

UNITED STATES SENATE COMMITTEE ON
BANKING
HOUSING &
URBAN AFFAIRS

Digital Asset Market Clarity Act

TOPLINE

The Banking Committee's Market Structure Bill establishes clear protections for digital asset market participants and gives everyday Americans the tools they need to participate in digital asset markets.

Sec. 101. Short Title.

Sec. 102. Disclosure Requirements for Certain Transactions Involving Ancillary Assets.

- This section defines ancillary assets as network tokens, the value of which are dependent upon entrepreneurial or managerial efforts.
- Requires initial and semiannual disclosures for certain transactions involving ancillary assets and treats the tokens themselves as commodities.
- Creates a rebuttable presumption that a network token is an ancillary asset, unless the originator of that network token, or a digital asset intermediary 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.
- The originator must also confirm they do not have any material nonpublic information, unless the intermediary reasonably determines they cannot provide that certification.
- Allows ancillary asset originators or a digital asset intermediary to certify that entrepreneurial or managerial efforts have ended, and that SEC disclosures are no longer required.

Sec. 103. Exemption and Rulemaking for Certain Transactions Involving Ancillary Assets.

- This section provides an exemption from SEC registration, called Regulation Crypto, for ancillary assets that are offered, sold, or distributed in connection with an investment contract.
 - The exemption allows companies to raise money from everyday investors, without having to comply with the full suite of burdensome securities law requirements that public companies must comply with.
- A company can rely on Regulation Crypto to raise the greater of (1) \$50 million per calendar year for a period of four years or (2) 10% of the total dollar value of ancillary assets that are outstanding. An ancillary asset originator may not raise more than \$200 million in gross proceeds in reliance on Regulation Crypto.
- To rely on Regulation Crypto, the company must comply with the initial and semi-annual disclosure requirements described in Section 102.

Sec. 104. Special Disposition Restrictions by Related Persons.

- This section includes limitations on the amount of ancillary assets that company insiders are allowed to resell to the public over a 12-month period. These restrictions are designed to protect investors by, among other things, reducing the risk of market manipulation or insider trading. They also prevent insiders from flooding the market (or dumping) with their ancillary assets, which can artificially lower their price. It clarifies that decentralized governance systems (like DAOs) are not treated as a single person or group under common control, and that routine or administrative actions by those systems (even when carried out by individuals) do not, by themselves, mean a network is centrally controlled; it also specifies that predefined, transparent, and limited cybersecurity emergency measures—if not dominated by any single actor—do not constitute coordinated control.

Sec. 105. Characteristics of Network Tokens.

- This section requires the SEC to adopt rules that provide that a network token shall not be considered as providing a disqualifying financial interest where the market value of the asset is primarily derived or reasonably expected to be primarily derived from a distributed ledger system.
- This section also prevents the SEC from determining that a digital asset is a security if, prior to enactment, a US court determined (in a non-appealable judgment) that the digital asset was not a security.

Sec. 106. Exemptive Authority.

- This section preserves the SEC's exemptive authority, allowing the SEC to continue providing tailored relief from certain securities law requirements for certain persons, securities, or transactions.

Sec. 107. Modernization of Recordkeeping Requirements.

- This section requires the SEC to adopt rules that update its books and records requirements to allow for records from a distributed ledger system.

Sec. 108. Modernization of Securities Regulations for Digital Asset Activities.

- This section requires the SEC to update its rules to account for digital asset activities and ensure that the rules governing digital asset activities are not outdated, unnecessary, or unduly burdensome.
- This section also preempts certain state securities law requirements but preserves state anti-fraud authorities.

Sec. 109. Application of Insider Trading Laws.

- This section preserves existing federal insider trading laws for securities transactions involving ancillary assets.

Sec. 110. Securities Investor Protection Corporation Applicability.

- This section clarifies that the term "security" does not include "digital commodity" for purposes of the Securities Investor Protection Act (SIPA).

TITLE II: PROTECTING AGAINST ILLICIT FINANCE

This Title addresses concerns relating to illicit finance in the digital asset ecosystem.

Sec. 201. Treatment Under the Bank Secrecy Act and Sanctions Laws.

- This section requires digital commodity brokers, digital commodity dealers, and digital commodity exchanges to be treated as financial institutions for purposes of the Bank Secrecy Act, which requires anti-money laundering programs, customer identification, and customer due diligence.

Sec. 202. Digital Asset Examination Standards.

