropriate records of transactions;

(C) monitor and report suspicious activity, which may include use of appropriate distributed ledger analytics; and

(D) maintain an effective customer identification program to identify and verify account holders and carry out appropriate customer due diligence.

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

administered by the Office of Foreign Assets Control.

(c) SENSE OF CONGRESS.—It is the sense of Congress that nothing in this section shall limit the applicability of any law imposing or authorizing the imposition of economic sanctions by the United States.

SEC. 202. DIGITAL ASSET EXAMINATION STANDARDS.

(a) DEFINITIONS.—In this section:

(1) FEDERAL FUNCTIONAL REGULATOR.—The term ''Federal functional regulator'' has the meaning given the term in section 509 of the Gramm-Leach-Bliley Act (15 U.S.C. 6809).

(2) FINANCIAL INSTITUTION.—The term ''financial institution'' has the meaning given the term in section 5312(a)(2) of title 31, United States Code.

(b) EXAMINATION AND REVIEW.—The Secretary of the Treasury, in consultation with Federal functional regulators, shall establish, coordinated to the extent feasible, risk-based examination standards to assess financial institutions involved in the digital asset sector for compliance with anti-money laundering and countering the financing of terrorism requirements under the Bank Secrecy Act.

SEC. 203. PREVENTING ILLICIT FINANCE THROUGH PARTNERSHIP ACT.

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

(b) DEFINITIONS.—In this section:

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

(2) CERTIFIED OR RECOGNIZED INFORMATION-SHARING OR INTERDICTION NETWORK.—The term ''certified or recognized information-sharing or interdiction network'' means a real-time, secure, public-private mechanism that—

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

(B) is—

(i) certified by the Secretary of the Treasury for the purpose of supporting interdiction and investigative actions consistent with law enforcement or regulatory authorities; or

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

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

(3) COVERED AGENCY.—The term ''covered agency'' means—

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

(B) the Department of the Treasury, including the Financial Crimes Enforcement Network, the Internal Revenue Service, and the Office of Foreign Assets Control; and

(C) the Department of Homeland Security.

(4) DESIGNATED PRIVATE SECTOR ENTITY.—The term ''designated private sector entity'' means a private sector entity designated under subsection (d).

(5) DIRECTOR.—The term ''Director'' means the Director of the Financial Crimes Enforcement Network.

(6) ILLICIT FINANCE VIOLATION.—The term ''illicit finance violation'' means the illicit use of digital assets.

(7) ILLICIT USE.—The term ''illicit use'' includes fraud, money laundering, terrorist financing, the purchase and sale of illicit goods, trafficking of fentanyl (including fentanyl precursors and trade in other illicit drugs), sanctions evasion, theft of funds, funding of illegal activities, transactions relating to child sexual abuse material or elder fraud abuse, and any other financial transaction involving the proceeds of specified unlawful activity, as defined in section 1956(c) of title 18, United States Code.

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

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

(d) DESIGNATION OF PRIVATE SECTOR ENTITIES.—

(1) REQUIRED ACTION.—

(A) INITIAL COMPANIES.—Not later than 90 days after the date of enactment of this Act, the Director and the Secretary shall designate 10 private sector entities that are money services businesses, 10 private sector entities that are digital commodity brokers, digital commodity dealers, or digital commodity exchanges, and 10 private sector entities that are banks to participate in the pilot program established under subsection (c), if such entities agree and volunteer to participate in the program.

(B) BIANNUAL REVIEW.—Not less frequently than once every 6 months, the Director shall review and, as appropriate, replace the private sector entities designated under this paragraph.

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

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

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

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

(A) 1 or more information sharing and analysis centers to participate in the pilot program;

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

(C) 1 or more private sector entities, as appropriate, relating to a particular type of illicit activity.

(e) INFORMATION SHARING WITH PRIVATE SECTOR ENTITIES.—A covered agency that initiates an investigation into a potential illicit finance violation, or identifies a threat or emerging risk relating to an illicit finance violation, may share with any designated private sector entity such information about the investigation, threat, or emerging risk as the covered agency determines is appropriate.

(f) USE OF INFORMATION BY PRIVATE SECTOR ENTITIES.—Information received by a designated private sector entity under this section may not be used for any purpose other than identifying and reporting on activities that may involve illicit finance violations or threats and emerg-

ing risks relating to illicit finance violations, unless otherwise prescribed by regulation or permitted by the covered agency sharing the information.

(g) MEANS OF SHARING INFORMATION.—The covered agencies and designated private sector entities may share information about potential illicit finance violations, or threats and emerging risks relating to illicit finance violations, with each other—

(1) through a portal established by the Secretary of the Treasury or a similar mechanism determined appropriate by the Secretary of the Treasury;

(2) through secure email;

(3) at monthly meetings, which shall be facilitated by the Secretary of the Treasury; or

(4) through a certified or recognized information-sharing or interdiction network.

(h) LIMITATION ON LIABILITY.—A designated private sector entity that transmits, receives, or shares information for the purposes of identifying and reporting activities that may constitute illicit finance violations, or threats and emerging risks relating to illicit finance violations, shall not be liable to any person for such disclosure or for any failure to provide notice of such disclosure to the person who is the subject of such disclosure or any other person identified in such disclosure.

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

SEC. 204. FINANCIAL TECHNOLOGY PROTECTION ACT.

(a) SHORT TITLE.—This section may be cited as the ''Financial Technology Protection Act''.

(b) DEFINITIONS.—In this section:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ''appropriate congressional committees'' means—

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

(B) the Committee on Agriculture, Nutrition, and Forestry of the Senate;

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

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

(2) DISTRIBUTED LEDGER ANALYTICS COMPANY.—The term ''distributed ledger analytics company'' means any business providing software, research, or other services (such as tracing tools,

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

(A) support private and public sector investigations and risk management activities; and

(B) involve cryptographically secured distributed ledgers or any similar technology or implementation.

(3) EMERGING TECHNOLOGIES.—The term ''emerging technologies'' means the critical and emerging technology areas listed in the Critical and Emerging Technologies List developed by the Fast Track Action Subcommittee on Critical and Emerging Technologies of the National Science and Technology Council, including any updates to such list.

(4) FOREIGN TERRORIST ORGANIZATION.—The term ''foreign terrorist organization'' means an organization that is designated as a foreign terrorist organization under section 219 of the Immigration and Nationality Act (8 U.S.C. 1189).

(5) ILLICIT USE.—The term ''illicit use'' includes fraud, money laundering, terrorist financing, the purchase and sale of illicit goods, trafficking of fentanyl (including fentanyl precursors and trade in other illicit drugs), sanctions evasion, theft of funds,

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

(6) STATE SPONSOR OF TERRORISM.—The term ''state sponsor of terrorism'' means a country determined by the Secretary of State to have repeatedly provided support for acts of international terrorism under section 40 of the Arms Export Control Act (22 U.S.C. 2780) or section 620A of the Foreign Assistance Act of 1961 (22 U.S.C. 2371).

(7) TERRORIST.—The term ''terrorist'' includes a person carrying out domestic terrorism or international terrorism (as such terms are defined, respectively, under section 2331 of title 18, United States Code).

(8) TRANSNATIONAL ORGANIZED CRIME.—The term ''transnational organized crime'' has the meaning given the term in section 284 of title 10, United States Code.

(c) INDEPENDENT FINANCIAL TECHNOLOGY WORKING GROUP TO COMBAT TERRORISM, NARCOTICS TRAFFICKING, AND ILLICIT FINANCING.—

(1) ESTABLISHMENT.—There is established the Independent Financial Technology Working Group to Combat Terrorism, Narcotics Trafficking, and Illicit Financing (in this section referred to as the ''Working Group''), which shall consist of the following:

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

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

(i) The Department of the Treasury.

(ii) The Office of Terrorism and Financial Intelligence.

(iii) The Internal Revenue Service.

(iv) The Department of Justice.

(v) The Federal Bureau of Investigation.

(vi) The Drug Enforcement Administration.

(vii) The Department of Homeland Security.

(viii) The United States Secret Service.

(ix) The Department of State.

(x) The Office of the Director of National Intelligence.

(C) At least 5 individuals appointed by the Secretary of the Treasury to represent the following:

(i) Digital asset companies.

(ii) Distributed ledger analytics companies.

(iii) Financial institutions.

(iv) Institutions or organizations engaged in research.

(v) Institutions or organizations focused on individual privacy and civil liberties.

(D) Such additional individuals as the Secretary of the Treasury may appoint as necessary to accomplish the duties described in paragraph (2).

(2) DUTIES.—The Working Group shall—

(A) conduct research on the illicit use of digital assets and other related emerging technologies, including by terrorists, foreign terrorist organizations, state sponsors of terrorism, and transnational organized crime groups; and

(B) develop legislative and regulatory proposals to improve anti-money laundering, counter-terrorist, and other counter-illicit financing efforts in the United States.

(3) REPORTS.—

(A) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, and annually for the 3 years thereafter, the Working Group shall submit to the Secretary of the Treasury, the heads of each agency represented in the Working Group pursuant to paragraph (1)(B), and the appropriate congressional committees a report containing the findings and determinations made by the Working Group in the previous year and any legislative and regulatory proposals developed by the Working Group.

(B) FINAL REPORT.—Before the date on which the Working Group terminates under paragraph (4)(A), the Working Group shall submit to the appropriate congressional committees a final report detailing the findings, recommendations, and activities of the Working Group, including any final results from the research conducted by the Working Group.

(4) SUNSET.—

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

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

(ii) the date on which the Working Group completes any wind-up activities described in subparagraph (B).

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

(C) RETURN OF APPROPRIATED FUNDS.—On the date on which the Working Group terminates under subparagraph (A), any unobligated funds appropriated to carry out this subsection shall be transferred to the Treasury.

SEC. 205. DIGITAL ASSET KIOSKS.

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

(1) in subsection (d)—

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

(B) by adding at the end the following:

"(3) DIGITAL ASSET; DIGITAL ASSET ADDRESS; DIGITAL ASSET KIOSK; DIGITAL ASSET KIOSK OPERATOR.—The terms 'digital asset, 'digital asset address', 'digital asset kiosk', and 'digital asset kiosk operator' have the meanings given those terms, respectively, in section 5337."; and

(2) by adding at the end the following:

"(f) REGISTRATION OF DIGITAL ASSET KIOSK LOCATIONS.—

"(1) IN GENERAL.—Not later than 90 days after the effective date of this subsection, and not less than once every 90 days thereafter, the Secretary of the Treasury shall require digital asset kiosk operators to submit an updated list containing the physical address of each digital asset kiosk owned or operated by the digital asset kiosk operator.

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

"(A) the legal name of the digital asset kiosk operator;

"(B) any fictitious or trade name of the digital asset kiosk operator;

"(C) the physical address of each digital asset kiosk owned, operated, or managed by the digital asset kiosk operator that is located in the United States or the territories of the United States;

"(D) the start date of operation of each digital asset kiosk;

"(E) the end date of operation of each digital asset kiosk, if applicable; and

"(F) each digital asset address used by the digital asset kiosk operator.

"(3) FALSE AND INCOMPLETE INFORMATION.—The filing of false or materially incomplete information in a submission required under paragraph (1) shall be deemed a failure to comply with the requirements of this subsection.".

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

(1) IN GENERAL.—Subchapter II of chapter 53 of title 31, United States Code, is amended by adding at the end the following:

"§ 5337. Digital asset kiosk fraud prevention

''(a) DEFINITIONS.—In this section:

''(1) CUSTOMER.—The term 'customer' means any person that purchases or sells digital assets through a digital asset kiosk.

''(2) DISTRIBUTED LEDGER ANALYTICS.—The term 'distributed ledger analytics' means the analysis of data from public distributed ledgers, and associated transaction information, to provide risk-specific information about digital asset transactions and digital asset addresses.

''(3) FINCEN.—The term 'FinCEN' means the Financial Crimes Enforcement Network of the Department of the Treasury.

''(4) DIGITAL ASSET.—The term 'digital asset' has the meaning given the term in section 2 of the GENIUS Act (12 U.S.C. 5901).

''(5) DIGITAL ASSET ADDRESS.—The term 'digital asset address' means an alphanumeric identifier associated with a digital asset wallet identifying the location to which digital asset purchased through a digital asset kiosk can be sent or from which digital asset sold through a digital asset kiosk can be accessed.

''(6) DIGITAL ASSET KIOSK.—The term 'digital asset kiosk' means a stand-alone machine that is ca-

pable of accepting or dispensing legal tender in exchange for digital assets.

''(7) DIGITAL ASSET KIOSK OPERATOR.—The term 'digital asset kiosk operator' means a person who owns, operates, or manages a digital asset kiosk located in the United States or its territories.

''(8) DIGITAL ASSET KIOSK TRANSACTION.—The term 'digital asset kiosk transaction' means the purchase or sale of digital assets via a digital asset kiosk.

''(9) DIGITAL ASSET WALLET.—The term 'digital asset wallet' means a software application or other mechanism providing a means for holding, storing, and transferring digital assets.

''(10) NEW CUSTOMER.—The term 'new customer,' with respect to a digital asset kiosk operator, means a customer during the 14-day period beginning on the date of the first digital asset kiosk transaction of the customer with the digital asset kiosk operator.

''(11) TRANSACTION HASH.—The term 'transaction hash' means a unique identifier made up of a string of characters that act as a record of and provide proof that a transaction was verified and added to the distributed ledger.

''(b) DISCLOSURES.—

''(1) IN GENERAL.—Before entering into a digital asset transaction with a customer, a digital asset kiosk operator shall disclose in a clear, conspicuous, and easily readable manner—

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

''(i) the amount of the digital asset kiosk transaction;

''(ii) the type and nature of the digital asset kiosk transaction;

''(iii) a warning that the digital asset kiosk transaction is final, is not refundable, and may not be reversed; and

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

''(B) a warning relating to consumer fraud including—

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

''(ii) the most common types of fraudulent schemes involving digital asset kiosks, such as—

"(I) impersonation of a government official or a bank representative;

"(II) threats of jail time or financial penalties;

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

"(IV) claims of a frozen bank account or credit card;

"(V) requests for donations to charity or disaster relief; or

"(VI) payment to an individual the customer has never met; and

"(iii) a statement that the customer should contact law enforcement if they suspect fraudulent activity, such as scams, including contract information for a relevant law enforcement or government agency.

"(2) ADDITIONAL DISCLOSURES.—FinCEN may adopt rules relating to additional disclosures required to be made to customers prior to a engaging in a transaction.

"(c) ACKNOWLEDGMENT OF DISCLOSURES.—Each time a customer uses a digital asset kiosk, the digital asset kiosk operator shall ensure acknowledgment of all disclo-

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

''(d) RECEIPTS.—Upon completion of each digital asset kiosk transaction, the digital asset kiosk operator shall provide the customer with a receipt, which shall include the following information:

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

''(2) The name of the customer.

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

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

''(5) All fees charged.

''(6) A statement that the customer should contact law enforcement if they suspect fraudulent activity, such as scams, including contract information for a relevant law enforcement or government agency.

''(7) The exchange rate applied.

''(8) Any additional information the digital asset kiosk operator determines appropriate.

''(e) PHYSICAL RECEIPTS REQUIRED.—The physical receipt required under subsection (d) shall be issued to the customer at the time of the digital asset kiosk transaction if the customer opts for the receipt.

''(f) ANTI-FRAUD POLICY.—

''(1) IN GENERAL.—Each digital asset kiosk operator shall establish, maintain, and implement a written anti-fraud policy if required by, and consistent with, applicable State law in those States where the digital asset kiosk operator is licensed.

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

''(A) the identification and assessment of fraud related areas;

''(B) procedures and controls to protect against risks identified under subparagraph (A);

''(C) allocation of responsibility for monitoring the risks identified under subparagraph (A); and

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

trols, and monitoring mechanisms under subparagraphs (B) and (C).

''(g) APPOINTMENT OF COMPLIANCE OFFICER.—Each digital asset kiosk operator shall designate and employ a compliance officer who—

''(1) is qualified to coordinate and monitor compliance with this section and all other applicable Federal and State laws, rules, and regulations;

''(2) is employed full-time by the digital asset kiosk operator;

''(3) is not the chief executive officer of the digital asset kiosk operator; and

''(4) does not own or control more than 10 percent of any interest in the digital asset kiosk operator.

''(h) USE OF DISTRIBUTED LEDGER ANALYTICS AND WALLET PINNING.—

''(1) IN GENERAL.—Each digital asset kiosk operator shall use distributed ledger analytics to prevent sending digital asset to a digital asset wallet known to be affiliated with fraudulent activity at the time of a digital asset kiosk transaction and to detect transaction patterns indicative of fraud or other illicit activities.

''(2) WALLET PINNING.—Each digital kiosk operator shall maintain restrictions that prevent more than one customer of the digital asset kiosk operator from using the same digital wallet address.

