AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 4763
OFFERED BY MR. THOMPSON OF PENNSYLVANIA

Strike all after the enacting clause and insert the following:

1  SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

   (a) SHORT TITLE.—This Act may be cited as the “Financial Innovation and Technology for the 21st Century Act”.

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

       Sec. 1. Short title; table of contents.
       TITLE I—DEFINITIONS; RULEMAKING; PROVISIONAL REGISTRATION

       Sec. 101. Definitions under the Securities Act of 1933.
       Sec. 102. Definitions under the Commodity Exchange Act.
       Sec. 103. Definitions under this Act.
       Sec. 104. Joint rulemakings.
       Sec. 105. Notice of intent to register for digital commodity exchanges, brokers, and dealers.
       Sec. 106. Notice of intent to register for digital asset brokers, dealers, and trading systems.
       Sec. 108. International harmonization.
       Sec. 109. Implementation.

       TITLE II—DIGITAL ASSET EXEMPTIONS

       Sec. 201. Exempted transactions in digital assets.
       Sec. 202. Requirements to transact in certain digital assets.
       Sec. 203. Enhanced disclosure requirements.
       Sec. 204. Certification of certain digital assets.
       Sec. 205. Effective date.

       TITLE III—REGISTRATION FOR DIGITAL ASSET INTERMEDIARIES AT THE SECURITIES AND EXCHANGE COMMISSION
Sec. 301. Treatment of digital commodities and other digital assets.
Sec. 302. Antifraud authority over permitted payment stablecoins.
Sec. 303. Registration of digital asset trading systems.
Sec. 304. Requirements for digital asset trading systems.
Sec. 305. Registration of digital asset brokers and digital asset dealers.
Sec. 306. Requirements of digital asset brokers and digital asset dealers.
Sec. 307. Rules related to conflicts of interest.
Sec. 308. Treatment of certain digital assets in connection with federally regulated intermediaries.
Sec. 309. Dual registration.
Sec. 310. Exclusion for ancillary activities.
Sec. 311. Registration and requirements for notice-registered digital asset clearing agencies.
Sec. 312. Treatment of custody activities by banking institutions.

TITLE IV—REGISTRATION FOR DIGITAL ASSET INTERMEDIARIES AT THE COMMODITY FUTURES TRADING COMMISSION

Sec. 401. Commission jurisdiction over digital commodity transactions.
Sec. 402. Requiring futures commission merchants to use qualified digital commodity custodians.
Sec. 403. Trading certification and approval for digital commodities.
Sec. 404. Registration of digital commodity exchanges.
Sec. 405. Qualified digital commodity custodians.
Sec. 406. Registration and regulation of digital commodity brokers and dealers.
Sec. 407. Registration of associated persons.
Sec. 408. Registration of commodity pool operators and commodity trading advisors.
Sec. 409. Exclusion for ancillary activities.
Sec. 410. Funding for implementation, administration, and enforcement.
Sec. 411. Effective date.

TITLE V—INNOVATION AND TECHNOLOGY IMPROVEMENTS

Sec. 501. Codification of the SEC Strategic Hub for Innovation and Financial Technology.
Sec. 502. Codification of LabCFTC.
Sec. 503. CFTC-SEC Joint Advisory Committee on Digital Assets.
Sec. 504. Modernization of the Securities and Exchange Commission mission.
Sec. 505. Study on decentralized finance.
Sec. 506. Study on non-fungible digital assets.
Sec. 507. Study on financial market infrastructure improvements.
TITLE I—DEFINITIONS; RULE-MAKING; PROVISIONAL REGISTRATION

SEC. 101. DEFINITIONS UNDER THE SECURITIES ACT OF 1933.

Section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)) is amended by adding at the end the following:

“(20) AFFILIATED PERSONS.—The term ‘affiliated person’ means a person (including a related person) that—

“(A) with respect to a digital asset issuer—

“(i) directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such digital asset issuer; and

“(ii) was described under clause (i) at any point in the previous 3-month period;

or

“(B) with respect to any digital asset—

“(i) beneficially owns 5 percent or more of the units of such digital asset that are then outstanding; and

“(ii) was described under clause (i) at any point in the previous 3-month period.
“(21) Blockchain.—The term ‘blockchain’ means any technology—

“(A) where data is—

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

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

“(iii) distributed among network participants in an automated fashion to concurrently update network participants on the state of the public ledger and any other functions; and

“(B) composed of source code that is publicly available.