- This section requires the Secretary of the Treasury, in consultation with the federal bank regulators, to establish risk-based examination standards for financial institutions to assess the adequacy of reporting obligations and anti-money laundering programs, as well as compliance with anti-money laundering and terrorism finance requirements, relating to digital assets.

Sec. 203. Preventing Illicit Finance Through Partnership Act.

- This section establishes a pilot program, allowing private sector entities to partner with federal law enforcement to share information about potential illicit finance violations and threats and emerging risks relating to illicit finance violations.

Sec. 204. Financial Technology Protection Act.

- This section establishes an Independent Financial Technology Working Group to Combat Terrorism and Illicit Finance (the "Working Group"), which is comprised of the Secretary of the Treasury, senior-level representatives from agencies such as the Department of Justice and FBI, and individuals from the private sector. The Working Group is designed to conduct research on terrorist and illicit use of digital assets. It is required to develop proposals to improve anti-money laundering and other counter-illicit financing efforts in the US.

Sec. 205. Digital Asset Kiosks.

- This section creates a regulatory framework and federal floor for cryptocurrency ATMs, which includes ample fraud prevention measures, transaction limits for new customers, and the mandatory creation of a customer service helpline.

Sec. 206. Study on Illicit Use of Digital Assets.

- Requires Treasury, in consultation with DOJ, to complete a one-year review and follow-on report to Congress on how foreign terrorist organizations and transnational criminal syndicates use digital assets for illicit activities, including recommendations to help the SEC and CFTC tighten compliance and enforcement for registered digital asset entities.

TITLE III – RESPONSIBLE INNOVATION IN DECENTRALIZED FINANCE

This Title addresses illicit finance in the decentralized finance ecosystem.

Sec. 301. Rulemaking on Application of Existing Securities Intermediary Requirements and Existing Bank Secrecy Act Requirements to Non-Decentralized Finance Trading Protocols.

- Defines when a DeFi trading protocol is considered "non-decentralized," focusing on control, discretion, or the ability to alter or censor protocol operations.
- It also clarifies that decentralized governance systems alone do not constitute a person or coordinated group, and excludes core infrastructure (e.g., nodes, validators, relayers) and security councils from being treated as controlling the protocol, so long as no single actor has unilateral or practical control.
- Directs the SEC, in consultation with Treasury, to adopt tailored rules clarifying how persons controlling non-decentralized protocols must comply with existing securities intermediary requirements.
- Provides that, where Exchange Act registration is required and such registrant is a financial institution, applicable Bank Secrecy Act AML and CFT obligations apply under existing Treasury authority on an activity-based basis.

Sec. 302. Illicit Finance Obligations for Distributed Ledger Messaging Systems.

- Defines a "distributed ledger messaging system" as a web-hosted front-end that lets users send instructions to a blockchain app or DeFi protocol, while expressly excluding the protocol, nodes, wallets, and other core infrastructure components themselves.
- Directs the Treasury Department to publish sanctions and AML/CFT guidance for US-person-owned or operated "front ends."

Sec. 303. Special Measure Relating to Certain Transmittal of Funds.

- Creates a new "special measure" that lets Treasury prohibit or place conditions on certain fund transfers by US financial institutions when those transfers involve foreign jurisdictions, institutions, or transaction types that Treasury has designated as a primary money laundering concern involving digital assets.

Sec. 304. Offshore Stablecoin Report.

- Creates a recurring Treasury report on whether offshore stablecoins that depend on U.S. Treasuries and are used at scale pose significant illicit finance threats or vulnerabilities, with the report shared with Congress and posted publicly.
- Requires each report to assess the illicit finance risk of each such offshore stablecoin, evaluate the issuers' controls, provide data on illicit finance volumes and linkages to the U.S. financial system, and include any other relevant analysis Treasury considers important.

Sec. 305. Temporary Hold for Certain Digital Asset Transaction.

- Creates a safe harbor so permitted payment stablecoin issuers and digital asset service providers can voluntarily place short "temporary holds" on suspicious digital asset transactions, including when requested in writing by law enforcement, without facing federal or state private lawsuits if they act in good faith and follow notice and recordkeeping conditions.

- Requires those firms to keep three years of documentation about each hold and to notify customers and law enforcement (or the FTC) as appropriate, while clarifying they are not required to impose holds, do not gain or lose any other legal obligations, and that existing SARs, seizure, and sanctions authorities remain fully in force.