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

''(i) CONFIRMATION REQUIRED BEFORE NEW CUSTOMER TRANSACTIONS.—Before entering into a digital asset kiosk transaction valued at $500 or more with a new customer, the digital asset kiosk operator shall obtain confirmation from the new customer that—

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

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

''(j) HOLDING PERIOD.—No digital asset kiosk operator shall execute a transaction on behalf of a new customer that sends digital assets to a specific wallet address unless at least 72 hours have elapsed since the initiation of the transaction by the new customer.

''(k) TRANSACTION LIMITS WITH RESPECT TO NEW CUSTOMERS.—The Secretary of the Treasury shall prescribe by regulation the threshold amounts for reporting or limiting digital asset kiosk transactions, including ag-

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

''(l) INTERIM TRANSACTION LIMITS.—Until the effective date of regulations prescribed under subsection (k), a digital asset kiosk operator shall not permit a new customer to conduct transactions exceeding $3,500 in the aggregate within any 24-hour period.

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

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

''(2) the customer files a complaint to the digital asset kiosk operator, which includes—

''(A) the name, address, and phone number of the customer;

''(B) the transaction hash of the digital asset kiosk transaction or information sufficient to establish the type, value, date, and time of the digital asset kiosk transaction; and

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

"(n) CUSTOMER SERVICE HELPLINE.—Each digital asset kiosk operator shall provide live customer service during business hours, the phone number for which is regularly monitored and displayed in a clear, conspicuous, and easily readable manner upon each digital asset kiosk. During non-business hours, the digital asset kiosk operator shall maintain an alternative customer service system that may include an automated chatbot, an online complaint reporting portal, or other customer service mechanism.

"(o) COMMUNICATIONS WITH LAW ENFORCEMENT.—Each digital asset kiosk operator performing business in the United States shall have a dedicated method of contact, such as a phone number, email address, or other contact method, for law enforcement and regulatory agencies to contact the digital asset kiosk operator. This contact method shall be displayed and available on the digital asset kiosk operator's website.

"(p) CIVIL PENALTIES AND STATE ENFORCEMENT.—Any State regulator may bring a civil action or other appropriate proceeding to enforce the provisions of

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

''(q) RELATIONSHIP TO STATE LAWS.—The provisions of this section shall preempt any State law, rule, or regulation only to the extent that such State law, rule, or regulation conflicts with a provision of this section.

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

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

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

''5337. Digital asset kiosk fraud prevention.''.

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

(a) DEFINITIONS.—In this section:

(1) FOREIGN TERRORIST ORGANIZATION.—The term ''foreign terrorist organization'' means an organization that is designated as a foreign terrorist organization under section 219 of the Immigration and Nationality Act (8 U.S.C. 1189).

(2) TRANSNATIONAL ORGANIZED CRIMINAL.—The term ''transnational organized criminal'' means an individual who participates in transnational organized crime, as defined in section 284(i) of title 10, United States Code.

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

(c) REPORT.—Not later than 180 days after completing the review under subsection (b), the Secretary of the Treasury shall submit to the Committee on Agriculture, Nutrition, and Forestry and the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Agriculture and the Committee on Financial Services of the House of Representatives a report on the findings of the Secretary, including—

(1) an assessment of how foreign terrorist organizations and transnational organized criminals utilize digital assets in connection with illicit activities; and

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

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

(e) CLASSIFIED ANNEX.—The report required under subsection (c) may include a classified annex, as appropriate.

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.

(a) DEFINITIONS.—In this section:

(1) DECENTRALIZED LEDGER FINANCE TRADING PROTOCOL.—The term ''decentralized ledger finance trading protocol'' means a distributed ledger system through which multiple participants can execute a financial transaction—

(A) in accordance with an automated rule or algorithm that is predetermined and non-discretionary; and

(B) without reliance on a person other than the user to maintain custody or control of any digital assets subject to the financial transaction.

(2) NON-DECENTRALIZED FINANCE TRADING PROTOCOL.—The term ''non-decentralized finance trading protocol'' means a decentralized finance

trading protocol that meets 1 or more of the following exclusions:

(A) A person or group of persons under common control or acting pursuant to an agreement to act in concert has the authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the decentralized ledger finance trading protocol.

(B) The decentralized ledger finance trading protocol does not operate, execute, and enforce its operations and transactions based solely on pre-established, transparent rules encoded directly within the source code of the distributed ledger system.

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

(b) RULES.—

(1) IN GENERAL.—The Commission, in consultation with the Department of the Treasury, shall promulgate tailored, clear, and specific rules that clarify how a person, or group of persons under common control or acting pursuant to an agreement to act in concert, that controls the operation of a non-decentralized finance trading protocol shall comply with applicable requirements under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), as amended by this Act, including with respect to registration, conduct, disclosure, recordkeeping, supervision, and other requirements under the securities laws.

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

(A) ensure that the rules promulgated pursuant to that rulemaking are consistent with the purposes of the securities laws, including the public interest, the protection of investors, and the maintenance of fair and orderly markets;

(B) protect the rights of software developers, publishers, and users to create, publish, and use code and software in a manner con-

sistent with the First Amendment to the Constitution of the United States;

(C) provide legal clarity for the development, publication, and operation of distributed ledger systems and the components therein in a manner consistent with the purposes of this section; and

(D) result in, by operation of law, the application and enforcement by the Department of the Treasury, where applicable and pursuant to existing law, of anti-money laundering and countering the financing of terrorism requirements under the Bank Secrecy Act and other Federal law with respect to any person or group of persons that the Commission determines, through that rulemaking, is required to register with, or comply as a registrant under, the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

(3) APPLICATION.—Any person or group of persons determined under this subsection to be required to register with, or comply as a registrant under, the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (referred to in this paragraph as the ''Exchange Act'') shall be subject to that Act and the

Bank Secrecy Act to the extent applicable under existing law, as of the day before the date of enactment of this Act, consistent with the treatment of similarly situated participants under the Exchange Act, as that applicability is determined pursuant to the rulemakings conducted under this subsection and subsection (c).

(c) APPLICATION OF BANK SECRECY ACT TO CERTAIN NON-DECENTRALIZED FINANCE TRADING PROTOCOLS.—The Secretary of the Treasury, in consultation with the Commission, shall promulgate tailored, clear, and specific rules that define compliance with obligations under the Bank Secrecy Act and other Federal laws relating to anti-money laundering and countering the financing of terrorism with respect to any person, or group of persons under common control or acting pursuant to an agreement to act in concert—

(1) that controls the operation of a non-decentralized finance trading protocol identified in the rulemaking conducted under subsection (b);

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

(3) to the extent that registration or compliance described in paragraph (2) causes that person, or group of persons, to be treated as a financial institution under the Bank Secrecy Act pursuant to existing law.

(d) ACTIVITY-BASED APPLICATION.—Rules promulgated under subsection (b)(1)(A) shall require the Commission to determine the applicable requirements only with respect to securities-related activities, based on the functions performed by the controlling person or group of persons, including brokerage, dealing, trading, execution, clearing, or custody of securities, without regard to technological form, distributed architecture, or purportedly decentralized characterization.

(e) RULES OF CONSTRUCTION.—

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

(A) require a distributed ledger application or any software code to register with the Commission in its own capacity; or

(B) prohibit the launch, deployment, or operation of a distributed ledger application.

(2) NO EXPANSION OF STATUTORY AUTHORITY.—Notwithstanding the rulemaking required

under subsection (b), and notwithstanding any action the Commission may take under that subsection, nothing in this section, including that rulemaking, may be construed to—

(A) expand or contract the statutory authority of the Commission or the Department of the Treasury, as in effect on the day before the date of enactment of this Act, under the Bank Secrecy Act; or

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

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

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

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

(g) NON-DECENTRALIZED FINANCE TRADING PROTOCOLS.—

(1) IN GENERAL.—In promulgating rules under subsection (b), the Commission shall treat a decentralized governance system and any person participating in the decentralized governance system as a separate person unless such person is under common control or acting pursuant to an agreement to act in concert.

(2) EMERGENCY MEASURES.—For the avoidance of doubt, pre-defined, temporary rules-based cybersecurity emergency measures exercised by an incident-response or security council exclusively in response to a specific and documented cybersecurity incident and pursuant to publicly disclosed, on-chain authorization mechanisms, strictly limited in scope and duration solely to address such specific and documented cybersecurity incident, and without unilateral control by any single person, shall not, by themselves, constitute common control or an agreement to act in concert, provided that such rules and authorities, including the procedures and operational

limits governing such emergency measures, are disclosed in publicly available written documentation reasonably available to the applicable Federal regulator, by a decentralized autonomous organization or similar legal entity sufficiently in advance of any exercise of such emergency powers.

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

SEC. 302. ILLICIT FINANCE OBLIGATIONS FOR DISTRIBUTED LEDGER APPLICATION LAYERS.

(a) DEFINITIONS.—In this section:

(1) DISTRIBUTED LEDGER APPLICATION LAYER.—The term ''distributed ledger application layer''—

(A) means a web-hosted software application that provides a user with the ability to create or submit an instruction, communication, or message to a distributed ledger application or decentralized finance trading protocol for the purpose of executing a transaction by the user; and

(B) does not include—

(i) a distributed ledger application;

(ii) a distributed ledger protocol;

(iii) a distributed ledger system;

(iv) a decentralized finance trading protocol;

(v) any client, node, validator, or other form of computational infrastructure with respect to a distributed ledger system; or

(vi) any software or hardware wallet that facilitates the custody of an individual of their digital assets.

(2) UNITED STATES SANCTION LAW.—The term ''United States sanction law'' means any provision of Federal law, or any regulation, order, directive, or licensed issued under such a provision, that restricts or prohibits economic or financial transactions with, or requires the blocking of property or interests in property of, a foreign government, person, or sector for reasons relating to the foreign policy or national security of the United States.

(b) GUIDANCE.—Not later than 360 days after the date of enactment of this Act, the Secretary of the Treasury shall issue guidance clarifying the economic sanctions obligations, as well as applicable anti-money laundering and countering the financing of terrorism requirements,

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

(1) using commercially reasonable distributed ledger-analytics screening measures, through industry-standard distributed ledger-analytics tools, to identify wallet addresses that are owned by sanctioned persons, involve jurisdictions or financial institutions subject to United States sanctions, or otherwise present indicators of activity prohibited by United States sanctions;

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

(3) blocking or restricting transactions that exhibit indicators of ransomware activity, illicit-finance typologies, or any other pattern that presents a significant and identifiable illicit-finance risk based on a commercially reasonable distributed ledger-analytics assessment; and

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

countering the financing of terrorism risks, including—

(A) monitoring for risk indicators and limiting exposure to illicit-finance risks, which may include restricting, limiting, or otherwise mitigating exposure to high-risk transactions; and

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

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

(d) RULES OF CONSTRUCTION.—Nothing in this section may be construed to—

(1) alter or amend any laws imposing or authorizing imposition of economic sanctions by the United States, including those that apply to United States persons that own or operate a distributed ledger application layer;

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

law to any person, including any person that owns or operates a distributed ledger application layer; or

(3) restrict the authority of the Secretary of the Treasury to implement, administer, and enforce, including imposing civil money penalties, any law imposing or authorizing the imposition of economic sanctions or any law to prevent money laundering or illicit finance otherwise provided by Federal law to the Secretary of the Treasury.

SEC. 303. SPECIAL MEASURE RELATING TO CERTAIN TRANSMITTAL OF FUNDS.

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

(1) in subsection (a)(2)(C), by striking ''subsection (b)(5)'' and inserting ''paragraph (5) or (6) of subsection (b)'' and

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

''(6) SPECIAL MEASURE FOR CERTAIN TRANSMITTALS OF FUNDS.—If the Secretary of the Treasury finds that a jurisdiction outside of the United States, 1 or more financial institutions operating outside of the United States, or 1 or more classes of transactions within, or involving, a jurisdiction outside of the United States is of primary money

laundering concern in connection with illicit finance through the use of digital assets, as defined in section 2 of the GENIUS Act (12 U.S.C. 5901), the Secretary may, by order, regulation, or otherwise as permitted by law, prohibit, or impose conditions upon, certain transmittals of funds (to be defined by the Secretary by regulation) by any domestic financial institution or domestic financial agency, if such transmittal of funds involves any such institution, class of transaction, or type of account.''.

SEC. 304. OFFSHORE STABLECOIN REPORT.

(a) DEFINITIONS.—In this section:

(1) MATERIAL VOLUME OF TRANSACTIONS.—The term ''material volume of transactions'' means a sustained level of transaction activity that is—

(A) publicly observable;

(B) exceeds de minimis usage over a 12-month period; and

(C) is reasonably likely to affect the illicit finance or national security risk exposure of the United States.

(2) PAYMENT STABLECOIN.—The term ''payment stablecoin'' has the meaning given the term in section 2 of the GENIUS Act (12 U.S.C. 5901).

(3) UNITED STATES-DEPENDENT OFFSHORE STABLECOIN.—The term ''United States-dependent offshore stablecoin'' means a payment stablecoin that—

(A) is not issued by a permitted payment stablecoin issuer or any foreign payment stablecoin issuer registered with the Comptroller (as those terms are defined in section 2 of the GENIUS Act (12 U.S.C. 5901));

(B) is issued by a person operating outside of the United States; and

(C) the value of which is supported or backed by a reserve of assets that has a substantial nexus to the United States, which may include—

(i) obligations of the United States, including United States Treasury securities and repurchase agreements backed by United States Treasury securities and funds held as deposits at any bank subject to the jurisdiction of the United States;

(ii) deposits maintained at a banking entity or insured depository institution located in the United States, including correspondent or payable-through accounts;

(iii) securities issued or guaranteed by the United States or any agency or instrumentality thereof; or

(iv) assets custodied, cleared, or settled through payment, clearing, or settlement systems located in the United States.

(b) REPORT.—Not later than June 30 of the first calendar year that begins after the date of enactment of this Act, and every 4 years thereafter, the Secretary of the Treasury shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives, and make available on the website of the Department of the Treasury, a report assessing whether there is credible, articulable, and publicly supportable evidence of significant illicit finance threats or vulnerabilities associated with any United States-dependent offshore stablecoin employed in a material volume of transactions.

(c) CONTENTS.—Each report required under subsection (b) shall include—

(1) an assessment of the illicit finance risk of each United States-dependent offshore stablecoin employed in a material volume of transactions;

(2) an assessment of the controls employed by the issuers of United States-dependent offshore

stablecoins to address the use of such stablecoins in illicit finance, as available;

(3) data and information regarding the volume of United States-dependent offshore stablecoins assessed to be employed in connection with illicit finance, as available;

(4) a general description of the relationships between United States-dependent offshore stablecoins and the financial system of the United States, including principal channels of interaction; and

(5) such other information or analysis as the Secretary of the Treasury deems relevant to assessing the illicit finance risks of United States-dependent offshore stablecoins.

(d) CLASSIFIED ANNEX.—Each report required under subsection (b) shall be submitted in unclassified form, but may contain a classified annex.

(e) NATIONAL STRATEGY.—The reporting requirement under subsection (a) may be met as part of the national strategy for combating terrorist and other illicit financing required under sections 261 and 262 of the Countering America's Adversaries Through Sanctions Act (Public Law 115–44; 131 Stat. 934) for the reporting years.

(f) RULE OF CONSTRUCTION.—Nothing in this section may be construed to authorize—

(1) the disclosure of any information that is protected from disclosure under Federal law; and

(2) the collection or use of any information other than publicly available data or information lawfully obtained by the Department of the Treasury under existing authorities.

SEC. 305. TEMPORARY HOLD FOR CERTAIN DIGITAL ASSET TRANSACTIONS.

(a) DEFINITIONS.—In this section:

(1) COVERED AGENCY.—The term ''covered agency'' means any State or Federal law enforcement agency, including the Department of the Treasury.

(2) COVERED PERSON.—The term ''covered person'' means a person that is—

(A) a permitted payment stablecoin issuer;

(B) a foreign payment stablecoin issuer registered with the Office of the Comptroller of the Currency pursuant to section 18(c) of the GENIUS Act (12 U.S.C. 5916(c)); or

(C) a digital asset service provider, as that term is defined in section 2 of the GENIUS Act (12 U.S.C. 5901).

(3) PAYMENT STABLECOIN; PERMITTED PAYMENT STABLECOIN ISSUER.—The terms ''payment stablecoin'' and ''permitted payment stablecoin issuer'' have the meanings given those terms in section 2 of the GENIUS Act (12 U.S.C. 5901).

(4) QUALIFIED WRITTEN REQUEST.—The term ''qualified written request'' means a written communication issued by an authorized official of a covered agency that—

(A) identifies a specific wallet, address, account, or transaction reasonably suspected of being linked to illicit activity; and

(B) includes a designated agency contact.

(5) TEMPORARY HOLD.—The term ''temporary hold'' means a restriction applied by a covered person that delays execution of a transaction, conversion, or withdrawal involving digital assets for a reasonable period of time, not to exceed 30 calendar days, provided that a temporary hold may be extended for an additional 150 calendars days pursuant to a request for such by a covered agency.