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

“(23) Blockchain System.—The term ‘blockchain system’ means any blockchain or blockchain protocol.
(24) DECENTRALIZED NETWORK.—With respect to a blockchain system to which a digital asset relates, the term ‘decentralized network’ means the following conditions are met:

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

“(i) had the unilateral authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality or operation of the blockchain system; or

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

“(I) using, earning, or transmitting the digital asset;

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

“(III) participating in a decentralized governance system with respect to the blockchain system; or
“(IV) operating a node, validator, or other form of computational infrastructure with respect to the blockchain system.

“(B) During the previous 12-month period—

“(i) no digital asset issuer or affiliated person beneficially owned, in the aggregate, 20 percent or more of the total amount of units of such digital asset that—

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

“(II) were freely transferrable or otherwise used or available to be used for the purposes of such blockchain network;

“(ii) no digital asset issuer or affiliated person had the unilateral authority to direct the voting, in the aggregate, of 20 percent or more of the outstanding voting power of such digital asset or related decentralized governance system; or
“(iii) the digital asset did not include voting power.

“(C) During the previous 3-month period, the digital asset issuer, any affiliated person, or any related person has not implemented or contributed any intellectual property to the source code of the blockchain system that materially alters the functionality or operation of the blockchain system, unless such implementation or contribution to the source code—

“(i) addressed vulnerabilities, errors, regular maintenance, cybersecurity risks, or other technical improvements to the blockchain system; or

“(ii) were adopted through the consensus or agreement of a decentralized governance system.

“(D) During the previous 3-month period, neither any digital asset issuer nor any affiliated person described under paragraph (20)(A) has marketed to the public the digital assets as an investment.

“(E) During the previous 12-month period, all issuances of units of such digital asset were end user distributions made through the pro-
grammatic functioning of the blockchain system.

“(25) **DECENTRALIZED GOVERNANCE SYSTEM.**—

“(A) **IN GENERAL.**—The term ‘decentralized governance system’ means, with respect to a blockchain system, any rules-based system permitting persons using the blockchain system or the digital assets related to such blockchain system to form consensus or reach agreement in the development, provision, publication, management, or administration of such blockchain system.

“(B) **RELATIONSHIP OF PERSONS TO DECENTRALIZED GOVERNANCE SYSTEMS.**—Persons acting through a decentralized governance system shall be treated as separate persons unless such persons are under common control.

“(C) **EXCLUSION.**—The term ‘decentralized governance system’ does not include a system in which—

“(i) a person or group of persons under common control have the ability to—
“(I) unilaterally alter the rules of consensus or agreement for the blockchain system; or

“(II) determine the final outcome of decisions related to the development, provision, publication, management, or administration of such blockchain system;

“(ii) a person or group of persons is directly engaging in an activity that requires registration with the Commission or the Commodity Futures Trading Commission other than—

“(I) developing, providing, publishing, managing, or administering a blockchain system; or

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

“(iii) a person or group of persons seeking to knowingly evade the requirements imposed on a digital asset issuer, a related person, an affiliated person, or any other person registered (or required to be registered) under this Act, the Financial
Innovation and Technology for the 21st Century Act, or the Commodity Exchange Act.

“(26) DIGITAL ASSET.—

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

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

“(i) any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, or transferable share; or

“(ii) any asset which represents, operates as the functional equivalent of, or otherwise has embedded functionality or characteristics which make it an agreement, contract, or transaction that is—
“(I) a contract of sale of a commodity (as defined under section 1a of the Commodity Exchange Act) for future delivery or an option thereon;

“(II) a security futures product;

“(III) a swap;

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

“(V) a commodity option authorized under section 4c of the Commodity Exchange Act; or

“(VI) a leverage transaction authorized under section 19 of the Commodity Exchange Act.

“(C) RELATIONSHIP TO A BLOCKCHAIN SYSTEM.—A digital asset is considered to relate to a blockchain system if the digital asset is intrinsically linked to the blockchain system, including—

“(i) where the digital asset’s value is reasonably expected to be generated by the programmatic functioning of the blockchain system;
“(ii) where the asset has voting rights with respect to the blockchain system; or

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

“(D) TREATMENT OF CERTAIN DIGITAL ASSETS SOLD PURSUANT TO AN INVESTMENT CONTRACT.—A digital asset sold or transferred or intended to be sold or transferred pursuant to an investment contract is not and does not become a security as a result of being sold or otherwise transferred pursuant to that investment contract.