Sec. 306. Voluntary Cybersecurity Program for Decentralized Finance Trading Protocols.

- Creates a voluntary NIST-run cybersecurity program for DeFi trading protocols and related activities, under which developers can apply to have their protocols evaluated against NIST cybersecurity, audit, and code-transparency standards and best practices.
- Requires NIST to develop those DeFi-specific standards and criteria through public input, issue, and periodically update a Special Publication describing best practices, and then determine whether individual protocols or activities comply with those standards.
- Allows compliant projects to publicly display a NIST-issued seal or designation and directs federal agencies to treat participation and adoption of these standards as evidence of good-faith legal compliance, while making clear that the program does not preempt state law.

Sec. 307. Amendments to Monetary Instrument Definition.

- Amends the Bank Secrecy Act definition of monetary instrument to include digital assets, as may be applicable.
- Authorizes Treasury to issue guidance for financial institutions dealing with self-hosted wallets, while specifying that such guidance cannot generally require collecting personally identifiable information (PII) on the controller of a self-hosted wallet who is not the institution's customer or transaction counterparty and cannot limit existing federal enforcement powers.

Sec. 308. Risk Management Standards for Digital Asset Intermediaries.

- Requires digital asset intermediaries, before routing or conducting trading activity through a DeFi trading protocol, to put in place robust risk management programs that analyze and mitigate money-laundering, sanctions evasion, fraud, market manipulation, and operational/cyber risks, including customer-facing plain-language disclosures and tools (such as blockchain analytics) to detect and respond to those risks.
- Directs the SEC, CFTC, Treasury, FinCEN, and OFAC to implement and enforce these standards through tailored rulemakings and examinations, with Treasury handling the AML/sanctions components and the market regulators (SEC, CFTC) handling the rest, while preserving all existing enforcement authorities.

Sec. 309. Study on Digital Asset Mixers and Tumblers.

- Requires the Secretary of the Treasury to submit to Congress a detailed report on digital asset mixers and tumblers, including how they work, how much and what share of their use is illicit versus legitimate, how exposed exchanges and banks are, how other countries regulate them, and what new laws or rules Treasury recommends.

Sec. 310. GAO Study on Intermediaries in Foreign Jurisdictions.

- Requires the Comptroller General, in consultation with Treasury, to study and report within one year on the risks posed by foreign digital asset intermediaries in lightly regulated jurisdictions that serve U.S. persons, and to recommend any regulatory or legislative responses.

Sec. 311. Studies on Foreign Adversary Activities.

- Requires both Treasury and the GAO to study and report to key congressional committees on digital asset intermediaries tied to foreign adversaries, including whether those governments are collecting U.S. trading data or stealing intermediaries' intellectual property, with the option to include classified annexes.

Sec. 312. Treasury Study on Cybersecurity Standards.

- Requires Treasury, working with CISA, NSA, and NIST, to study cybersecurity standards for digital asset smart contracts, custody, key management, and deployment, and within one year submit a report to Congress with findings and any legislative recommendations, optionally including a classified annex.

Sec. 313. Studies on Financial Stability Risks of Decentralized Finance Trading and Credit in Digital Commodity Markets.

- Requires Treasury, the Fed, the SEC, and the CFTC to study how DeFi protocols function in the financial system, with reports to Congress that sunset after four iterations.

TITLE IV – RESPONSIBLE BANKING INNOVATION

This Title addresses the intersection of banking and digital assets, as well as yield paid on stablecoins.

Sec. 401. Permissibility of Digital Asset Activities.

- Amends the Bank Holding Company Act, National Bank Act, and other banking laws to clarify that financial holding companies, national banks, state banks, and certain credit unions can use digital assets and blockchain technology for any activity they're already allowed to do, like payments, lending, custody, and trading.

Sec. 402. Joint Rules for Portfolio Margining Determinations.

- Requires the SEC and CFTC to jointly issue rules enabling portfolio margining across securities, swaps, futures, and digital commodity accounts held by registered dealers, FCMs, or brokers. This allows for combined risk management for multiple asset types within the same account.

Sec. 403. Capital Requirements to Address Netting Agreements.

- Directs the federal banking regulators to set capital requirements for banks and bank holding companies that cover the risks of cross-product netting agreements, which are contracts that allow firms to combine and offset certain exposures if a counterparty defaults.