(b) PROTECTION FROM PRIVATE CAUSES OF ACTION.—

(1) IN GENERAL.—Any covered person that, in good faith and in compliance with this section, or

any person complying with a temporary lawful order under subsection (e) that, voluntarily implements a temporary hold shall not be held liable pursuant to any Federal or State private right of action for implementing the temporary hold, provided that—

(A) the covered person—

(i) implements the temporary hold based on a reasonable belief the transaction, conversion, or withdrawal relates to an action or attempted violation of state or Federal law; or

(ii) implements the temporary hold after receiving a qualified written request from a covered agency;

(B) the covered person—

(i) makes reasonable efforts to notify the affected customer of the temporary hold;

(ii) reasonably determines that notification would impede actual or potential law enforcement efforts; or

(iii) receives a qualified written request from a covered agency that requests notification not be attempted; and

(C) the covered person notifies as soon as reasonably practicable an appropriate State or Federal law enforcement agency or the Federal Trade Commission, provided that such notification is not required when the covered person has received a qualified written request from a covered agency.

(2) DOCUMENTATION.—A covered person shall—

(A) maintain for the 3-year period following the implementation of a temporary hold documentation of the basis for applying a temporary hold; and

(B) make available the documentation described in subparagraph (A) upon the request of a covered agency, the Federal Trade Commission, or the Secretary of the Treasury.

(c) RULES OF CONSTRUCTION.—Nothing in this section may be construed to—

(1) compel or require any covered person to take action to freeze, seize, or block digital assets that is not otherwise required under existing Federal or State law;

(2) limit or alter the authority of any government agency, including with respect to authority to pursue enforcement actions; or

(3) limit or affect the application of—

(A) section 5318(g)(3) of title 31, United States Code, and any regulation requiring any financial institution to report suspicious activity; or

(B) any lawful authority to seize or freeze assets pursuant to a lawful order or sanctions designation.

(4) limit the ability of a covered person described to apply a temporary hold to any wallet, address, account, or transaction located outside the United States.

(d) REPORTING.—The Attorney General and the Federal Trade Commission may issue regulations or guidance relating to any notification by covered persons pursuant to this section to the Department of Justice and the Federal Trade Commission, respectively.

(e) COMPLIANCE WITH TEMPORARY LAWFUL ORDERS.—A permitted payment stablecoin issuer shall comply with any valid writ, process, order, rule, decree, command, or other requirement issued or promulgated under Federal law by a court of competent jurisdiction that—

(1) requires a person to freeze or prevent the transfer of payment stablecoins;

(2) specifies the payment stablecoins or accounts subject to blocking with reasonable particularity; and

(3) is subject to judicial or administrative review or appeal, as provided by law.

SEC. 306. VOLUNTARY CYBERSECURITY PROGRAM FOR DECENTRALIZED FINANCE TRADING PROTOCOLS.

(a) DEFINITIONS.—In this section:

(1) COVERED ACTIVITIES.—The term ''covered activities'' means the activities described in section 15H(b) of the Securities and Exchange Act of 1934, as added by section 601.

(2) DECENTRALIZED FINANCE TRADING PROTOCOL.—The term ''decentralized finance trading protocol'' has the meaning given the term in section 15H(a) of the Securities and Exchange Act of 1934, as added by section 601.

(3) DIRECTOR.—The term ''Director'' means the Director of NIST.

(4) NIST.—The term ''NIST'' means the National Institute of Standards and Technology.

(b) ESTABLISHMENT OF PROGRAM.—The Director shall, in consultation with the Commission and the Commodity Futures Trading Commission, establish a voluntary program for the adoption by persons developing decentralized finance trading protocols or engaging in covered activities of applicable cybersecurity standards published by NIST.

(c) DEVELOPMENT OF PROGRAM CRITERIA.—

(1) REQUEST FOR INFORMATION.—The Director shall issue a request for information in the Federal Register to gather input from experts and industry stakeholders on—

(A) cybersecurity threats, vulnerabilities, and risks to decentralized finance trading protocols;

(B) auditing and code security standards, including best practices for code audits;

(C) consumer protection and code transparency best practices on decentralized finance trading protocols; and

(D) existing NIST standards and their applicability to decentralized finance trading protocols.

(2) REPORT.—The Director shall develop a report on the software development of decentralized fi-

nance protocols to assess technical input from paragraph (1).

(3) PUBLICATION OF PROGRAM CRITERIA.—After evaluating input, the Director shall release a special publication containing a detailed evaluation of cybersecurity best practices and existing applicable standards for decentralized finance trading protocols, to provide program criteria to software developers and industry stakeholders under the voluntary program, which shall include a summary of public comments and responses as to how input was incorporated.

(4) REQUESTS FOR REVISION.—

(A) IN GENERAL.—After the Director publishes the program criteria under paragraph (3), the Director shall issue a request for comment in the Federal Register to gather input on the workability of the program.

(B) PETITION.—The public may petition the Director to reevaluate certain aspects of the program criteria published under paragraph (3).

(5) PROGRAM UPDATES.—As the technology underpinning decentralized finance trading protocols evolves, the Director shall update the special publi-

cation under paragraph (3) in compliance with subsection (d).

(d) PROGRAM.—

(1) APPLICATION.—A person seeking evaluation of a decentralized finance trading protocol or a covered activity under the program established under subsection (b) shall submit to the Director an application at such time and in such manner as the Director considers appropriate for purposes of the program.

(2) REVIEW.—In carrying out the program established under subsection (b), the Director shall review each application submitted by a person under paragraph (1) of this subsection.

(3) DETERMINATION.—In carrying out a review under paragraph (2) of an application regarding a decentralized finance trading protocol or covered activity, the Director shall determine whether the protocol or activity is in compliance with existing applicable standards, frameworks, and guidelines published by the Director under subsection (c).

(4) NOTICE.—For each determination made under paragraph (3) pursuant to an application by a person of a decentralized finance trading protocol

or covered activity, the Director shall transmit to the person a notice of the determination.

(e) BENEFITS OF PROGRAM.—

(1) DISPLAY.—A person that receives notice under subsection (d)(4) that the Director has determined that a decentralized finance trading protocol or a covered activity has adopted the applicable cybersecurity standards published by NIST, the person may publicly display a designation, seal, or other identifier issued by the Director.

(2) TREATMENT OF ADOPTION.—In promulgating a regulation or guidance relating to this section, a Federal agency shall consider adoption of cybersecurity standards under the program required by subsection (b) as evidence of good faith compliance with the law.

(f) RULE OF CONSTRUCTION RELATING TO PREEMPTION.—Nothing in this section may be construed to preempt any otherwise applicable provision of law of a State.

SEC. 307. AMENDMENTS TO MONETARY INSTRUMENT DEFINITION.

(a) DEFINITIONS.—In this section:

(1) SELF-HOSTED WALLET.—The term ''self-hosted wallet'' means a digital interface—

(A) that is used to secure and transfer digital assets; and

(B) under which the owner of digital assets secured and transferred under subparagraph (A) retains independent control over those digital assets.

(2) UNITED STATES SANCTION LAW.—The term ''United States sanction law'' has the meaning given the term in section 302(a).

(b) MONETARY INSTRUMENTS.—Section 5312(a)(3)(D) of title 31, United States Code, is amended by inserting '', including digital assets (as defined in section 2 of the GENIUS Act (12 U.S.C. 5901)), as may be applicable,'' after ''value''.

(c) TREASURY RISK ASSESSMENT.—As part of the national strategy for combating terrorist and other illicit financing required under sections 261 and 262 of the Countering America's Adversaries Through Sanctions Act (Public Law 115–44; 131 Stat. 934), the Secretary of the Treasury shall consider—

(1) illicit activity, such as money laundering and sanctions evasion, involving self-hosted wallets;

(2) the effectiveness of and gaps in existing methods, techniques, and strategies used by regulated financial institutions in detecting illicit activity,

such as money laundering, involving self-hosted wallets;

(3) any illicit actors, including nation state actors, that pose a high risk of facilitating illicit activity through the use of self-hosted wallets;

(4) the benefits of the use of self-hosted wallets to—

(A) enhance user privacy and civil liberties through direct asset custody; and

(B) expand financial inclusion and access for communities underserved by traditional financial institutions;

(5) end user and counterparty risks associated with self-hosted wallets, including consumer fraud, cybersecurity, and identity verification;

(6) the use of hardware self-hosted wallets to smuggle digital assets for financing cross-border illicit activity;

(7) the use of hardware self-hosted wallets for tax evasion and asset concealment; and

(8) other considerations the Secretary may determine appropriate.

(d) GUIDANCE.—The Secretary of the Treasury may issue guidance for financial institutions that transact with self-hosted wallets based on the results of the research on

benefits and risks required under this subsection, which shall—

(1) not require a regulated entity to collect, with respect to any transaction, personally identifiable information about the controller of a self-hosted wallet when the controller is not both the customer of the regulated entity and a party to such transaction, except as required by United States sanctions laws and regulations or lawful process; or

(2) be construed to hinder, restrict, or otherwise impair the authority of any Federal agency to investigate, detect, counteract, or prevent illegal activity.

SEC. 308. RISK MANAGEMENT STANDARDS FOR DIGITAL ASSET INTERMEDIARIES.

(a) IN GENERAL.—Before conducting trading activity (including routing orders and directed trading) through a decentralized finance trading protocol, a digital asset intermediary shall implement risk management standards as described in subsection (b) with respect to trading activity using such decentralized finance trading protocol.

(b) REQUIREMENTS.—The risk management standards applicable to a digital asset intermediary shall be comprised of the following:

(1) Conducting an effective risk analysis with respect to the decentralized finance trading protocol, including—

(A) money laundering and sanctions evasion risks;

(B) fraud and market manipulation;

(C) operational and cybersecurity risk, including settlement; and

(D) implementing robust policies and procedures to mitigate the risks identified under this paragraph.

(2) Disclosing the risks identified under paragraph (1) using plain language to customers.

(3) Maintaining robust capability to detect market manipulation, fraud, money laundering, and sanctions evasion occurring on the decentralized finance trading protocol, which may include the use of alternative tools that will properly target such risks, including distributed ledger analytics tools.

(4) Implementing an effective risk-based procedure for determining whether to execute, reject, or suspend an incoming or outgoing transaction relating to the decentralized finance trading protocol, including a determination based on suspected risk of

money laundering, sanctions evasion, fraud, or market manipulation.

(5) Consistent with this subsection, implementing other reasonable standards which may be required by rule.

(c) EXAMINATIONS.—

(1) COMPLIANCE.—The Commission or the Commodity Futures Trading Commission, or other or appropriate self-regulatory organization, shall verify compliance with the requirements of this section as part of the regular examination of the digital asset intermediary at the frequency and under the conditions otherwise provided by law or rule.

(2) RULE OF CONSTRUCTION.—Nothing in this section may be construed to limit the authority of the Financial Crimes Enforcement Network or the Office of Foreign Assets Control from conducting examinations, investigations, or enforcement actions relating to this section as otherwise provided by law.

(d) RULEMAKING.—Rules shall be adopted to implement this section as follows:

(1) The Department of the Treasury, in consultation with the Commission and the Commodity Futures Trading Commission, shall adopt rules to

implement the money laundering and sanctions evasion risk components of this section.

(2) The Commission and the Commodity Futures Trading Commission shall adopt rules to implement this section other than the provisions described in paragraph (1).

(3) Rules adopted under this paragraph shall be reasonably tailored to the size and risks of the digital asset intermediary that are reasonably knowable to the digital asset intermediary.

SEC. 309. STUDY ON DIGITAL ASSET MIXERS AND TUMBLERS.

(a) DIGITAL ASSET MIXER AND TUMBLER DEFINED.—In this section, the term ''digital asset mixer and tumbler'' means a smart contract, or set of smart contracts, that obfuscates or eliminates the source or other forms of identification of a digital asset, including by pooling assets from different users and redistributing those assets among users.

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Director of the Financial Crimes Enforcement Network of the Department of the Treasury shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Com-

mittee on Financial Services of the House of Representatives a report that analyzes the following issues:

(1) Current (as of the date on which the report is submitted) typologies of digital asset mixers and tumblers and historical transaction volume.

(2) Estimates of the percentage of transactions relating to digital asset mixers and tumblers which are used by actors engaged in illicit finance.

(3) Estimates of the reliance, and financial exposure, of centralized exchanges and traditional financial institutions to digital asset mixers and tumblers, and the extent to which centralized exchanges and traditional financial institutions are adequately implementing anti-money laundering and economic sanctions compliance with respect to digital asset mixers and tumblers.

(4) An assessment of potential non-illicit uses of mixers and tumblers described in paragraph (1).

(5) Analysis of regulatory approaches employed by other jurisdictions relating to digital asset mixers and tumblers.

(6) Recommendations for legislation or regulation relating to digital asset mixers and tumblers.

SEC. 310. GAO STUDY ON INTERMEDIARIES IN FOREIGN JURISDICTIONS.

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

(1) assess the risks posed by digital asset intermediaries that are primarily located in foreign jurisdictions that lack regulatory requirements that are substantially similar to the requirements of the Bank Secrecy Act that provide services to United States persons; and

(2) provide any regulatory or legislative recommendations to address these risks under paragraph (1).

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall submit to Congress a report containing all findings and determinations made in carrying out the study required under subsection (a).

SEC. 311. STUDIES ON FOREIGN ADVERSARY ACTIVITIES.

(a) DEFINITIONS.—In this section:

(1) FOREIGN ADVERSARY.—The term ''foreign adversary'' means a foreign government or foreign nongovernment person determined by the Secretary of Commerce to be a foreign adversary under section

7.4(a) of title 15, Code of Federal Regulations, or any successor regulation.

(2) RELEVANT CONGRESSIONAL COMMITTEES.—The term ''relevant congressional committees'' means—

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

(B) the Committee on Agriculture, Nutrition, and Forestry of the Senate;

(C) the Select Committee on Intelligence of the Senate;

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

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

(F) the Permanent Select Committee on Intelligence of the House of Representatives.

(b) TREASURY REPORT.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury, in consultation with the Commodity Futures Trading Commission and the Commission, shall conduct a study and submit a report to the relevant congressional committees, which may include a classified annex, that—

(1) identifies any digital asset intermediary that is controlled by a government of a foreign adversary,

or by individuals or entities acting at the direction of a foreign adversary;

(2) determines whether any government of a foreign adversary is collecting trading data about United States persons in digital asset markets; and

(3) evaluates whether any proprietary intellectual property of digital asset intermediaries is being misused or stolen by any government of a foreign adversary.

(c) GAO STUDY AND REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General shall conduct a study and submit a report to the relevant congressional committees, which may include a classified annex, that—

(1) identifies any digital asset intermediary that is owned by a government of a foreign adversary, or by individuals or entities acting at the direction of a foreign adversary;

(2) determines whether any government of a foreign adversary is collecting trading data about United States persons in digital asset markets; and

(3) evaluates whether any proprietary intellectual property of digital asset intermediaries is being misused or stolen by any government of a foreign adversary.

SEC. 312. TREASURY STUDY ON CYBERSECURITY STANDARDS.

(a) STUDY.—The Secretary of the Treasury, in consultation with the Director of the Cybersecurity and Infrastructure Security Agency, the Director of the National Security Agency, and the Director of the National Institute of Standards and Technology, shall conduct a study on cybersecurity standards applicable to digital asset smart contracts, custody, key management, and smart contract deployment.

(b) REPORT.—

(1) IN GENERAL.—Not later than 365 days after the date of enactment of this Act, the Secretary shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report containing—

(A) the findings of the study under subsection (a); and

(B) any legislative recommendations.

(2) CLASSIFIED ANNEX.—The report under paragraph (1) may include a classified annex, as appropriate.

SEC. 313. STUDIES ON FINANCIAL STABILITY RISKS OF DECENTRALIZED FINANCE TRADING AND CREDIT IN DIGITAL COMMODITY MARKETS.

Not later than 1 year after the date of enactment of this Act, and every 4 years thereafter until 4 consecutive reports have been issued, the Secretary of the Treasury, the Board of Governors of the Federal Reserve System, the Commission, and the Commodity Futures Trading Commission shall—

(1) conduct a study examining—

(A) the role of decentralized finance protocols in the financial system, including—

(i) the functions of such protocols;

(ii) the use of such protocols to obtain leverage or financing;

(iii) the effects of such protocols on the pricing and trading of financial instruments, including descriptions of any linkages between such protocols and traditional financial instrument; and

(iv) the types and volumes of financial activity conducted through such protocols;

(B) the risks of decentralized finance protocols to financial stability, fair and orderly markets, and otherwise to the financial system to the United States, which shall include a

quantification of those risks, to the extent possible;

(C) the strategies and guardrails regulators and market participants have used and are using to mitigate risks arising from the use of decentralized finance protocols; and

(D) an assessment of whether the regulatory framework adequately controls any risk with respect to decentralized finance protocols;

(2) conduct a separate study examining the risks to financial stability and orderly markets arising from the extension and maintenance of credit with respect to digital assets by digital asset service providers, including—

(A) the effect of gaps in the regulatory framework for credit extended on digital assets, such as risks arising from the extension and maintenance of credit on digital assets; and

(B) the interconnections between leverage in the market for digital assets and the financial system; and

(3) submit to the Committee on Banking, Housing, and Urban Affairs of the Senate, the Committee on Agriculture, Nutrition, and Forestry of the Senate, the Committee on Financial Services of

the House of Representatives, and the Committee on Agriculture of the House of Representatives a report on the studies conducted under paragraphs (1) and (2), which—

(A) shall include legislative and regulatory recommendations, as appropriate; and

(B) may include a classified annex.