“(27) DIGITAL ASSET ISSUER.—With respect to a digital asset, the term ‘digital asset issuer’—

“(A) means—

“(i) any person that, in exchange for any consideration—

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

“(II) offers or sells a right to a future issuance of a unit of such digital asset to a person; or
“(ii) any person who seeks to knowingly evade classification as a ‘digital asset issuer’ and facilitate an arrangement for the primary purpose of effecting a sale, distribution, or other issuance of such digital asset, by—

“(I) the granting of a license or assignment of intellectual property;

“(II) the making available of free software or open source licenses; or

“(III) the granting of other rights or transfer of assets material to execution of such sale, distribution, or other issuance; and

“(B) does not include any person solely because such person, for the purpose of such person participating in operations of a blockchain system, deploys source code to create units of a digital asset which are incentive-based rewards—

“(i) to users of the digital asset or any blockchain system to which the digital asset relates; or

“(ii) for activities directly related to the operation of the blockchain system,
such as mining, validating, staking, or other activity directly tied to the operation of the blockchain system.

“(28) DIGITAL ASSET MATURITY DATE.—The term ‘digital asset maturity date’ means, with respect to any units of a digital asset, the first date on which 20 percent or more of the total units of such digital asset that are then outstanding as of such date are—

“(A) digital commodities; or

“(B) digital assets that have been registered with the Commission.

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

“(30) END USER DISTRIBUTION.—The term ‘end user distribution’ means an issuance of a unit of a digital asset that—

“(A) does not involve an exchange of more than a nominal value of cash, property, or other assets; and

“(B) is distributed in a broad, equitable, and non-discretionary manner based on conditions capable of being satisfied by any partici-
pant in the blockchain system, including, as in-
centive-based rewards—

“(i) to users of the digital asset or
any blockchain system to which the digital
asset relates;

“(ii) for activities directly related to
the operation of the blockchain system,
such as mining, validating, staking, or
other activity directly tied to the operation
of the blockchain system; or

“(iii) to the existing holders of an-
other digital asset, in proportion to the
total units of such other digital asset as
are held by each person.

“(31) FUNCTIONAL NETWORK.—With respect
to a blockchain system to which a digital asset re-
lates, the term ‘functional network’ means the net-
work allows network participants to use such digital
asset for—

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

“(B) the participation in services provided
by or an application running on the blockchain
system; or
“(C) the participation in governance of the blockchain system.

“(32) PERMITTED PAYMENT STABLECOIN.—

The term ‘permitted payment stablecoin’—

“(A) means a digital asset—

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

“(ii) the issuer of which—

“(I) is obligated to convert, redeem, or repurchase for a fixed amount of monetary value; and

“(II) represents will maintain or creates the reasonable expectation that it will maintain a stable value relative to the value of a fixed amount of monetary value; and

“(iii) that is subject to regulation by a Federal or State regulator with authority over entities that issue payment stablecoins; and

“(B) that is not—

“(i) a national currency; or

“(ii) a security issued by an investment company registered under section
8(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–8(a)).

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

“(A) a founder, promoter, employee, consultant, advisor, or person serving in a similar capacity;

“(B) any person that is or was in the previous 6-month period an executive officer, director, trustee, general partner, advisory board member, or person serving in a similar capacity;

“(C) any equity holder or other security holder of a digital asset issuer; or

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

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

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

“(34) RESTRICTED DIGITAL ASSET.—
“(A) IN GENERAL.—The term ‘restricted digital asset’ means—

“(i) any unit of a digital asset held by a person, other than a digital asset issuer, a related person, or an affiliated person, prior to the first date on which each blockchain system to which the digital asset relates is a functional network and certified to be a decentralized network under section 44 of the Securities Exchange Act of 1934, that was—

“(I) issued to such person through a distribution, other than an end user distribution described under section 42(d)(1) of the Securities Exchange Act of 1934; or

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

“(ii) any digital asset held by a related person or an affiliated person during any period when any blockchain system to which the digital asset relates is not a functional network or not certified to be a
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decentralized network under section 44 of
the Securities Exchange Act of 1934; or
“(iii) any unit of a digital asset held
by the digital asset issuer.
“(B) EXCLUSION.—The term ‘restricted
digital asset’ does not include a permitted pay-
ment stablecoin.
“(35) SECURITIES LAWS.—The term ‘securities
laws’ has the meaning given that term under section
3(a) of the Securities Exchange Act of 1934 (15
U.S.C. 78c(a)).
“(36) SOURCE CODE.—With respect to a
blockchain system, the term ‘source code’ means a
listing of commands to be compiled or assembled
into an executable computer program.”.