Sec. 404. Prohibiting Interest and Yield on Payment Stablecoins.

- Prohibits covered digital asset service providers and their affiliates from paying US customers passive, deposit-like interest or yield on payment stablecoin balances, while allowing bona fide activity or transaction-based rewards under joint rules to be issued by the SEC, CFTC, and Treasury.

TITLE V – RESPONSIBLE REGULATORY INNOVATION

This Title creates programs, studies, and offices, so market participants can work together with regulators to test, coordinate, and modernize rules for digital assets and new financial technologies.

Sec. 501. CFTC-SEC Micro-Innovation Sandbox.

- Establishes a CFTC-SEC micro-innovation sandbox where eligible firms can test innovative financial products with oversight and safeguards for investors, for up to two years, with the possibility of extension.

Sec. 502. International Cooperation.

- Directs the SEC and CFTC to cooperate with foreign regulators and international bodies, including sharing information with international regulators and advocating for technology-neutral standards, as well as establishing cross-border regulatory sandboxes for digital assets.

Sec. 503. Automated Regulatory Compliance Study.

- Requires a report to Congress on how blockchain technology and smart contracts can automate regulatory compliance.

Sec. 504. Report on Legislative Recommendations.

- Requires financial regulators to submit recurring reports to congressional committees, including the Senate Banking Committee, describing their implementation of the Act and offering legislation recommendations for improvements.

Sec. 505. Tokenization of Securities.

- Explicitly states that tokenized securities are still securities for regulatory purposes.
- Requires the SEC to study the regulatory treatment of tokenized securities, including custody standards, interagency coordination, cross border coordination, and consumer protection.
- Provides that tokenized securities generally receive the same regulatory treatment as the securities they represent, subject to applicable SEC authority.

Sec. 506. Voluntary adoption of National Institute of Standards and Technology Post-Quantum Cryptography Standards.

- Creates voluntary adoption of NIST cryptographic standards.

Sec. 507. International Coordination to Combat Digital Asset Illicit Finance.

- This section establishes a Treasury-led interagency initiative to coordinate with foreign governments and institutions to combat the misuse of digital assets for illicit finance, sanctions evasion, and terrorist financing, and requires the development of a National Strategy and annual reports to Congress on international efforts, risks, and standards for digital asset AML/CFT compliance.

Sec. 508. Annual Report on Foreign Digital Asset Trading Volume, Compliance with United States Standards and Remediation Actions.

- This section requires the Treasury Department to submit an annual report to Congress identifying the top foreign jurisdictions by digital asset trading volume, assessing each jurisdiction's compliance with U.S.–aligned anti–money laundering, sanctions evasion, and counter terrorist financing standards, and detailing U.S. diplomatic or enforcement actions to address deficiencies and high-risk jurisdictions that pose illicit finance threats.

TITLE VI – PROTECTING SOFTWARE DEVELOPERS AND SOFTWARE INNOVATION.

This Title protects software developers and digital asset innovation by creating safe harbors from securities laws and protecting against regulatory overreach for new and emerging technologies.

Sec. 601. Protecting Software Developers.

- Protects software developers and network participants in decentralized finance from federal and state securities laws for compiling network transactions, providing computational work for distributed ledgers, or other activities related solely to software development.
- Directs the SEC to conduct a rulemaking to clarify when the securities laws apply to decentralized finance trading protocols if they are engaging in activities directly involving securities.

Sec. 602. Safe Harbor for Nonfungible Tokens.

- Creates a safe harbor for non-fungible tokens (NFTs) by explicitly stating that these projects are exempt from securities laws unless they involve an investment contract.

Sec. 603. Study on Nonfungible Tokens.

- Directs the Government Accountability Office to conduct a comprehensive study on NFTs, analyzing their size, uses, technical features, risks, and benefits, among other things.

Sec. 604. Blockchain Regulatory Certainty Act.

- Exempts blockchain developers and providers from being classified as money transmitters or subject to money transmission registration requirements, but preserves existing federal criminal liability for anyone who intentionally transfers funds on behalf of another person knowing those funds are proceeds of a crime or intended to further unlawful activity.

Sec. 605. Keep Your Coins Act.

- States that federal agencies cannot prohibit, restrict, or impair the ability of someone to use a self-hosted wallet to custody their own digital assets.
- Preserves the authority of Treasury, the SEC, the CFTC, banking regulators, and other federal agencies to enforce existing laws related to illicit finance, money laundering, terrorism financing, and sanctions.