TITLE IV—RESPONSIBLE BANKING INNOVATION

SEC. 401. PERMISSIBILITY OF DIGITAL ASSET ACTIVITIES.

(a) DEFINITIONS.—In this section:

(1) FINANCIAL HOLDING COMPANY.—The term ''financial holding company'' has the meaning given the term in section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841).

(2) INSURED CREDIT UNION.—The term ''insured credit union'' has the meaning given the term in section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

(3) STATE MEMBER BANK.—The term ''State member bank'' has the meaning given the term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(b) AUTHORIZED ACTIVITIES FOR FINANCIAL HOLDING COMPANIES.—

(1) IN GENERAL.—A financial holding company may use a digital asset or distributed ledger system to perform, provide, or deliver any activity, function, product, or service that the financial holding company is otherwise authorized by law to perform, provide, or deliver.

(2) FINANCIAL IN NATURE.—The activities described in subsection (g) are financial in nature for purposes of section 4(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)).

(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to exempt the performance, provision, or delivery by a financial holding company of an activity, function, product, or service from a requirement that would apply if the activity were not performed, provided, or delivered using a digital asset or distributed ledger system, such as by requiring a financial holding company, in order to conduct an activity described in subsection (g)(13) with respect to a digital asset that is a security, derivative, swap, or security-based swap, to comply with any prohibition, restriction, registration, limitation, or other similar requirement placed on an activity conducted by a financial holding company through securities, derivatives, swaps, or security-

based swaps that would apply if the activity were not performed, provided, delivered, or conducted using a digital asset or distributed ledger system.

(c) AUTHORIZED ACTIVITIES FOR NATIONAL BANKS.—

(1) IN GENERAL.—

(A) AUTHORIZED ACTIVITIES.—A national bank may use a digital asset or distributed ledger system to perform, provide, or deliver any activity, function, product, or service that the national bank is otherwise authorized by law to perform, provide, or deliver.

(B) FEDERAL-LICENSED BRANCHES AND STATE-LICENSED BRANCHES.—The activities authorized for a national bank under subparagraph (A) shall be permissible for a Federal-licensed branch and a State-licensed branch, respectively, to engage in as a principal.

(2) BUSINESS OF BANKING.—The activities described in paragraphs (1) through (5) and (7) through (14) of subsection (g) are authorized as part of, or incidental to, the business of banking under the paragraph designated as the ''Seventh'' of section 5136 of the Revised Statutes (12 U.S.C. 24).

(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to exempt the performance, provision, or delivery by a national bank of an activity, function, product, or service from a prohibition, restriction, registration, limitation, or other requirement that would apply if the activity were not performed, provided, or delivered using a digital asset or distributed ledger system, such as by requiring a national bank, in order to conduct an activity described in subsection (g)(13) with respect to a digital asset that is a security, derivative, swap, or security-based swap, to comply with any prohibition, restriction, registration, limitation, or other similar requirement placed on an activity conducted by a national bank through securities, derivatives, swaps, or security-based swaps that would apply if the activity were not performed, provided, delivered, or conducted using a digital asset or distributed ledger system.

(d) INSURED STATE BANKS AND SUBSIDIARIES OF INSURED STATE BANKS.—For purposes of subsections (a) and (d) of section 24 of the Federal Deposit Insurance Act (12 U.S.C. 1831a), the activities authorized for a national bank under subsection (c) shall be permissible for

an insured State bank and any subsidiary of an insured State bank to engage in as principal.

(e) AUTHORIZED ACTIVITIES FOR FEDERAL CREDIT UNIONS.—

(1) IN GENERAL.—A Federal credit union may use a digital asset or distributed ledger system to perform, provide, or deliver any activity, function, product, or service that the Federal credit union is otherwise authorized by law to perform, provide, or deliver.

(2) BUSINESS OF CREDIT UNIONS.—The activities described in subsection (g) are authorized as part of, or incidental to, the authority necessary or requisite to carry on effectively the business for which Federal credit unions are incorporated under paragraph (17) of section 107 of the Federal Credit Union Act (12 U.S.C. 1757(17)).

(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to exempt the performance, provision, or delivery by a Federal credit union of an activity, function, product, or service from a requirement that would apply if the activity were not performed, provided, or delivered using a digital asset or distributed ledger system.

(f) INSURED CREDIT UNIONS.—The activities authorized for a Federal credit union under subsection (e)(1) shall be permissible for an insured credit union that is insured by the National Credit Union Administration, subject to State law.

(g) ACTIVITIES DESCRIBED.—The activities described in this subsection are—

(1) providing custodial, fiduciary, or safekeeping services for digital assets;

(2) providing related custodial services for digital assets and distributed ledgers, including staking, facilitating digital asset lending, distributed ledger governance services, and advancing funds for the purchase of digital assets or in respect of distributions on digital assets, whether as principal or agent;

(3) facilitating customer purchases and sales of digital assets;

(4) making loans collateralized by digital assets;

(5) engaging in payment activities involving digital assets;

(6) purchasing or selling digital assets as principal for any investment or trading purpose;

(7) operating a node on a distributed ledger;

(8) providing self-custodial wallet software;

(9) engaging in derivatives transactions, including related hedging activities, in a manner consistent with section 7.1030 of title 12, Code of Federal Regulations, as in effect as of the date of enactment of this Act;

(10) providing brokerage services, including clearing and execution services, whether alone or in combination with other incidental activities;

(11) facilitating transactions in the secondary market for all types of digital assets on the order of customers as a riskless principal to the extent of engaging in a transaction in which a company, after receiving an order to buy or sell a digital asset from a customer, purchases or sells the digital asset for its own account to offset a contemporaneous sale to or purchase from the customer;

(12) holding as principal digital assets to the extent incidental to an otherwise permissible activity, which shall include, without limitation, holding digital assets as principal in order to pay fees arising from interactions with a distributed ledger system;

(13) underwriting, dealing in, or making a market in digital assets; and

(14) exercising all such incidental powers as are necessary to carry out any of the activities described in paragraphs (1) through (13).

(h) OTHER REQUIREMENTS.—There shall be no other prior notice or approval requirements to engage in the activities described in subsections (b) through (g) of this section other than those required under the National Bank Act (12 U.S.C. 38 et seq.), the Federal Reserve Act (12 U.S.C. 226 et seq.), or the Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.).

(i) RULE OF CONSTRUCTION.—Nothing in this section may be construed to—

(1) exclude other possible permissible activities that are not activities described in subsection (g);

(2) imply that inclusion of an activity described in subsection (g) means that the activity is otherwise impermissible;

(3) limit the authority of a Federal banking agency to determine that activities other than those activities described in subsection (g) are permissible through interpretations, guidance, or rulemaking; or

(4) limit the authority of an appropriate Federal or State banking agency to supervise and take enforcement action with respect to an insured depository institution (or, to the extent applicable, a fi-

nancial holding company) engaging in a digital asset activity authorized by this section that the Federal or State banking agency determines, pursuant to applicable law, to be unsafe or unsound.

(j) APPLICATION.—The authorities described in this section shall not apply to nonfungible assets.

SEC. 402. JOINT RULES FOR PORTFOLIO MARGINING DETERMINATIONS.

(a) IN GENERAL.—The Commodity Futures Trading Commission and the Commission shall jointly issue rules to facilitate portfolio margining of securities (including related extensions of credit), security-based swaps, futures contracts for future delivery, options on futures contracts for future delivery, swaps, and digital commodities, or any subset thereof, for persons registered with either such Commission, in—

(1) a securities account carried by a registered broker or dealer or a security-based swap account carried by a registered security-based swap dealer;

(2) a futures or cleared swap account carried by a registered futures commission merchant;

(3) a swap account carried by a swap dealer; or

(4) a digital commodity account carried by a registered digital commodity broker or digital commodity dealer that is also registered in such other

capacity as is necessary to also carry the other customer or counterparty positions being held in the account.

(b) PROCESS.—The rules required to be jointly issued under subsection (a) shall—

(1) describe the treatment of any account to which the rules relate, and any assets that may be held therein, in a proceeding under title 11, United States Code, the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.), title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 et seq.), or other applicable insolvency law with respect to the person carrying the account;

(2) be issued only if that issuance is in the public interest and provides for the appropriate protection of customers, including appropriate disclosures to each current and potential customer concerning the treatment of any account to which the rules relate, and any assets that may be held therein, in a proceeding under title 11, United States Code, the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.), title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 et seq.), or other applicable insol-

vency law with respect to the person carrying the account;

(3) require the Commission and the Commodity Futures Trading Commission to consider the public interest of, and the protection of investors by, those rules through the solicitation of public comments; and

(4) require the Commission and the Commodity Futures Trading Commission to—

(A) consult with other relevant foreign or domestic regulators, including the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency and State bank supervisors, as appropriate; and

(B) if the rules pertain to a securities account carried by a registered broker or dealer that is a member of the Securities Investor Protection Corporation, consult with the Securities Investor Protection Corporation.

SEC. 403. CAPITAL REQUIREMENTS TO ADDRESS NETTING AGREEMENTS.

(a) DEFINITIONS.—In this section, the terms ''depository institution holding company'' and ''insured depository institution'' have the meanings given those terms in

section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(b) CAPITAL REQUIREMENTS.—Not later than 360 days after the date of enactment of this Act, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Chair of the Federal Deposit Insurance Corporation shall develop risk-based and leverage capital requirements for insured depository institutions, depository institution holding companies, and nonbank financial companies supervised by the Board of Governors of the Federal Reserve System that address netting agreements that provide for termination and close-out netting across multiple types of financial transactions, consistent with section 402, in the event of the default of a counterparty.

SEC. 404. PRESERVING REWARDS FOR STABLECOIN HOLDERS.

(a) DEFINITIONS.—In this section:

(1) DEPOSIT.—The term ''deposit'' has the meaning given the term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(2) DIGITAL ASSET SERVICE PROVIDER; PAYMENT STABLECOIN; PERMITTED PAYMENT STABLECOIN ISSUER.—The terms ''digital asset service provider'', ''payment stablecoin'', and ''per-

mitted payment stablecoin issuer'' have the meanings given those terms in section 2 of the GENIUS Act (12 U.S.C. 5901).

(b) PROHIBITION ON INTEREST.—

(1) IN GENERAL.—A digital asset service provider may not pay any form of interest or yield (whether in cash, tokens, or other consideration) solely in connection with the holding of a payment stablecoin.

(2) PERMISSIBLE ACTIVITIES.—The prohibition under paragraph (1) shall not apply with respect to an activity-based reward or incentive, including any consideration, reward, or benefit in connection with—

(A) a transaction, a payment, a transfer, a conversion, a remittance, or settlement activity;

(B) the use of a wallet, account, platform, application, protocol, or network;

(C) membership or participation in a loyalty, promotional, subscription, or incentive program;

(D) acceptance, settlement, or acquiring activity, include a rebate or incentive provided in connection with the acceptance or use of a payment stablecoin;

(E) providing liquidity or collateral; or

(F) governance, validation, staking, or other ecosystem participation.

(c) PROHIBITION ON SPECIFIED REPRESENTATIONS.—A person may not market, promote, or describe any compensation in connection with a payment stablecoin that represents that—

(1) the payment stablecoin is a deposit or is insured by the Federal Deposit Insurance Corporation or any other governmental entity;

(2) such compensation is paid by the payment stablecoin itself or a permitted payment stablecoin issuer;

(3) such compensation is risk free or comparable to interest paid on a bank deposit;

(4) such compensation is offered, administered, or paid by a person other than the person actually responsible for offering, administering, or paying the applicable yield or interest; or

(5) omits material information necessary to prevent that marketing, promotion, or description from being misleading.

(d) DISCLOSURES.—

(1) IN GENERAL.—Not later than 360 days after the date of enactment of this Act, the Commis-

sion and the Commodity Futures Trading Commission (referred to in this subsection as the ''Commissions'') shall jointly promulgate rules requiring clear and conspicuous disclosure, in plain English, of any compensation paid by a digital asset intermediary in connection with the use of a payment stablecoin in a manner that is consistent with subsection (c).

(2) REQUIREMENTS.—In promulgating rules under paragraph (1), the Commissions shall require that any required disclosure of compensation described in that paragraph, and any related term, representation, or description—

(A) is presented in a clear, factual, non-promotional, and non-misleading manner;

(B) clearly identifies the activities for which holders of payment stablecoins can earn that compensation;

(C) clearly identifies the person responsible for offering, administering, and paying that compensation, including whether that person is a digital asset intermediary or a third party;

(D) outlines all material terms with respect to that compensation; and

(E) includes a statement that a payment stablecoin—

(i) is neither an investment product nor a deposit; and

(ii) is not insured by the Federal Deposit Insurance Corporation or any other governmental entity.

(3) PROHIBITION.—A digital asset intermediary may not market the offering of compensation paid by that digital asset intermediary based on the use of a payment stablecoin unless that digital asset intermediary has provided the disclosures required under this subsection.

(4) SATISFACTION OF REQUIREMENT.—A digital asset intermediary that provides the disclosures required under this subsection shall be deemed not to have made a representation that is prohibited under subsection (c), provided that—

(A) any marketing, promotion, or description with respect to the applicable compensation does not contradict those disclosures; and

(B) those disclosures are presented in plain English and in a clear and conspicuous manner.

(e) REPORT ON DEPOSIT OUTFLOWS.—Not later than 2 years after the date of enactment of this Act, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit In-

surance Corporation shall jointly submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report that—

(1) describes how compensation, if any, is paid or provided by digital asset service providers with respect to payment stablecoins, including through rewards, incentives, or similar programs; and

(2) analyzes the effect of any compensation described in paragraph (1), including through rewards, incentives, or similar programs, on—

(A) deposits at insured depository institutions, including whether there is any evidence of substantial outflows or shifts in deposits, such as deposit flight from community banks;

(B) consumer access to credit; and

(C) payment costs of consumers and merchants.

(f) RULES OF CONSTRUCTION.—

(1) IN GENERAL.—Nothing in this section may be construed to—

(A) modify or alter the restrictions applicable to permitted payment stablecoin issuers under section 4(a)(11) of the GENIUS Act (12 U.S.C. 5903(a)(11)); or

(B) prohibit the disclosure of truthful, non-misleading factual information required by Federal law or regulation.

(2) NO DEEMING OF PAYMENT OF INTEREST OR YIELD.—A permitted payment stablecoin issuer shall not be deemed to pay interest or yield with respect to a payment stablecoin solely because a third party independently offers consideration, rewards, or incentives with respect to that payment stablecoin, unless the permitted payment stablecoin issuer directs the program with respect to that consideration or those rewards or incentives.

TITLE V—RESPONSIBLE REGULATORY INNOVATION

SEC. 501. CFTC-SEC MICRO-INNOVATION SANDBOX.

(a) DEFINITIONS.—In this section:

(1) COMMISSION.—The term ''Commission'' means either of the Commissions, as the context requires.

(2) COMMISSIONS.—The term ''Commissions'' means the Securities and Exchange Commission and the Commodity Futures Trading Commission.

(3) ELIGIBLE FIRM.—The term ''eligible firm'' means a person that is eligible to participate in the

Sandbox, in accordance with the requirements under this section.

(4) INNOVATIVE.—The term ''innovative'' means new or emerging technology, or a novel application of technology, including artificial intelligence, that—

(A) provides a financial product, service, business model, or delivery mechanism to the public; and

(B) lacks—

(i) a substantially comparable, widely available analogue in common use in the United States; and

(ii) an analogous Federal regulatory regime.

(5) PERSON.—The term ''person'' means a person, as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)) or section 1a of the Commodity Exchange Act (7 U.S.C. 1a).

(6) SANDBOX.—The term ''Sandbox'' means the CFTC-SEC Micro-Innovation Sandbox established under subsection (b).

(7) SELF-REGULATORY ORGANIZATION.—The term ''self-regulatory organization'' means a self-regulatory organization, as defined in—

(A) section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)); or

(B) section 1.52(a)(2) of title 17, Code of Federal Regulations, or any successor regulation.

(b) ESTABLISHMENT.—Not later than 360 days after the date of enactment of this Act, the Commissions shall, by joint notice and comment rulemaking, establish a CFTC-SEC Micro-Innovation Sandbox to enable eligible firms to test innovative activities within the United States, subject to—

(1) applicable Federal and State securities and commodities laws;

(2) other State laws that are not specific to the regulation of securities or commodities; and

(3) the limitations of this section.