SEC. 102. DEFINITIONS UNDER THE COMMODITY EX-
CHANGE ACT.

Section 1a of the Commodity Exchange Act (7 U.S.C.
1a) is amended—
(1) in paragraph (10)(A)—
(A) by redesignating clauses (iii) and (iv)
as clauses (iv) and (v), respectively; and
(B) by inserting after clause (ii) the fol-
lowing:
“(iii) digital commodity;”;}
(2) in paragraph (11)—

(A) in subparagraph (A)(i)—

(i) by redesignating subclauses (III) and (IV) as subclauses (IV) and (V), respectively; and

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

“(III) digital commodity;”;

(B) by redesignating subparagraph (B) as subparagraph (C) and inserting after subparagraph (A) the following:

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

“(i) a decentralized governance system; or

“(ii) ancillary activities, as defined in section 4v.”;

(3) in paragraph (12)(A)(i)—

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

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

(C) by inserting after subclause (II) the following:
“(III) a digital commodity;”;

(4) in paragraph (40)—

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

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

(C) by adding at the end the following:

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

(5) by adding at the end the following:

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

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

“(i) the solicitation or acceptance of a
contract of sale of a digital commodity; or

“(ii) the supervision of any person en-
gaged in the solicitation or acceptance of a
contract of sale of a digital commodity.
“(B) EXCLUSION.—The term ‘associated person of a digital commodity broker’ does not include any person associated with a digital commodity broker the functions of which are solely clerical or ministerial.

“(53) ASSOCIATED PERSON OF A DIGITAL COMMODITY DEALER.—

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

“(i) the solicitation or acceptance of a contract of sale of a digital commodity; or

“(ii) the supervision of any person engaged in the solicitation or acceptance of a contract of sale of a digital commodity.

“(B) EXCLUSION.—The term ‘associated person of a digital commodity dealer’ does not include any person associated with a digital commodity dealer the functions of which are solely clerical or ministerial.
“(54) 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.

“(55) DIGITAL COMMODITY.—

“(A) IN GENERAL.—The term ‘digital commodity’ means—

“(i) any unit of a digital asset held by a person, other than the digital asset issuer, a related person, or an affiliated person, before the first date on which each blockchain system to which the digital asset relates is a functional network and certified to be a decentralized network under section 44 of the Securities Exchange Act of 1934, that was—

“(I) issued to the person through an end user distribution described under section 42(d)(1) of the Securities Exchange Act of 1934; or
“(II) acquired by such person in a transaction that was executed on a digital commodity exchange; or

“(ii) any unit of a digital asset held by a person, other than the digital asset issuer, a related person, or an affiliated person, after the first date on which each blockchain system to which the digital asset relates is a functional network and certified to be a decentralized network under section 44 of the Securities Exchange Act of 1934; and

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

“(B) EXCLUSION.—The term ‘digital commodity’ does not include a permitted payment stablecoin.

“(56) DIGITAL COMMODITY BROKER.—
“(A) IN GENERAL.—The term ‘digital commodity broker’ means any person who, in a digital commodity cash or spot market, is—

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

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

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

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

“(i) enters into a digital commodity transaction the primary purpose of which is to make, send, receive, or facilitate payments, whether involving a payment service provider or on a peer-to-peer basis; or

“(ii) validates a digital commodity transaction, operates a node, or engages in similar activity to participate in facili-
tating, operating, or securing a blockchain
system.

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

“(58) DIGITAL COMMODITY DEALER.—

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

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

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

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

“(III) regularly enters into dig-
tial commodity transactions with
counterparties as an ordinary course
of business for its own account; or

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

“(ii) regularly enters into any agree-
ment, contract, or transaction described in
subsection (c)(2)(D)(i) involving a digital commodity; or

“(iii) is registered with the Commission as a digital commodity dealer.