TITLE VII – PROTECTING CUSTOMER PROPERTY

This Title lays out a bankruptcy regime for ancillary assets and digital commodities.

Sec. 701. Customer Property Protections for Ancillary Assets and Digital Commodities in Bankruptcy.

- Defines ancillary assets and digital commodities as customer property under Chapter 7 (liquidation) of the bankruptcy code, which means they are treated like other commodities and securities in a bankruptcy proceeding.

Sec. 702. Insolvency Safe Harbor.

- Creates a bankruptcy safe harbor for digital commodity transactions by deeming them commodity contracts under federal law, allowing counterparties to close out positions and access collateral outside of standard bankruptcy proceedings, mirroring protections that already exist for conventional derivatives and securities.

TITLE VIII – CUSTOMER PROTECTION

This Title focuses on customer protection in digital asset markets.

Sec. 801. Educational Materials.

- Requires the SEC and CFTC to make digital asset intermediaries give the public clear educational materials explaining how distributed ledgers work, key digital asset risks, differences from traditional markets, relevant reporting and disclosure rules related to digital asset transactions and securities, and how to spot and report fraud.

Sec. 802. Savings Clauses.

- Defines Digital Consumer Token and Non-Fungible Token (NFT) and clarifies that nothing in this title cuts back the FTC's authority over unfair or deceptive practices, best-practice guidance, consumer education, or antitrust enforcement in NFT and digital consumer token markets.

Sec. 803. Study on Expanding Financial Literacy.

- Directs the SEC and CFTC to study retail customers' digital asset financial literacy, evaluate and coordinate financial education efforts (including for rural and majority minority communities), identify- effective content and delivery methods, and develop a strategy with measurable goals to improve literacy.
- Requires the agencies, within one year, to submit a joint report on that study to the relevant Senate Banking and Agriculture Committees and House Financial Services and Agriculture Committees.

Sec. 804. Consultation with SIPC Regarding Mandatory Broker-Dealer Disclosures to Investors Concerning the Status of Payment Stablecoins and Digital Commodities.

- Directs the SEC, within 270 days, to issue rules requiring broker-dealers to provide written disclosures to investors about how digital commodities, payment stablecoins, and a security would be treated if the broker-dealer enters insolvency, resolution, or liquidation.
- Requires the SEC to consult with the CFTC and the Securities Investor Protection Corporation when developing these disclosure rules.

- Mandates disclosures be provided before a broker-dealer receives, acquires, or holds covered digital assets for an investor, and updated on an ongoing basis as prescribed by the SEC.
- Requires disclosures to explain how these assets are treated under Dodd-Frank Title II, SIPA, and the Bankruptcy Code.

TITLE IX – OTHER MATTERS

This Title increases collaboration between the SEC and CFTC, establishes timelines for rulemakings, authorizes a pilot program to incentivize housing, and establishes an effective date for this Act.

Sec. 901. Joint Advisory Committee on Digital Assets.

- Creates a joint advisory committee on digital assets, made up of SEC and CFTC appointees, along with industry, academic, and user representatives, to study digital asset issues and provide nonbinding recommendations to harmonize regulations.
- Requires SEC and CFTC to formally review and respond to the Committee's findings.

Sec. 902. Memorandum of Understanding.

- Requires the SEC and CFTC to enter into a memorandum of understanding to coordinate supervision, enforcement, and information sharing for shared or overlapping registrants.
- Clarifies that the SEC retains anti-fraud and anti-manipulation authority, including insider trading, while the CFTC retains market integrity authority over commodities markets.

Sec. 903. FinCEN Appropriations.

- Authorizes an appropriation of \$30,000,000 per year for the first five years following the enactment of this Act.
- Authorizes the Director of FinCEN to pay a 20% premium to attract highly qualified candidates to work at FinCEN.

Sec. 904. Build Now Act.

- This section creates a pilot program to incentivize housing development of all kinds in certain Community Development Block Grant participating jurisdictions.

Sec. 905. Rulemakings.

- Establishes that each regulator shall adopt rules to carry out this act within 1 year of enactment through appropriate notice and comment rulemaking.

Sec. 906. Effective date.

- Establishes a general effective date, which is 360 days after enactment.
- If a provision requires rulemaking, it takes effect either 360 days after enactment or 60 days after the final rule is published in the Federal Register, whichever comes later.