(c) ELIGIBLE FIRM.—

(1) IN GENERAL.—A United States-based person shall be an eligible firm, and shall be eligible to participate in the Sandbox, if the person—

(A) submits an application under subsection (e) that is approved under that subsection;

(B) seeks to conduct an eligible and lawful innovative activity in the United States;

(C) is not subject to—

(i) a statutory disqualification, as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a));

(ii) a disqualification resulting from an investigation conducted under section 8(a)(2) of the Commodity Exchange Act (7 U.S.C. 12(a)(2)); or

(iii) a disqualification under State law;

(D) does not have a criminal conviction for fraud;

(E) agrees to submit to the jurisdiction and oversight of the Commissions, to the extent that the person is not subject to that jurisdiction or oversight, for purposes of, and while participating in, the Sandbox;

(F) designates to the Commissions an individual as a point of contact with respect to activities that the person undertakes as an applicant and participant with respect to the Sandbox;

(G) employs not more than 25 employees; and

(H) has annual gross revenues of not more than $10,000,000 in any fiscal year.

(2) APPLICATION OF REQUIREMENTS.—The requirements under paragraph (1) shall be satisfied during the entire period in which an eligible firm participates in the Sandbox.

(d) ELIGIBLE ACTIVITIES AND ACTIVITY CEILINGS.—

(1) LIST OF ELIGIBLE ACTIVITIES.—

(A) IN GENERAL.—After providing notice and an opportunity for public comment, the Commissions shall maintain and publish a list of eligible innovative activities (which may include activities relating to artificial intelligence), which shall be—

(i) updated once every 2 years after providing notice and an opportunity for public comment;

(ii) reasonably tailored to include activities that—

(I) further the purposes of this section; and

(II) are consistent with the interests of the public and the protection of investors;

(iii) sufficiently flexible to accommodate evolving technological developments, including distributed ledger-based products and services; and

(iv) focused exclusively on activities for which specific provisions of the securities and commodities laws may create a material impediment to the proposed innovative activity.

(B) IDENTIFICATION OF REQUIREMENTS.—

(i) IN GENERAL.—For each eligible innovative activity, the Commissions shall, consistent with existing statutory and regulatory precedent concerning the respective jurisdiction of each Commission, identify the requirements that each Commission will administer.

(ii) JOINT JURISDICTION.—With respect to an eligible innovative activity that is subject to the jurisdiction of both Commissions, the rulemaking under subsection (b) shall specify which requirements each Commission will administer and any co-

ordinated conditions needed to protect investors and market integrity.

(2) ACTIVITY CEILINGS.—For each eligible innovative activity, the Commissions shall, after public input and consultation, establish individual customer and monetary ceilings, which shall provide that an eligible firm may not raise or commit more than $20,000,000 in aggregate customer, investor, or counterparty funds in connection with Sandbox activities.

(3) ANNUAL PARTICIPATION CAP.—Each of the Commissions may approve not more than 20 projects per year.

(e) APPLICATION.—

(1) IN GENERAL.—An eligible firm seeking to participate in the Sandbox shall submit to the Commission or Commissions, as applicable, an application that—

(A) describes the proposed innovative activity and the desired outcomes;

(B) subject to approval of the applicable Commission, identifies the provisions of the securities laws, or of the Commodity Exchange Act (7 U.S.C. 1 et seq.), from which the eligible firm proposes to be exempt during the period in

which the eligible firm participates in the Sandbox, which—

(i) shall not include any Federal or State anti-fraud law or any other law that is not specific to the regulation of securities or commodities; and

(ii) shall be subject to the limitations of this section;

(C) sets forth how relief from the provisions of law identified under subparagraph (B) is reasonably necessary to engage in the innovative activity;

(D) identifies material risks to investors, customers, or market integrity and how the eligible firm will mitigate those risks;

(E) certifies that the eligible firm will comply with applicable Federal and State anti-fraud laws;

(F) states an exit objective of the eligible firm involving action from the applicable Commission, which may include registration, an exemptive order, interpretive guidance, a no-action letter, or a rulemaking petition, together with milestones and metrics the eligible firm will use to demonstrate readiness for that exit;

(G) states the agreement of the eligible firm to submit to the jurisdiction and oversight of the Commissions, to the extent that the eligible firm is not otherwise subject to that jurisdiction and oversight, for purposes of, and while participating in, the Sandbox;

(H) designates to the Commissions an individual as a point of contact with respect to activities that the eligible firm undertakes as an applicant and participant with respect to the Sandbox; and

(I) states the agreement of the eligible firm to abide by any condition that either of the Commissions may impose for engaging in an eligible innovative activity in the Sandbox.

(2) DEADLINE FOR DECISION.—Not later than 180 business days after the date on which an eligible firm submits an application under this subsection, the Commission or Commissions, as applicable, shall make a decision with respect to the application, after which the eligible firm submitting the application may commence eligible innovative activities in the Sandbox unless the application is denied.

(3) UPDATES AND STATUS REPORTS.—Each eligible firm shall submit to the applicable Commission

or to the Commissions, on a semi-annual basis while participating in the Sandbox, an updated application that—

(A) describes any material changes to the information originally provided under paragraph (1); and

(B) reports the progress of the eligible firm toward the stated exit objective described in paragraph (1)(F), including milestones achieved, remaining impediments, and any pending requests for official action before the applicable Commission or the Commissions.

(4) UNREDACTED AND REDACTED VERSIONS.—

(A) IN GENERAL.—An eligible firm that submits an initial or updated application under this subsection may submit to the applicable Commission or the Commissions an unredacted version, together with a request for confidential treatment, pursuant to procedures the applicable Commission shall establish that are modeled on the rules of that Commission relating to the confidential treatment of information, which shall include—

(i) for the Securities and Exchange Commission, sections 200.83, 230.406, and

2402.24b–2 of title 17, Code of Federal Regulation, or any successor regulations; and

(ii) for the Commodity Futures Trading Commission, section 145.9 of title 17, Code of Federal Regulations, or any successor regulations.

(B) OMITTED INFORMATION.—An eligible firm may omit information granted confidential treatment under subparagraph (A) from any public posting under subsection (h) in accordance with the procedures established under subparagraph (A).

(C) INDICATION OF CONFIDENTIAL INFORMATION.—Any omission in a public posting under subsection (h) shall be clearly indicated by brackets with a prominent legend stating that—

(i) confidential information has been omitted; and

(ii) an unredacted version has been filed with the applicable Commission or the Commissions.

(f) DURATION OF PARTICIPATION.—

(1) DURATION.—Except as provided in paragraph (2), an eligible firm may participate in the Sandbox for a period of not more than 2 years, provided that the eligible firm does not exceed the ceilings established under subsection (d)(2).

(2) EXTENSION.—

(A) SOLE JURISDICTION.—Where an eligible innovative activity is subject only to the jurisdiction of 1 Commission, that Commission may extend participation by an eligible firm in the Sandbox by not more than 1 additional year, if the eligible firm—

(i) is actively pursuing the exit objective described in subsection (e)(1)(F) in good faith;

(ii) is making demonstrable progress toward achieving such an exit; and

(iii) establishes that such an extension is necessary to achieve such an exit.

(B) JOINT JURISDICTION.—Where an eligible innovative activity is subject to the jurisdiction of both Commissions, an extension of participation by an eligible firm in the Sandbox by not more than 1 additional year shall be by joint order of the Commissions after making

the findings described in clauses (i) through (iii) of subparagraph (A).

(g) CONDITIONS AND ENFORCEMENT.—

(1) CONDITIONS.—An eligible firm shall comply with applicable regulatory conditions approved by the applicable Commission or the Commissions under subsection (e)(1)(B), which shall be consistent with applicable Federal and State anti-fraud laws.

(2) MONITORING.—The Commissions shall monitor Sandbox activities and enforce compliance with applicable regulatory conditions and Federal anti-fraud laws.

(3) COORDINATION.—

(A) IN GENERAL.—The Commissions shall coordinate supervision, information requests, and examinations to avoid duplication while each Commission retains full authority under the provisions of law that such Commission administers.

(B) COOPERATION WITH STATES.—The Commissions may cooperate with any State in enforcing compliance with applicable regulatory conditions and Federal and State anti-fraud laws with respect to the operation of the Sandbox.

(4) SELF-REGULATORY ORGANIZATIONS.—Each self-regulatory organization shall recognize and respect Sandbox conditions that are applicable to a participant in the Sandbox.

(5) CESSATION OF ACTIVITIES.—The Commissions may, at any time during the participation of an eligible firm in the Sandbox, disqualify the eligible firm from continued participation in the Sandbox, order the eligible firm to cease engaging in a permitted activity in the Sandbox, revoke a grant of exemptive relief, or impose additional or more stringent conditions on continuing participation or engagement in a permitted activity in the Sandbox, if the Commissions find that the eligible firm has failed to comply with—

(A) the requirements of this section;

(B) the terms or conditions of participation established by the Commissions; or

(C) other applicable law.

(h) PUBLIC DISCLOSURE.—

(1) INITIAL POSTING.—Each eligible firm shall post, in a prominent location on a public website of the eligible firm, the information required under subsection (e)(1), subject to confidential treatment under subsection (e)(4), not later than the date on

which the notice becomes effective under subsection (e)(3).

(2) UPDATES.—Each eligible firm shall post, in the same manner as under paragraph (1), the information required under subsection (e)(3), subject to confidential treatment under subsection (e)(4), concurrently with submission to the applicable Commission or the Commissions.

(3) DISCLOSURE REQUIREMENTS.—Each post under this subsection shall satisfy the disclosure requirements of both Commissions where the jurisdictions of both Commissions are implicated.

(i) USE OF DATA BY COMMISSIONS.—Each Commission may collect and share data from Sandbox activities with the other Commission to inform permanent, principles-based regulatory frameworks that advance the missions of the Commissions.

(j) PUBLICATION BY COMMISSIONS.—Not less frequently than annually, each Commission shall publish on the public website of the Commission a report summarizing the activities conducted under this section, including—

(1) the number and general nature of eligible firms participating in the Sandbox;

(2) the categories of innovative activities tested;

(3) the impact of Sandbox participation on innovation, investor protection, market integrity, and the public interest;

(4) the disclosures posted by eligible firms under subsection (h)(1); and

(5) exit outcomes, including the types of relief requested and actions taken by the Commissions.

(k) RELATIONSHIP OF SANDBOX PARTICIPATION TO STATE LAW.—

(1) LIMITED PREEMPTION FOR SANDBOX PARTICIPANTS.—Participation in the Sandbox, and any exemption or relief granted under this section, shall supersede any State securities or commodities law requiring registration, qualification, or licensing as a condition of engaging in an approved activity or otherwise regulating that activity as a security or commodity.

(2) STATE ENFORCEMENT PRESERVED.—Nothing in this section may be construed to prohibit or limit any State securities or commodities regulator, any State bank regulator, or any State law enforcement agency from conducting an investigation or bringing an administrative, civil, or criminal enforcement action under—

(A) a State law prohibiting fraud or deceive, or fraudulent, deceptive, manipulative, unethical, dishonest, or other unlawful conduct or practices, in connection with securities or securities transactions;

(B) the anti-fraud provisions of the Commodity Exchange Act (7 U.S.C. 1 et seq.) or State commodities laws; or

(C) any State law of general applicability, including such a law relating to banking, consumer protection, contracts, property, or criminal conduct.

(3) NOTICE FILINGS.—A State may require notice of any document filed with either of the Commissions in connection with participation in the Sandbox, together with consent to service of process and reasonable fees, consistent with section 18(c) of the Securities Act of 1933 (15 U.S.C. 77r(c)).

SEC. 502. INTERNATIONAL COOPERATION.

(a) DEFINITIONS.—In this section, the term ''Commissions'' means the Securities and Exchange Commission and the Commodity Futures Trading Commission.

(b) COOPERATION.—In order to promote United States leadership in effective, reciprocal, and innovative global regulation of digital assets, and to advance the stra-

tegic economic and policy interests of the United States, the Commissions, as appropriate—

(1) shall consult and coordinate with foreign regulatory authorities or other relevant international organizations on the application of consistent international standards with respect to the regulation of digital assets;

(2) may enter into such information sharing arrangements as may be determined to be necessary or appropriate in the public interest or for the protection of investors, customers, and users of digital assets;

(3) shall pursue reciprocal arrangements with foreign regulatory authorities that ensure United States-based digital asset firms, exchanges, and infrastructure providers receive treatment equivalent to that granted to foreign counterparts operating within the United States;

(4) shall advocate in international fora for the development and adoption of technology-neutral, open standards that preserve lawful access to public distributed ledger infrastructure, support dollar-denominated digital asset usage, and safeguard individual rights, including self-custody and privacy; and

(5) may, as appropriate, engage in, at the least, cooperative enforcement, supervisory coordination, and joint technical assistance, in a manner that promotes responsible innovation in digital financial markets.

(c) CROSS-BORDER SANDBOX.—The Commissions may leverage the activities described in paragraphs (1) through (5) of subsection (b) to establish or participate in cross-border regulatory sandboxes that build upon the Micro-Innovation Sandbox established pursuant to section 501.

SEC. 503. AUTOMATED REGULATORY COMPLIANCE STUDY.

(a) DEFINITIONS.—In this section:

(1) AUTOMATED REGULATORY COMPLIANCE.—The term ''automated regulatory compliance'' means the use of technology, including data standards, automation, and distributed ledger or smart contract functionality, to automate, tag, or otherwise streamline regulatory reporting, disclosure, supervisory, or other compliance obligations.

(2) INNOVATIVE.—The term ''innovative'' has the meaning given the term in section 501(a).

(b) STUDY REQUIRED.—The Comptroller General of the United States shall, in consultation with the Department of the Treasury (including the Financial Crimes En-

forcement Network, the Office of Foreign Assets Control, and the Office of Financial Research), the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Commission, the Commodity Futures Trading Commission, the Bureau of Consumer Financial Protection, and the Federal Housing Finance Agency, carry out a study of distributed ledger-based compliance tools that—

(1) to the extent feasible, identifies and evaluates—

(A) the landscape of existing distributed ledger-based compliance tools for—

(i) statutory and regulatory disclosures;

(ii) real-time reporting and audit-trail logging; and

(iii) anti-money-laundering practices, sanctions screening, and customer-identification checks;

(B) the feasibility, benefits, and risks of allowing regulated entities to satisfy applicable regulatory obligations through on-chain, code-based, or other automated mechanisms;

(C) the potential for interoperability with automated regulatory compliance mechanisms across and among each of those agencies;

(D) the data collection systems of each of those agencies; and

(E) standards or taxonomies, or other common data elements, if any, that those agencies could publish or adopt to support the interoperability described in subparagraph (C) in order to ensure consistency and regulatory access;

(2) recommends pilot programs, guidance, rule changes, or amendments to statutes that would be needed to implement effective automated regulatory compliance approaches and any other related approaches addressed in the study;

(3) identifies the costs and benefits to issuers of different sizes, secondary market intermediaries, regulators, investors, and other applicable parties, including differential impacts on smaller entities and options to reduce those burdens;

(4) benchmarks international efforts with respect to automated regulatory compliance mechanisms and consults with any appropriate State, Federal, or foreign regulators; and

(5) evaluates whether existing oversight, enforcement, and liability frameworks are sufficient to—

(A) ensure accountability, transparency, fairness, and consumer protection; and

(B) prevent misuse of distributed ledger-based compliance tools.

(c) REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall make publicly available a report that includes the results of the study conducted under subsection (b).

SEC. 504. REPORT ON LEGISLATIVE RECOMMENDATIONS.

(a) DEFINITIONS.—In this section:

(1) APPROPRIATE COMMITTEES OF CONGRESS.—The term ''appropriate committees of Congress'' means—

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

(B) the Committee on Agriculture, Nutrition, and Forestry of the Senate;

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

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

(2) FEDERAL FINANCIAL REGULATOR.—The term ''Federal financial regulator'' means—

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

(B) the Commodity Futures Trading Commission;

(C) the Department of the Treasury;

(D) the Federal Deposit Insurance Corporation;

(E) the Federal Housing Finance Agency;

(F) the National Credit Union Administration;

(G) the Office of the Comptroller of the Currency;

(H) the Bureau of Consumer Financial Protection; and

(I) the Commission.

(b) REQUIREMENT.—Not later than 1 year after the date of enactment of this Act, and every 3 years thereafter for a total of not fewer than 12 years after the date of enactment of this Act, each Federal financial regulator shall submit to the appropriate committees of Congress a report that includes—

(1) a description of the implementation of this Act and the amendments made by this Act (includ-

ing the adoption of rules and guidance, and the approval or rejection of applications submitted, under this Act and the amendments made by this Act), where applicable to the Federal financial regulator; and

(2) any legislative recommendations for the further effective implementation of this Act and the amendments made by this Act.

SEC. 505. TOKENIZATION OF SECURITIES AND OTHER REAL-WORLD ASSETS.