“(B) EXCEPTION.—The term ‘digital commodity dealer’ does not include a person solely because the person—

“(i) enters into a digital commodity transaction with an eligible contract participant;

“(ii) enters into a digital commodity transaction on or through a registered digital commodity exchange;

“(iii) enters into a digital commodity transaction for the person’s own account, either individually or in a fiduciary capacity, but not as a part of a regular business;

“(iv) enters into a digital commodity transaction the primary purpose of which is to make, send, receive, or facilitate payments, whether involving a payment service provider or on a peer-to-peer basis; or

“(v) validates a digital commodity transaction, operates a node, or engages in similar activity to participate in facili-
tating, operating, or securing a blockchain system.

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

“(60) DIGITAL ASSET-RELATED DEFINITIONS.—


“(B) SECURITIES EXCHANGE ACT OF 1934.—The terms ‘digital asset broker’ and ‘digital asset dealer’ have the meaning given those terms, respectively, under section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).
“(61) MIXED DIGITAL ASSET TRANSACTION.—

The term ‘mixed digital asset transaction’ has the meaning given that term under section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).”.

SEC. 103. DEFINITIONS UNDER THIS ACT.

In this Act:

(1) DEFINITIONS UNDER THE COMMODITY EXCHANGE ACT.—The terms “digital commodity”, “digital commodity broker”, “digital commodity dealer”, and “digital commodity exchange” have the meaning given those terms, respectively, under section 1a of the Commodity Exchange Act (7 U.S.C. 1a).

(2) DEFINITIONS UNDER THE SECURITIES ACT OF 1933.—The terms “affiliated person”, “blockchain”, “blockchain system”, “blockchain protocol”, “decentralized network”, “digital asset”, “digital asset issuer”, “digital asset maturity date”, “digital asset trading system”, “end user distribution”, “functional network”, “permitted payment stablecoin”, “restricted digital asset”, “securities laws”, and “source code” have the meaning given those terms, respectively, under section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)).

SEC. 104. JOINT RULEMAKINGS.

(a) Definitions.—The Commodity Futures Trading Commission and the Securities and Exchange Commission shall, jointly, issue rules to further define the following terms:


(2) The term “mixed digital asset transaction”, as defined under section 3(a) of the Securities Exchange Act of 1934.
(3) The term “digital commodity”, as defined under section 1a of the Commodity Exchange Act.

(b) JOINT RULEMAKING FOR EXCHANGES.—The Commodity Futures Trading Commission and the Securities and Exchange Commission shall, jointly, issue rules to exempt persons dually registered with the Commodity Futures Trading Commission as a digital commodity exchange and with the Securities and Exchange Commission as a digital asset trading system from duplicative, conflicting, or unduly burdensome provisions of this Act, the securities laws, and the Commodity Exchange Act and the rules thereunder, to the extent such exemption would foster the development of fair and orderly markets in digital assets, be necessary or appropriate in the public interest, and be consistent with the protection of investors.

e) JOINT RULEMAKING FOR MIXED DIGITAL ASSET TRANSACTIONS.—The Commodity Futures Trading Commission and the Securities and Exchange Commission shall, jointly, issue rules applicable to mixed digital asset transactions under this Act and the amendments made by this Act.

(d) PROTECTION OF SELF-CUSTODY.—

(1) IN GENERAL.—The Financial Crimes Enforcement Network may not issue any rule or order that would prohibit a U.S. individual from—
(A) maintaining a hardware wallet, software wallet, or other means to facilitate such individual’s own custody of digital assets; or

(B) conduct transactions and self-custody digital assets for any lawful purpose.

(2) Rule of Construction.—Paragraph (1) may not be construed to limit the ability of Financial Crimes Enforcement Network to carry out any enforcement authority.

SEC. 105. NOTICE OF INTENT TO REGISTER FOR DIGITAL COMMODITY EXCHANGES, BROKERS, AND DEALERS.

(a) In General.—

(1) Notice of Intent to Register.—Any person may file a notice of intent to register with the Commodity Futures Trading Commission (in this subsection referred to as the “Commission”) as a—

(A) digital commodity exchange, for a person intending to register as a digital commodity exchange under section 5i of the Commodity Exchange Act;

(B) digital commodity broker, for a person intending to register as a digital commodity broker under section 4u of such Act; or
(C) digital commodity dealer, for a person
intending to register as a digital commodity
dealer under section 4u of such Act.

(2) FILING.—A person desiring to file a notice
of intent to register under paragraph (1) shall be in
compliance with this section if the person submits to
the Commission—

(A) a statement of the nature of the reg-
istrations the filer intends to pursue;

(B) the information required by sub-
sections (b) and (c).