(a) DEFINITIONS.—In this section:

(1) FINANCIAL INSTRUMENT.—The term ''financial instrument'' means any security, derivative, contract of sale of a commodity for future delivery, option on any such security, derivative, contract, or deposit, or any other security or financial instrument that the appropriate Federal banking agencies, the Commission, and the Commodity Futures Trading Commission may, by rule determine.

(2) QUALIFIED THIRD-PARTY CUSTODIAN.—The term ''qualified third-party custodian'' means an independent entity that—

(A) is registered or regulated in a manner consistent with qualified custodians under the securities laws;

(B) meets standards for asset verification, custody, and audit, as established by the Commission pursuant to subsection (c); and

(C) is authorized to verify the legal existence, title, and ongoing status of real-world assets represented by digital tokens.

(3) REAL-WORLD ASSET.—The term ''real-world asset''—

(A) means any tangible property or property right, including real estate, a physical commodity, equipment, or a contractual right; and

(B) does not include a financial instrument or a deposit.

(4) TOKENIZATION.—The term ''tokenization'' means the process of creating a unique digital representation of rights, obligations, or interests in a tangible or intangible asset on a distributed ledger.

(5) TOKENIZED.—The term ''tokenized'', with respect to an asset, means that the asset has undergone tokenization.

(6) TOKENIZED FINANCIAL INSTRUMENT.—The term ''tokenized financial instrument'' means any digital representation of a financial instrument, including any security, commodity future, swap or other derivative, that is recorded on a distributed

ledger or comparable technology, whether or not the digital representation is issued by the issuer of the underlying financial instrument.

(b) SENSE OF CONGRESS.—It is the sense of Congress that States should promptly consider and adopt commercial law frameworks under the Uniform Commercial Code that provide clear and uniform rules for the ownership, control, and enforceability of rights relating to digital assets.

(c) JOINT STUDY AND RULEMAKING.—

(1) JOINT STUDY.—

(A) IN GENERAL.—Not later than 360 days after the date of enactment of this Act, the Commission and the Commodity Futures Trading Commission, shall jointly conduct a comprehensive study of the regulatory treatment of tokenized real-world assets.

(B) CONTENTS.—The study required under subparagraph (A) shall—

(i) address standards for the verification, custody, audit, regulatory reporting, transaction reporting, and investor reporting of underlying real-world assets issued as digital assets, including setting

criteria for qualified third-party custodians and how to address fraud and false claims;

(ii) assess the Federal jurisdictional treatment of tokenized real-world assets, how State and international regulatory regimes may interact with that treatment, and mechanisms for interagency coordination, cross-border cooperation, and enforcement with respect to tokenized real-world assets;

(iii) assess consumer protection issues, including the potential for fraud, scams, and misrepresentation of financial returns; and

(iv) assess how tokenization may affect the sovereign interests of States related to the ownership and transfers of rights to tangible and intangible property, including the regulation of firearms, automobiles, and real estate.

(2) JOINT AGENCY RULEMAKING.—After completing the study required under paragraph (1), the Commission and the Commodity Futures Trading Commission may initiate notice and comment rule-

making to jointly establish tailored regulatory pathways for tokenized real-world assets.

(d) PROHIBITION ON MISREPRESENTATION.—

(1) REAL WORLD ASSETS.—It shall be unlawful for any person to represent that a tokenized real-world asset is itself, or is equivalent to, the underlying real-world asset, except to the extent that such representation is expressly supported by the legal rights and obligations associated with such tokenized real-world asset.

(2) TOKENIZED FINANCIAL INSTRUMENTS.—It shall be unlawful for any person to market, offer, sell, or otherwise represent that a tokenized financial instrument is, or is economically or legally equivalent to, the financial instrument it represents unless—

(A) the tokenized financial instrument confers substantially equivalent in all material respects economic rights, legal rights, and obligations as the underlying financial instrument;

(B) the tokenized financial instrument is issued or created in full compliance with all applicable laws governing the underlying financial instrument;

(C) records of ownership are maintained in accordance with applicable recordkeeping re-

quirements established by the appropriate agency, including pursuant to section 106; and

(D) the distributed ledger or comparable technology employed meets such requirements for accuracy, resilience, auditability, and settlement finality as the appropriate agency may establish by rule, consistent with sections 106 and 107.

(e) PARITY IN REGULATORY TREATMENT.—

(1) IN GENERAL.—Except as otherwise provided in this section or any other provision of this Act, a tokenized financial instrument shall be treated for all regulatory purposes as the financial instrument it represents.

(2) NO WAIVER OR MODIFICATION.—No waiver or modification of any requirement applicable to the underlying financial instrument may be granted solely because the instrument is issued, recorded, or transferred using distributed ledger technology.

(f) RULEMAKING FOR TOKENIZED FINANCIAL INSTRUMENTS.—

(1) SEC.—The Commission shall issue rules governing tokenized financial instruments representing securities and security-based swaps.

(2) CFTC.—The Commodity Futures Trading Commission shall issue rules governing tokenized financial instruments representing futures, swaps, and other derivatives regulated under the Commodity Exchange Act.

(3) REQUIREMENTS.—Rules issued under this subsection shall address, and in the case of the Commission, consistent with sections 106 and 107, how requirements applicable to the underlying financial instrument apply to custody, books and records, reconciliation with transfer agents or other recordkeepers, auditability, settlement finality, treatment of chain reorganizations, and other operational risks arising from the use of distributed ledger technology.

(g) ENFORCEMENT.—

(1) SEC.—The Commission may enforce subsections (d) through (f) as violations of section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)), provided that the elements of such section are satisfied.

(2) CFTC.—The Commodity Futures Trading Commission may enforce subsections (d) through (f) as violations of section 6(c)(1) of the Commodity Exchange Act (7 U.S.C. 8(c)(1)), provided that the elements of such section are satisfied.

(h) SAVINGS CLAUSES.—

(1) FINANCIAL INSTRUMENT.—Any financial instrument that is a security under the securities laws shall not cease to be a security because the financial instrument is issued, recorded, represented, or transferred using distributed ledger technology.

(2) TOKENIZATION.—The tokenization of a real-world asset that is not otherwise a security under Federal law shall not, solely by reason of that tokenization, be deemed to be a security under the securities laws.

(3) NO AUTHORIZATION.—Nothing in this section shall authorize the Commission or the Commodity Futures Trading Commission, or any other Federal or State regulator, to adopt any rule, exemption, interpretation, or other action that would result in a tokenized financial instrument not being subject to the otherwise applicable rules, requirements, or restrictions for an untokenized financial instrument with the same rights and interests.

(4) NO EXEMPTION.—Except as provided in paragraph (6) and (7), nothing in this section shall authorize the Commission or the Commodity Futures Trading Commission to exempt any person from an applicable registration requirement arising

under the securities laws or Commodity Exchange Act (7 U.S.C. 1 et seq.) solely because that person conducts activities with tokenized financial instruments.

(5) EFFECT ON STATE LAW.—Nothing in this section may be construed, interpreted, or applied in a manner that preempts, supersedes, invalidates, or otherwise affects any State property transfer rules, laws, regulations, or common law principles relating to the transfer or recording of real tangible or intangible assets or interests therein.

(6) RULEMAKINGS, ORDERS, AND OTHER ACTIONS.—For the avoidance of doubt, section 106 shall apply to any rulemaking, order, or other action of the Commission under this section.

(7) NO LIMIT OF AUTHORITY.—Nothing in this section, or any rule or regulation promulgated under this section, may be construed to limit the authority of the Commodity Futures Trading Commission to grant exemptions pursuant to section 4(c) of the Commodity Exchange Act (7 U.S.C. 6(c)).

SEC. 506. VOLUNTARY ADOPTION OF NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY POST-QUANTUM CRYPTOGRAPHY STANDARDS.

(a) DEFINITIONS.—In this section:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ''appropriate congressional committees'' means—

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

(B) the Committee on Agriculture, Nutrition, and Forestry of the Senate;

(C) the Committee on Commerce, Science, and Transportation of the Senate;

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

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

(F) the Committee on Energy and Commerce of the House of Representatives.

(2) DIRECTOR.—The term ''Director'' means the Under Secretary of Commerce for Standards and Technology.

(b) SENSE OF CONGRESS.—Congress finds the following:

(1) Technical standards with respect to digital assets ensure quality, interoperability, and reliability in products, processes, and services and facilitate innovation.

(2) The digital asset ecosystem should harness standards to solve coordination problems and foster innovation, not through regulation, but through voluntary, market-driven measures.

(3) Advances in quantum computing threaten existing cryptographic standards and the security of digital assets.

(c) VOLUNTARY ADOPTION.—The Director, in consultation with the Secretary of Homeland Security and the heads of sector risk management agencies, as appropriate, shall promote the voluntary adoption and deployment of post-quantum cryptography standards, including by—

(1) disseminating and making publicly available guidance and resources to help organizations adopt and deploy those standards;

(2) providing technical assistance, as practicable, to entities that are at high risk of quantum cryptography analytic attacks, such as entities determined to be critical infrastructure or digital infrastructure providers; and

(3) conducting such other activities determined necessary by the Director to promote the adoption and deployment of those standards across the United States.

(d) INDUSTRY CONSULTATION.—In implementing subsection (c), the Director shall, at a minimum—

(1) solicit regular input from a broad range of industry stakeholders regarding the feasibility and practical challenges of adopting the standards described in that subsection;

(2) facilitate ongoing dialogue between the National Institute of Standards and Technology and industry participants to identify, assess, and address barriers to the adoption of the standards described in that subsection;

(3) not later than 2 years after the date of enactment of this Act, and biennially thereafter until 2035, submit to the appropriate congressional committees a report on the implementation of subsection (c), including stakeholder engagement with respect to those actions and continued challenges in adopting the standards described in that subsection; and

(4) not later than 5 years after the date of enactment of this Act, make available to the public a report on stakeholder engagement and lessons learned in implementing subsection (c).

SEC. 507. INTERNATIONAL COORDINATION TO COMBAT DIGITAL ASSET ILLICIT FINANCE.

(a) IN GENERAL.—The Secretary of the Treasury, in coordination with the Secretary of State, the Attorney General, the Secretary of Homeland Security, and the heads of such other Federal departments and agencies as the President may designate, shall lead an interagency initiative to strengthen international cooperation to prevent the misuse of digital assets for illicit finance, sanctions evasion, terrorist financing, or other national-security threats.

(b) OBJECTIVES.—The initiative established under subsection (a) shall—

(1) engage foreign counterparts, including finance ministries, central banks, and financial intelligence units, to promote anti-money-laundering, sanctions evasion, and counter-terrorist financing controls applicable to digital asset activities, consistent with United States standards for those controls and the framework established under the National Strategy for International Digital Asset Illicit Finance submitted under subsection (c);

(2) encourage the adoption and enforcement of effective regulatory and supervisory frameworks for digital asset service providers to ensure transparency and prevent illicit use;

(3) identify and prioritize jurisdictions of concern that present significant risk of facilitating illicit digital asset activity and develop coordinated diplomatic, economic, and law enforcement strategies to address those risks;

(4) support technical assistance and capacity-building programs for partner jurisdictions to enhance anti-money laundering, sanctions evasion, and counter-terrorist financing supervision, enforcement, and information sharing relating to digital assets; and

(5) report annually to Congress on progress made toward the objectives described in paragraphs (1) through (4), including a list of cooperative and non-cooperative jurisdictions and any recommendations for additional actions or sanctions.

(c) NATIONAL STRATEGY.—Not later than 270 days after the date of enactment of this Act, the Secretary of the Treasury, in consultation with the Secretary of State, the Attorney General, and the Director of National Intelligence, shall submit to the Committee on Banking, Housing, and Urban Affairs, the Committee on Foreign Relations, and the Committee on Homeland Security and Governmental Affairs of the Senate, and the Committee on Financial Services, the Committee on Foreign Affairs, and

the Committee on Homeland Security of the House of Representatives a National Strategy for International Digital Asset Illicit Finance, which shall—

(1) assess global vulnerabilities and enforcement gaps with respect to digital assets;

(2) set measurable goals and timelines for multilateral engagement with respect to digital assets;

(3) recommend resource and staffing requirements for Treasury attaches, financial intelligence liaisons, and other personnel necessary to implement the strategy; and

(4) identify standards for anti-money laundering, sanctions evasion, and counter-terrorist financing controls applicable to digital asset activities by foreign jurisdictions, informed by United States law, regulation, and supervisory standards, including standards relating to—

(A) anti-money laundering and countering the financing of terrorism policies, national risk assessment, and interagency coordination to identify, prioritize, and mitigate illicit finance threats;

(B) money laundering offenses, asset seizure, and confiscation to recover proceeds of crime;

(C) terrorist financing and proliferation-financing offenses and related targeted financial sanctions;

(D) preventive measures for financial institutions and other covered entities, including customer due diligence, recordkeeping, internal controls, and reporting of suspicious transactions; and

(E) regulation, supervision, and enforcement by competent authorities, including financial intelligence, law enforcement, and sanctions measures.

SEC. 508. ANNUAL REPORT ON FOREIGN DIGITAL ASSET TRADING VOLUME, COMPLIANCE WITH UNITED STATES STANDARDS AND REMEDIATION ACTIONS.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, and annually thereafter for a period of 4 years, the Secretary of the Treasury shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report that—

(1) lists the top 20 foreign jurisdictions by volume of digital asset trading activity on foreign dig-

ital asset service providers during the calendar year immediately preceding the year of the report, as measured by reliable market data providers and distributed ledger analytics;

(2) assesses the degree to which each foreign jurisdiction listed under paragraph (1) has implemented and enforced anti-money laundering, sanctions evasion, and counter-terrorist financing controls applicable to digital asset activities consistent with the standards and framework identified under the National Strategy for International Digital Asset Illicit Finance submitted under section 507; and

(3) identifies foreign jurisdictions with—

(A) material deficiencies in the implementation or enforcement of the standards described in paragraph (2); and

(B) trading volumes that present systemic illicit finance risk to the United States.

(b) FORM.—Each report required under subsection (a) shall be submitted in unclassified form, but may include a classified annex, as appropriate.

(c) REMEDIATION AND ENGAGEMENT REPORT.—For each foreign jurisdiction identified pursuant to subsection (a)(3), the Secretary of the Treasury shall include in the applicable report—

(1) a description of bilateral diplomatic, regulatory, or law enforcement engagements undertaken during the calendar year immediately preceding the year in which the report is submitted to remedy the deficiencies of the foreign jurisdiction;

(2) a summary of actions taken by the United States individually, or in conjunction with any applicable international body, to identify, monitor, and remedy high-risk or non-cooperative jurisdictions with respect to digital asset illicit finance, including designations or public statements identifying those jurisdictions and measures to support their remediation;

(3) any commitments obtained from the foreign jurisdiction to address identified deficiencies, including timeliness and benchmarks; and

(4) an assessment of progress made toward full implementation of the standards identified under the National Strategy for International Digital Asset Illicit Finance submitted under section 507.

TITLE VI—PROTECTING SOFTWARE DEVELOPERS AND SOFTWARE INNOVATION

SEC. 601. PROTECTING SOFTWARE DEVELOPERS.

(a) AMENDMENT TO THE SECURITIES ACT OF 1933.—The Securities Act of 1933 (15 U.S.C. 77a et seq.) is amended by inserting after section 27B (15 U.S.C. 77z–2a) the following:

"SEC. 27C. APPLICATION TO SOFTWARE DEVELOPERS.

"(a) DISTRIBUTED LEDGER SYSTEM DEFINED.—In this section, the term 'distributed ledger system' has the meaning given the term in section 2 of the Digital Asset Market Clarity Act.

"(b) APPLICATION TO SOFTWARE DEVELOPERS.—Notwithstanding any other provision of this Act, a person shall not be subject to this Act and the regulations promulgated under this Act solely based on the person engaging in any of the following activities, whether singly or in combination, in relation to the operation of a distributed ledger system or any component thereof:

"(1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity.

"(2) Providing computational work, operating a node or oracle service, or procuring, offering, or uti-

lizing network bandwidth, or providing other similar incidental services.''.

(b) AMENDMENT TO THE SECURITIES EXCHANGE ACT OF 1934.—The Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by inserting after section 15G (15 U.S.C. 78o–11) the following:

''SEC. 15H. APPLICATION TO SOFTWARE DEVELOPERS.

''(a) DEFINITIONS.—In this section:

''(1) CONSTITUTE.—The term 'constitute' means to compile, assemble, integrate, or otherwise combine software components into a complete software system.

''(2) DECENTRALIZED FINANCE TRADING PROTOCOL.—

''(A) IN GENERAL.—The term 'decentralized finance trading protocol' means a distributed ledger system through which multiple participants can execute a financial transaction—

''(i) in accordance with an automated rule or algorithm that is predetermined and non-discretionary; and

''(ii) without reliance on a person other than the user to maintain custody or control of the digital assets subject to the financial transaction.

"(B) EXCLUSIONS.—

"(i) IN GENERAL.—The term 'decentralized finance trading protocol' does not include a distributed ledger system if—

"(I) a person or group of persons under common control or acting pursuant to an agreement to act in concert has the authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the distributed ledger system; or

"(II) the distributed ledger system does not operate, execute, and enforce its operations and transactions based solely on pre-established, transparent rules encoded directly within the source code of the distributed ledger system.