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

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

(A) the ownership and management of the
person;

(B) the financial condition of the person;

(C) affiliated entities; and

(D) potential conflicts of interest.

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

(A) any rulebook or other customer order
fulfilment rules;
(B) risk management procedures; and

(C) a description of the product listing process.

(e) LISTING INFORMATION.—A person filing a notice of intent to register under subsection (a) shall provide to the Commission and the Securities and Exchange Commission a detailed description of the product listing determination made by the person for each asset listed or offered for trading by the person.

(d) REQUIREMENTS.—A person filing a notice of intent to register under subsection (a) shall comply with the following requirements:

(1) BOOKS AND RECORDS.—The person shall keep their books and records open to inspection and examination by the Commission.

(2) CUSTOMER DISCLOSURES.—The person shall disclose to customers—

(A) information about the material risks and characteristics of the assets listed for trading on the person; and

(B) information about the material risks and characteristics of the transactions facilitated by the person.

(3) CUSTOMER ASSETS.—

(A) IN GENERAL.—The person shall—
(i) hold customer money, assets, and property in a manner to minimize the risk of loss to the customer or unreasonable delay in customer access to money, assets, and property of the customer;

(ii) treat and deal with all money, assets, and property, including any rights associated with any such money, assets, or property, of any customer received as belonging to the customer;

(iii) calculate the total digital asset obligations of the person, and at all times hold money, assets, or property equal to or in excess of the total digital asset obligations; and

(iv) not commingle such money, assets and property held to meet the total commodity obligation with the funds of the person or use the money, assets, or property to margin, secure, or guarantee any trade or contract, or to secure or extend the credit, of any customer or person other than the one for whom the same are held, except that—
(I) the money, assets, and property of any customer may be commingled with that of any other customer, if separately accounted for; and

(II) the share of the money, assets, and property, as in the normal course of business are necessary to margin, guarantee, secure, transfer, adjust, or settle a contract of sale of a commodity asset, may be withdrawn and applied to do so, including the payment of commissions, brokerage, interest, taxes, storage, and other charges lawfully accruing in connection with the contract of sale of a digital commodity.

(B) ADDITIONAL RESOURCES.—

(i) IN GENERAL.—This section shall not prevent or be construed to prevent the person from adding to the customer money, assets, and property required to be segregated under subparagraph (A), additional amounts of money, assets, or property from the account of the person as the person determines necessary to hold
money, assets, or property equal to or in excess of the total digital asset obligations of the person.

(ii) Treatment as Customer Funds.—Any money, assets, or property deposited pursuant to clause (i) shall be considered customer property within the meaning of this subsection.

(e) Compliance.—

(1) In General.—A person who has filed a notice of intent to register under this section and is in compliance with this section shall be exempt from Securities and Exchange Commission rules and regulations pertaining to registering as a national securities exchange, broker, dealer, or clearing agency, for activities related to a digital asset deemed a security.

(2) Noncompliance.—Paragraph (1) shall not apply if, after notice from the Commission and a reasonable opportunity to correct the deficiency, a person who has submitted a notice of intent to register is not in compliance with this section.

(3) Anti-Fraud and Anti-Manipulation.—Paragraph (1) shall not be construed to limit any anti-fraud, anti-manipulation, or false reporting en-
forcement authority of the Commission or the Securities and Exchange Commission.

(4) **DELISTING.**—Paragraph (1) shall not be construed to limit the authority of the Commission and the Securities and Exchange Commission to jointly require a person to delist an asset for trading if the Commission and the Securities and Exchange Commission determines that the listing is inconsistent with the Commodity Exchange Act, the securities laws (including regulations under those laws), or this Act.

(f) **FINAL REGISTRATION.**—

(1) **IN GENERAL.**—A person may not file a notice of intent to register with the Commission after the Commission has finalized its rules for the registration of digital commodity exchanges, digital commodity brokers, or digital commodity dealers, as appropriate.

(2) **TRANSITION TO FINAL REGISTRATION.**—Subsection (e)(1) shall not apply to a person who has submitted a notice of intent to register if—

(A) the Commission—

(i) determines that the person has failed to comply with the requirements of this section; or
(ii) denies the application of the person to register; or

(B) the digital commodity exchange, digital commodity broker, or digital commodity dealer that filed a notice of intent to register failed to apply for registration as such with the Commission within 180 days after the effective date of the final rules of the Commission for the registration of digital commodity exchanges, digital commodity brokers, or digital commodity dealers, as appropriate.