"(III) a person or group of persons under common control has the unilateral authority, via operation of

the distributed ledger system, to restrict, censor, or prohibit the use of the distributed ledger system, including any applicable system-based user activity.

''(ii) SPECIAL RULE.—For purposes of clause (i), a decentralized governance system shall not be considered to be a person or a group of persons under common control or acting pursuant to an agreement to act in concert.

''(3) DEPLOY.—The term 'deploy' means to bring software or hardware onto a distributed ledger system for active use.

''(4) DIGITAL ASSET; DISTRIBUTED LEDGER APPLICATION; DISTRIBUTED LEDGER SYSTEM; DISTRIBUTED LEDGER PROTOCOL; DECENTRALIZED GOVERNANCE SYSTEM; SMART CONTRACT.—The terms 'digital asset', 'distributed ledger application', 'distributed ledger system', 'distributed ledger protocol', 'decentralized governance system', and 'smart contract' have the meanings given those terms in section 2 of the Digital Asset Market Clarity Act.

''(5) DECENTRALIZED FINANCE MESSAGING SYSTEM.—

"(A) IN GENERAL.—The term 'decentralized finance messaging system' means a software application that provides a user with the ability to create or submit an instruction, communication, or message to a decentralized finance trading protocol.

"(B) ADDITIONAL REQUIREMENTS.—The term 'decentralized finance messaging system' does not include any system that provides any person other than the user with —

"(i) control over the funds of the user; or

"(ii) the authority to execute any of the transaction of the user.

"(b) APPLICATION TO SOFTWARE DEVELOPERS.—Notwithstanding any other provision of this Act, a person shall not be subject to this Act and the regulations promulgated under this Act solely based on the person engaging in any of the following activities, whether singly or in combination, in relation to the operation of a distributed ledger system or any component thereof:

"(1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity.

''(2) Providing computational work, operating a node or oracle service, or procuring, offering, or utilizing network bandwidth, or providing other similar incidental services.

''(3) Developing, publishing, or constituting—

''(A) a distributed ledger system; or

''(B) software or systems that create or utilize hardware or software, including wallets or other systems, that facilitate the ability of a user to keep, safeguard, or have custody of the digital assets or private keys of the user.

''(c) RULE OF CONSTRUCTION.—Subsection (b)(3) does not extend to any activity covered in any of the activities described in subparagraphs (A) through (D) of subsection (d)(1), including activity taken following deployment of such software or hardware.

''(d) CLARIFICATION.—

''(1) IN GENERAL.—The Commission shall, pursuant to notice and comment rulemaking, clarify the circumstances under which a person shall not be subject to this Act by reason of engaging solely in 1 or more of the following activities in relation to the operation of a decentralized finance trading protocol or any component thereof:

"(A) Providing a user interface that enables a user to read and access data.

"(B) Administering, maintaining, or otherwise distributing a decentralized governance system relating to a decentralized finance trading protocol, or a decentralized finance trading protocol.

"(C) Administering, maintaining, or otherwise distributing a decentralized finance messaging system or operating or participating in a smart contract-based liquidity pool in a decentralized finance trading protocol.

"(D) Administering, maintaining, or otherwise distributing software or systems that create or deploy hardware or software, including wallets or other systems, that facilitate the ability of a user to keep, safeguard, or custody the digital assets or related private keys of the user.

"(2) CONSIDERATIONS.—In providing the clarification under paragraph (1) the Commission shall—

"(A) ensure that the rules are consistent with the purposes of the securities laws, including the public interest, the protection of inves-

tors, and the maintenance of fair and orderly markets;

"(B) provide that section 108(a) of the Lummis-Gillibrand Responsible Financial Innovation Act of 2026 shall apply to such rules;

"(C) protect the rights of software developers, publishers, and users to create, publish, and use code and software in a manner consistent with the First Amendment to the Constitution of the United States; and

"(D) provide legal clarity for the development, publication, and operation of distributed ledger systems and the components therein in a manner consistent with the purposes of this section.

"(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to grant the Commission authority over persons, systems, software, or activities that do not otherwise fall within the jurisdiction of the Commission under this Act, or to create a presumption that any such activity is subject to this Act.

"(e) ANTI-FRAUD, ANTI-MANIPULATION, AND FALSE REPORTING.—The determination to be not subject to this Act under subsections (b) and (d) shall not apply to the

anti-fraud, anti-manipulation, or false reporting enforcement authorities of the Commission.

''(f) RULE OF CONSTRUCTION.—For the avoidance of doubt, nothing in this Act or the rules and regulations promulgated under this Act may be construed to apply any requirement of the securities laws to a digital commodity, as defined in section 2 of the Digital Asset Market Clarity Act, or expand the authority of the Commission beyond that which the Commission had before the date of enactment of the Digital Asset Market Clarity Act to regulate the activities described in subsection (d)(1).

''(g) FEDERAL PREEMPTION.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, no securities, commodities, or digital assets law of any State (or of any political subdivision of a State) shall apply to an activity described in subsection (b).

''(2) RULE OF CONSTRUCTION.—Nothing in paragraph (1) may be construed to apply to the anti-money laundering, anti-fraud, or anti-manipulation authorities of a State (or of any political subdivision of a State).''.

(c) APPLICABILITY.—This section, and the amendments made by this section, shall apply to conduct occurring before, on, or after the date of enactment of this Act.

SEC. 602. SAFE HARBOR FOR NONFUNGIBLE TOKENS.

(a) DEFINITIONS.—In this section:

(1) NONFUNGIBLE TOKEN.—The term ''nonfungible token'' means a digital asset recorded on a distributed ledger that—

(A) is individually identifiable and distinguishable from any other digital asset;

(B) represents ownership of, or rights in, a work of authorship, art, a collectible, a membership, an access credential, a certificate of authenticity, an in-game or in-application item, or another similar specific item or discrete digital or physical good, service, or benefit;

(C) is not interchangeable on a 1-to-1 basis with any other token or digital asset; and

(D) may be bought, sold, or transferred for consideration.

(2) PROMOTER.—The term ''promoter'' means a person or group that manages, controls, or operates an enterprise in which capital is invested, or any person or group acting on behalf of such a person or group with respect to such an enterprise, including an affiliate, agent, or coordinated actor that contributes to the capital raising efforts of the enterprise.

(b) SAFE HARBOR.—

(1) IN GENERAL.—Except as provided in paragraph (3), the offer, sale, resale, transfer, or conveyance of a nonfungible token shall not be deemed to constitute an offer or sale of a security or investment contract under the Securities Act of 1933 (15 U.S.C. 77a et seq.), the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), or any equivalent State law, unless the transaction, in substance, involves all of the elements of an investment contract.

(2) RULES OF CONSTRUCTION.—Neither of the following shall be considered to be a security under the Securities Act of 1933 (15 U.S.C. 77a et seq.) or the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.):

(A) The resale or secondary market transfer of a nonfungible token, where the payment for that resale or transfer does not flow to a promoter or is not used to raise new capital for an enterprise.

(B) A nonfungible token that serves as a collectible, membership right, event ticket, access credential, or other non-investment-based use case solely because the nonfungible token may appreciate in value or depend in part on

continued efforts or the reputation of the creator or issuer of the nonfungible token.

(3) EXCEPTIONS.—The safe harbor under paragraph (1) shall not apply to—

(A) a mass-minted series of items with substantially similar or nearly identical traits that are marketed or sold interchangeably;

(B) a fractionalized interest in a nonfungible token; or

(C) an interest representing a beneficial or economic claim on a nonfungible token or an asset that a nonfungible token represents.

(4) RELIANCE; PROSPECTIVE EFFECT.—

(A) RELIANCE.—A person, other than an originator or related person, that reasonably and in good faith relies on the safe harbor under this subsection shall not be subject to any civil or administrative penalties.

(B) PROSPECTIVE EFFECT.—Any determination by the Commission that the safe harbor under this subsection does not apply to a particular circumstance shall—

(i) be prospective only; and

(ii) take effect not earlier than 60 days after the date on which the Commission publicly posts that determination.

SEC. 603. STUDY ON NONFUNGIBLE TOKENS.

(a) DEFINITION.—In this section, the term ''nonfungible token'' has the meaning given the term in section 602.

(b) STUDY.—The Comptroller General of the United States shall carry out a study of nonfungible tokens that analyzes—

(1) the nature, size, role, purpose, and use of nonfungible tokens;

(2) the similarities and differences between nonfungible tokens and other digital commodities, including digital commodities and payment stablecoins, and how the markets for those digital commodities intersect;

(3) how nonfungible tokens are minted by issuers and subsequently administered to purchasers;

(4) how nonfungible tokens are stored after being purchased by a consumer;

(5) the interoperability of nonfungible tokens between different distributed ledger systems;

(6) the scalability of different nonfungible token marketplaces;

(7) the benefits of nonfungible tokens, including verifiable digital ownership;

(8) the risks of nonfungible tokens, including—

(A) intellectual property rights;

(B) cybersecurity risks; and

(C) market risks;

(9) whether and how nonfungible tokens have been, or could be, integrated with traditional marketplaces, including marketplaces for music, real estate, gaming, events, and travel;

(10) whether and how nonfungible tokens have been, or could be, used to facilitate commerce or other activities through the representation of documents, identification, contracts, licenses, and other commercial, governmental, or personal records;

(11) any risks to traditional markets from the integration described in paragraph (9); and

(12) the levels and types of illicit activity in nonfungible token markets.

(c) REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall make publicly available a report that includes the results of the study required under subsection (b).

SEC. 604. BLOCKCHAIN REGULATORY CERTAINTY ACT.

(a) SHORT TITLE.—This section may be cited as the ''Blockchain Regulatory Certainty Act''.

(b) DEFINITIONS.—In this section:

(1) DEVELOPER OR PROVIDER.—The term ''developer or provider'' means any person or business that creates or publishes software to facilitate the creation of, or provide maintenance to, a distributed ledger, or a service associated with a distributed ledger.

(2) DISTRIBUTED LEDGER SERVICE.—The term ''distributed ledger service'' means any information, transaction, or computing service or system that provides or enables access to a distributed ledger system by multiple users, including a service or system that enables users to send, receive, exchange, or store digital assets described by distributed ledger systems.

(3) NON-CONTROLLING DEVELOPER OR PROVIDER.—The term ''non-controlling developer or provider'' means a developer or provider of a distributed ledger service that, in the regular course of operations, does not have the legal right or the unilateral and independent ability to control, initiate upon demand, or effectuate transactions involving digital assets to which users are entitled, without the ap-

proval, consent, or direction of any other third party.

(c) TREATMENT.—Notwithstanding any other provision of law, a non-controlling developer or provider—

(1) shall not be treated as—

(A) a money transmitting business, as defined in section 5330 of title 31, United States Code, and the regulations promulgated under that section; or

(B) engaged in money transmitting, as defined in section 1960 of title 18, United States Code, as amended by this Act; and

(2) on or after the date of enactment of this Act, shall not be otherwise subject to any registration requirement that is substantially similar to a requirement (as in effect on the day before the date of enactment of this Act) that applies to an entity described in subparagraph (A) or (B) of paragraph (1), solely on the basis of—

(A) creating or publishing software to facilitate the creation of, or providing maintenance services to, a distributed ledger or a service associated with a distributed ledger;

(B) providing hardware or software to facilitate a customer's own custody or safekeeping of the digital assets of the customer; or

(C) providing infrastructure support to maintain a distributed ledger service.

(d) RULES OF CONSTRUCTION.—Nothing in this section may be construed—

(1) to affect whether a developer or provider of a distributed ledger service is otherwise subject to classification or treatment as a money transmitter, or as engaged in money transmitting, under applicable Federal or State law, including laws relating to anti-money laundering or countering the financing of terrorism, based on conduct outside the scope of subsection (c);

(2) to affect whether a developer or provider is otherwise subject to classification or treatment as a financial institution under subchapter II of chapter 53 of title 31, United States Code, this Act, any amendment made by this Act, or any Act enacted after the date of enactment of this Act;

(3) to limit or expand any law pertaining to intellectual property;

(4) to prevent any State from enforcing any State law that is consistent with this section; or

(5) to create a cause of action or impose liability under any State or local law that is inconsistent with this section.

SEC. 605. KEEP YOUR COINS ACT.

(a) SHORT TITLE.—This section may be cited as the ''Keep Your Coins Act''.

(b) DEFINITIONS.—In this section:

(1) COVERED USER.—The term ''covered user'' means a United States individual who obtains digital assets to purchase goods or services on behalf of that individual, without regard to the method in which that individual obtained those digital assets.

(2) SELF-HOSTED WALLET.—The term ''self-hosted wallet'' means a digital interface—

(A) that is used to secure and transfer digital assets; and

(B) under which the owner of digital assets secured and transferred under subparagraph (A) retains independent control over those digital assets.

(c) SELF-CUSTODY.—A Federal agency may not prohibit, restrict, or otherwise impair the ability of a covered user to self-custody digital assets using a self-hosted wallet or other means to conduct transactions for any lawful purpose.

(d) RULE OF CONSTRUCTION.—Nothing in this section may be construed to limit the authority of the Secretary of the Treasury, the Commission, the Commodity Futures Trading Commission, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the National Credit Union Administration to carry out any enforcement action or special measure authorized under applicable law, including—

(1) the Bank Secrecy Act, section 9714 of the Combating Russian Money Laundering Act (31 U.S.C. 5318A note), and section 7213A of the Fentanyl Sanctions Act (21 U.S.C. 2313a); or

(2) any other law relating to illicit finance, money laundering, terrorism financing, or United States sanctions.

TITLE VII—PROTECTING CUSTOMER PROPERTY

SEC. 701. CUSTOMER PROPERTY PROTECTIONS FOR ANCILLARY ASSETS AND DIGITAL COMMODITIES IN BANKRUPTCY.

(a) DEFINITIONS FOR STOCKBROKER LIQUIDATION.—

(1) IN GENERAL.—Section 741 of title 11, United States Code, is amended—

(A) by redesignating paragraphs (5) through (9) as paragraphs (7) through (11), respectively;

(B) by redesignating paragraphs (1) through (4) as paragraphs (2) through (5), respectively;

(C) by inserting before paragraph (2), as so redesignated, the following:

''(1) 'ancillary asset' has the meaning given that term section 2 of the Digital Asset Market Clarity Act;'';

(D) in paragraph (3), as so redesignated—

(i) in subparagraph (A)(vi), by striking ''and'' at the end;

(ii) by redesignating subparagraph (B) as subparagraph (C);

(iii) by inserting after subparagraph (A) the following:

''(B) entity with whom a person deals as principal or agent and that has a claim against such person on account of a digital commodity or an ancillary asset received, acquired, or held by such person from or for the securities account or accounts of such entity for 1 or more of the purposes identified in clauses (i) through

(vi) of subparagraph (A) of this paragraph; and''; and

(iv) in subparagraph (C), as so redesignated—

(I) in clause (i)—

(aa) by inserting '', ancillary asset, or digital commodity'' after ''security''; and

(bb) by inserting ''or (B)'' after ''subparagraph (A)''; and

(II) in clause (ii), by inserting ''an ancillary asset, a digital commodity,'' after ''a security,'';

(E) in paragraph (5), as so redesignated, in the matter preceding subparagraph (A), by inserting ''ancillary asset, digital commodity,'' after ''cash, security,'' each place it appears;

(F) by inserting after paragraph (5), as so redesignated, the following:

''(6) 'digital commodity' has the meaning given that term in section 2 of the Digital Asset Market Clarity Act;''; and

(G) in paragraph (8), as so redesignated, in subparagraph (A)(i), by inserting '', ancillary

asset positions, and digital commodities positions'' after ''securities positions''.

(b) EXTENT OF CUSTOMER CLAIMS.—Section 746(b) of title 11, United States Code, is amended, in the matter preceding paragraph (1), by striking ''cash or a security'' and inserting ''cash, a security, an ancillary asset, or a digital commodity''.

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 546(e) of title 11, United States Code, is amended—

(A) by striking ''section 741(7)'' and inserting ''section 741''; and

(B) by striking ''section 761(4)'' and inserting ''section 761''.

(2) Section 561 of title 11, United States Code, is amended—

(A) in paragraph (1), by striking ''section 741(7)'' and inserting ''section 741''; and

(B) in paragraph (2), by striking ''section 761(4)'' and inserting ''section 761''.

(3) Section 752(c) of title 11, United States Code, is amended by striking ''section 741(4)(B)'' and inserting ''section 471(5)(B)''.

(d) CLARIFICATION.—For the avoidance of doubt—

(1) nothing in this section or an amendment made by this section may be construed to apply to securities or cash held by a broker-dealer and such assets and related claims shall be governed exclusively by the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.);

(2) nothing in this section or an amendment made by this section may be construed to apply to deposits held by a bank or commodity contracts, which shall be governed by the relevant applicable law; and

(3) in any liquidation proceeding under subchapter III or IV of chapter 7 of title 11, United States Code, those provisions shall be construed to treat ancillary assets and digital commodities held for customers as customer property governed by title 11 and required to be distributed according to such title.

TITLE VIII—CUSTOMER PROTECTION

SEC. 801. EDUCATIONAL MATERIALS.

The Commission and the Commodity Futures Trading Commission shall require digital asset intermediaries to provide clear and accessible educational materials to the public, including—

(1) an overview of how distributed ledger systems function;

(2) a description of common risks associated with digital assets;

(3) a description of the differences between digital asset markets and traditional financial markets;

(4) information on reporting and disclosure requirements related to digital asset transactions and investment contracts which may be accompanied by network tokens or ancillary assets; and

(5) guidance on recognizing fraudulent schemes and instructions for reporting suspected fraud.

SEC. 802. SAVINGS CLAUSES.

(a) DEFINITIONS.—In this section:

(1) DIGITAL CONSUMER TOKEN.—The term ''digital consumer token'' means a digital asset that is primarily acquired for a consumptive purpose, including redemption for a specified good or service at the time of sale or within a reasonable token after sale, as defined by the Federal Trade Commission pursuant to rule.

(2) NONFUNGIBLE TOKEN.—The term ''nonfungible token'' means a digital asset recorded on a distributed ledger that—

(A) is individually identifiable and distinguishable from any other digital asset;

(B) represents ownership of, or rights in, a work of authorship, art, a collectible, a membership, an access credential, a certificate of authenticity, an in-game or in-application item, or another similar specific item or discrete digital or physical good, service, or benefit;

(C) is not interchangeable on a 1-to-1 basis with any other token or digital asset; and

(D) may be bought, sold, or transferred for consideration.

(b) FEDERAL TRADE COMMISSION.—Nothing in this Act, or any amendment made by this Act, may be construed as limiting or abridging the jurisdiction of the Federal Trade Commission with respect to—

(1) investigations or enforcement actions relating to unfair or deceptive acts or practices by persons relating to commerce in nonfungible tokens or digital consumer tokens, including deceptive acts with respect to advertising and endorsements relating to nonfungible tokens and digital consumer tokens;

(2) highlighting best practices relating to commerce in nonfungible tokens or digital consumer tokens;

(3) promoting responsible innovation;

(4) consumer education relating to fraudulent digital asset activity; or

(5) investigating unlawful restraints of trade in the digital asset industry.

(c) RULE OF CONSTRUCTION.—Nothing in this Act, or any amendment made by this Act, may be construed to expand, contract, or otherwise affect the jurisdiction or authority with respect to the Federal consumer financial laws under the Consumer Financial Protection Act of 2010 (12 U.S.C. 5481 et seq.), as in effect on the day before the date of enactment of this Act, including with respect to subsection (i) or (j) of section 1027 of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5517).

SEC. 803. STUDY ON EXPANDING FINANCIAL LITERACY.

(a) STUDY.—The Commission and the Commodity Futures Trading Commission shall jointly conduct a study to identify—

(1) the existing level of financial literacy among retail digital asset customers;

(2) methods to improve the timing, content, and format of financial literacy materials regarding digital assets provided by the respective commissions;

(3) methods to improve coordination between the Securities and Exchange Commission and the Commodity Futures Trading Commission with other agencies, including the Financial Literacy and Education Commission, nonprofit organizations, and State and local jurisdictions, to better disseminate financial literacy materials;

(4) the efficacy of current financial literacy efforts with a focus on rural communities and communities with majority-minority populations;

(5) the most useful and understandable relevant information, including clear disclosures, that retail digital asset customers need to make informed financial decisions before engaging with or purchasing a digital asset;

(6) the most effective public-private partnerships in providing financial literacy regarding digital asset;

(7) the most relevant metrics to measure successful improvement of the financial literacy of an individual after engaging with financial literacy efforts; and

(8) in consultation with the Financial Literacy and Education Commission, a strategy (including to the extent practicable, measurable goals and objectives) to increase financial literacy of investors regarding digital assets.

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Commission and the Commodity Futures Trading Commission shall jointly submit to the Committee on Banking, Housing, and Urban Affairs and the Committee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Financial Services and the Committee on Agriculture of the House of Representatives a written report on the study required under subsection (a).

SEC. 804. CONSULTATION WITH SIPC REGARDING MANDATORY BROKER-DEALER DISCLOSURES TO INVESTORS CONCERNING THE STATUS OF PAYMENT STABLECOINS AND DIGITAL COMMODITIES.

(a) DEFINITION.—In this section, the term ''payment stablecoin'' has the meaning given the term in section 2 of the GENIUS Act (12 U.S.C. 5901).

(b) RULES.—Not later than 270 days after the date of enactment of this Act, the Commission, after consultation with the Commodity Futures Trading Commission

and the Securities Investor Protection Corporation, shall issue rules requiring written disclosures regarding the treatment of customer assets in the event of an insolvency, resolution, or liquidation proceeding to be provided by a registered broker or dealer to an investor—

(1) before a digital commodity, a payment stablecoin, or an investment contract involving a unit of a digital commodity is received, acquired, or held by the broker or dealer for the account of the investor; and

(2) after the provision of the disclosures under paragraph (1), at such frequency as the Commission may prescribe.

(c) CONTENTS.—The rules issued under subsection (b) shall include, as necessary or appropriate for the protection of investors—

(1) a description of the manner in which any digital commodity, payment stablecoin, or investment contract involving a unit of a digital commodity received, acquired, or held by a broker or dealer for the account of an investor would be treated in an insolvency, resolution, or liquidation proceeding with respect to the broker or dealer under—

(A) title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 et seq.);

(B) the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.); or

(C) as applicable, chapter 7 or 11 of title 11, United States Code; and

(2) how the treatment described in paragraph (1) differs from the treatment of securities and cash received, acquired, or held by the broker or dealer for the account of the applicable investor in the event of an insolvency, resolution, or liquidation proceeding with respect to the broker or dealer under each provision of law described in subparagraph (A), (B), and (C) of paragraph (1).

TITLE IX—OTHER MATTERS

SEC. 901. JOINT ADVISORY COMMITTEE ON DIGITAL ASSETS.

(a) ESTABLISHMENT.—The Commodity Futures Trading Commission and the Securities and Exchange Commission (referred to collectively in this section as the ''Commissions'') shall jointly establish the Joint Advisory Committee on Digital Assets (referred to in this section as the ''Committee'').

(b) PURPOSE.—

(1) IN GENERAL.—The Committee shall—

(A) provide the Commissions with official findings and nonbinding recommendations on—

(i) the rules, regulations, oversight, and other matters of the Commissions relating to digital assets, including with respect to regulatory harmonization between the Commissions;

(ii) how to further the regulatory harmonization of digital asset policy between the Commissions or areas in which that harmonization should occur; and

(iii) the implementation by the Commissions of this Act, and the amendments made by this Act, including with respect to regulatory harmonization between the Commissions, memoranda of understanding, and the Joint Micro-Innovation Sandbox established pursuant to section 501;

(B) develop and share objective methods and best practices for evaluating digital asset networks and activities, including, as appropriate, technical features, economic design, and

implications for market integrity, investor protection, and operational resilience; and

(C) issue nonbinding recommendations to assist in resolving disputes between the Commissions.

(c) REVIEW BY THE COMMISSIONS.—Each of the Commissions shall—

(1) review the findings and nonbinding recommendations provided under subsection (b)(1)(A);

(2) promptly publish a public statement each time the Committee submits a finding or nonbinding recommendation to the applicable Commission under subsection (b)(1)(A) that—

(A) assesses the finding or recommendation; and

(B) if applicable, discloses the action or decision not to take action; and

(3) provide the Committee with a formal written response not later than 90 days after the date of submission of the finding or nonbinding recommendation under subsection (b)(1)(A).

(d) MEMBERSHIP AND LEADERSHIP.—

(1) NON-FEDERAL MEMBERS; SIZE AND COMPOSITION.—

(A) IN GENERAL.—The Commissions shall appoint to the Committee not more than 14 nongovernmental voting members who—

(i) represent a broad spectrum of interests, equally divided between the Commissions; and

(ii) serve at the pleasure of the appointing Commission.

(B) SPECIFIC MEMBERS.—For each of the Commissions, the appointees under subparagraph (A) of this paragraph shall include—

(i) 2 individuals described in paragraph (2)(A);

(ii) 2 individuals described in paragraph (2)(B);

(iii) 1 individual described in paragraph (2)(C);

(iv) 2 individuals described in paragraph (2)(D); and

(v) 1 individual described in paragraph (2)(E).

(2) MEMBERS DESCRIBED.—A member described in this paragraph is—

(A) an individual who is employed by, or is a related person with respect to, a digital asset market participant;

(B) a person registered with either of the Commissions and that is engaged in activities relating to digital assets;

(C) an individual engaged in academic research relating to digital assets;

(D) a retail user of digital assets; and

(E) a State securities regulator.

(3) NIST.—The Director of the National Institute of Standards and Technology, or the designee of the Director, shall serve in an advisory capacity as a nonvoting, ex officio member of the Committee, and shall not be excluded from any proceedings, meetings, discussions, or deliberations of the Committee, except that the chair of the Committee, upon an affirmative vote of the Committee, may exclude the Director or the designee from any proceedings, meetings, discussions, or deliberations of the Committee when necessary to safeguard and promote the free exchange of confidential information.

(4) CO-DESIGNATED FEDERAL OFFICERS; COMMISSIONER SUPPORT.—

(A) CO-DESIGNATED FEDERAL OFFICERS.—

(i) IN GENERAL.—Each Commission shall designate 1 Federal officer to serve as co-designated Federal officers of the Committee.

(ii) SHARED DUTIES.—The duties required by section 1009(e) of title 5, United States Code, to be carried out by a designated Federal officer with respect to the Committee shall be shared by the Federal officers of the Committee who are co-designated under clause (i).

(B) COMMISSIONER SUPPORT.—

(i) IN GENERAL.—Commissioners of the Commissions may be supported by officers or employees of the respective Commission who may prepare or transmit materials, coordinate with agency staff, liaise with Committee leadership, propose agenda items, gather information, and otherwise support the participation of that commissioner in Committee business, in an ex officio, nonvoting capacity.

(ii) RULE OF CONSTRUCTION.—An officer or employee described in clause (i) shall not be considered to be a member of the Committee for purposes of chapter 10 of title 5, United States Code.

(C) INFORMATION SHARING.—The co-designated Federal officers and their Commissioner support shall share information about digital asset activities under this Act, in accordance with section 902, including with regard to preventing insider trading.

(5) COMMITTEE LEADERSHIP.—The members of the Committee shall elect, from among the membership of the Committee, a secretary and an assistant secretary.

(6) ROTATING CHAIR.—The chair and vice chair of the Committee shall rotate annually between the Commissions, with the Commission designating the chair in even-numbered calendar years, the Commodity Futures Trading Commission designating the chair in odd-numbered calendar years, the Commission designating the vice chair in odd-numbered calendar years, and the Commodity Futures Trading Commission designating the vice chair in even-numbered calendar years.

(7) TERMS; VACANCIES; HOLDOVER.—

(A) IN GENERAL.—Each non-Federal member of the Committee shall be appointed for a term of 4 years.

(B) SERVICE UNTIL NEW APPOINTMENT.—A member of the Committee may continue to serve after the expiration of the term of the member until a successor is appointed.

(C) VACANCIES.—A vacancy with respect to membership in the Committee shall be filled only for the remainder of the applicable term.

(D) REAPPOINTMENT.—A member of the Committee may be reappointed.

(8) STATUS OF MEMBERS.—A member of the Committee appointed under paragraph (1) shall not be deemed to be an employee or agent of either of the Commissions solely by reason of membership on the Committee.

(e) NO COMPENSATION FOR COMMITTEE MEMBERS.—

(1) NON-FEDERAL MEMBERS.—All Committee members appointed under subsection (d)(1) shall—

(A) serve without compensation; and

(B) while away from the home or regular place of business of the member in the perform-

ance of services for the Committee, be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in Government service are allowed expenses under section 5703 of title 5, United States Code.

(2) NO COMPENSATION FOR CO-DESIGNATED FEDERAL OFFICERS.—The Federal officers co-designated under subsection (d)(4)(A) shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(f) FREQUENCY OF MEETINGS.—The Committee shall meet—

(1) not less frequently than twice annually; and

(2) at such other times as either of the Commissions may request.

(g) PROCEDURES; ADVISORY NATURE.—

(1) IN GENERAL.—The Committee shall operate pursuant to chapter 10 of title 5, United States Code, except as otherwise expressly provided by this section.

(2) ADVISORY NATURE OF RECOMMENDATIONS.—The recommendations of the Committee are advisory in nature, shall not create any legal rights

or obligations, and shall not limit or delay the independent authority of either of the Commissions.

(h) TIME LIMITS.—The Commissions shall—

(1) not later than 90 days after the date of enactment of this Act, adopt a joint charter for the Committee;

(2) not later than 120 days after the date of enactment of this Act, make the appointments required under subsection (d)(1); and

(3) not later than 180 days after the date of enactment of this Act, hold the initial meeting of the Committee.

(i) FUNDING.—Subject to the availability of funds, the Commissions shall jointly fund the Committee.

(j) DURATION AND RENEWAL.—

(1) INITIAL PERIOD.—The Committee shall remain in effect for 10 years beginning on the date of enactment of this section.

(2) RENEWAL THEREAFTER.—At the conclusion of the 10-year period described in paragraph (1)—

(A) the Committee shall be subject to subsections (a) and (b) of section 1013 of title 5, United States Code; and

(B) the Commissions may renew the Committee for successive 2-year periods by publishing a notice in the Federal Register, consistent with chapter 10 of title 5, United States Code.

SEC. 902. MEMORANDUM OF UNDERSTANDING.

(a) MEMORANDUM OF UNDERSTANDING.—The Commission shall enter into a memorandum of understanding with the Commodity Futures Trading Commission to ensure—

(1) coordinated supervision and enforcement with respect to registrants of the Commission and the Commodity Futures Trading Commission, including with regard to—

(A) the anti-fraud and anti-manipulation authorities of the Commission, such as with regard to insider trading; and

(B) the market integrity authorities of the Commodity Futures Trading Commission; and

(2) appropriate information sharing between the Commission and the Commodity Futures Trading Commission to further the purposes of and compliance with this Act, the Securities Act of 1933 (15 77a et seq.), the Securities Exchange Act of 1934

(15 U.S.C. 78a et seq.), and the Commodity Exchange Act (7 U.S.C. 1 et seq.).

(b) RULE OF CONSTRUCTION.—Nothing in this section may be construed to limit the anti-fraud, anti-manipulation, or false reporting enforcement authorities of the Commodity Futures Trading Commission with respect to a contract of sale of a commodity and persons effecting such contracts.

(c) RULE OF CONSTRUCTION.—Nothing in this Act, or any amendment made by this Act, may be construed to limit or prevent the continued application of applicable law regarding the insider trading of securities, including digital asset securities, including section 21A of the Securities Exchange Act of 1934 (15 U.S.C. 78u–1).

SEC. 903. FINCEN APPROPRIATIONS.

(a) AUTHORIZATION OF APPROPRIATIONS.—For the purposes of developing policy relating to digital assets, acquiring information technology resources, funding the operations described in sections 202 and 203 of this Act, and enforcement of the laws within its jurisdiction relating to digital assets, there is authorized to be appropriated to the Financial Crimes Enforcement Network of the Department of the Treasury the following:

(1) $30,000,000 for fiscal year 2026, to remain available until September 30, 2027.

(2) $30,000,000 for fiscal year 2027, to remain available until September 30, 2028.

(3) $30,000,000 for fiscal year 2028, to remain available until September 30, 2029.

(4) $30,000,000 for fiscal year 2029, to remain available until September 30, 2030.

(5) $30,000,000 for fiscal year 2030, to remain available until September 30, 2031.

(b) INCENTIVE PREMIUM FOR HIGHLY QUALIFIED INDIVIDUALS.—Notwithstanding any other provision of law or regulation, the Director of the Financial Crimes Enforcement Network of the Department of the Treasury may pay an annual incentive premium of not more than 20 percent of the annual rate of basic pay for a position if necessary to attract highly qualified individuals for positions that the Director has certified to the Director of the Office of Personnel Management reflects the needs of the Financial Crimes Enforcement Network.

SEC. 904. RULEMAKINGS.

Except as otherwise provided, not later than 1 year after the date of enactment of this Act, each applicable regulator shall promulgate regulations to carry out this Act, and the amendments made by this Act, through appropriate notice and comment rulemaking.

SEC. 905. EFFECTIVE DATE.

This Act, and the amendments made by this Act, shall take effect on the date that is 360 days after the date of enactment of this Act, except that, if a provision of this Act, or an amendment made by this Act, requires a rulemaking, that provision shall take effect on the later of—

(1) the date that is 360 days after the date of enactment of this Act; or

(2) the date that is 60 days after the publication in the Federal Register of the final rule implementing the provision.