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

SEC. 106. NOTICE OF INTENT TO REGISTER FOR DIGITAL ASSET BROKERS, DEALERS, AND TRADING SYSTEMS.

(a) IN GENERAL.—

(1) NOTICE OF INTENT TO REGISTER.—Any person may file a notice of intent to register with the Securities and Exchange Commission (in this subsection referred to as the “Commission”) as a—

(A) digital asset trading system, for a person intending to register as a digital asset trad-
ing system under section 6(m) of the Securities Exchange Act of 1934;

(B) digital asset broker, for a person intending to register as a digital asset broker under section 15H of the Securities Exchange Act of 1934; or

(C) digital asset dealer, for a person intending to register as a digital asset dealer under section 15H of the Securities Exchange Act of 1934.

(2) FILING.—A person desiring to file a notice of intent to register under paragraph (1) shall be in compliance with this section if the person submits to the Commission—

(A) a statement of the nature of the registrations the filer intends to pursue;

(B) the information required by subsections (b) and (c).

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

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

(A) the ownership and management of the person;
(B) the financial condition of the person;
(C) affiliated entities; and
(D) potential conflicts of interest.

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

(A) any rulebook or other customer order fulfilment rules;
(B) risk management procedures; and
(C) a description of the product listing process.

(c) LISTING INFORMATION.—A person filing a notice of intent to register under subsection (a) shall provide to the Commission and the Commodity Futures Trading Commission a detailed description of the product listing determination made by the person for each asset listed or offered for trading by the person.

(d) REQUIREMENTS.—A person filing a notice of intent to register under subsection (a) shall comply with the following requirements:

(1) BOOKS AND RECORDS.—The person shall keep their books and records open to inspection and examination by the Commission.

(2) CUSTOMER DISCLOSURES.—The person shall disclose to consumers—
(A) information about the material risks and characteristics of the assets listed for trading on the person; and

(B) information about the material risks and characteristics of the transactions facilitated by the person.

(3) CUSTOMER ASSETS.—

(A) IN GENERAL.—The person shall—

(i) hold customer money, assets, and property in a manner to minimize the risk of loss to the customer or unreasonable delay in customer access to money, assets, and property of the customer;

(ii) treat and deal with all money, assets, and property, including any rights associated with any such money, assets, or property, of any customer received as belonging to the customer;

(iii) segregate all money, assets, and property received from any customer of the person from the funds of the person, except that—

(I) the money, assets, and property of any customer may be commin-
gled with that of any other customer, if separately accounted for; and

(II) the share of the money, assets, and property, as in the normal course of business are necessary to margin, guarantee, secure, transfer, adjust, or settle a contract of sale of a commodity asset, may be withdrawn and applied to do so, including the payment of commissions, brokerage, interest, taxes, storage, and other charges lawfully accruing in connection with the contract of sale of a digital commodity.

(B) ADDITIONAL RESOURCES.—

(i) IN GENERAL.—This section shall not prevent or be construed to prevent the person from adding to the customer money, assets, and property required to be segregated under subparagraph (A) additional amounts of money, assets, or property from the account of the person as the person determines necessary to prevent the account of a customer from becoming under-segregated.
(ii) **TREATMENT AS CUSTOMER FUNDS.**—Any money, assets, or property deposited pursuant to clause (i) shall be considered customer property within the meaning of this subsection.

(e) **COMPLIANCE AND ENFORCEMENT.**—

(1) **IN GENERAL.**—A person who has filed a notice of intent to register under this section and is in compliance with this section shall not be subject to an enforcement action by the Commission for—

(A) listing or offering a digital asset deemed a security; or

(B) failing to register as a national securities exchange, alternative trading system, broker, dealer, or clearing agency, for activities related to digital assets deemed a security.

(2) **NONCOMPLIANCE.**—Paragraph (1) shall not apply if, after notice from the Commission and a reasonable opportunity to correct the deficiency, a person who has submitted a notice of intent to register is not in compliance with this section.

(3) **ANTIFRAUD AND ANTIMANIPULATION.**—Paragraph (1) shall not be construed to limit any antimanipulation, antifraud, or false reporting en-
forcement authority of the Commission or the Commodity Futures Trading Commission.

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

(f) **FINAL REGISTRATION.**—

(1) **IN GENERAL.**—A person may not file a notice of intent to register with the Commission after the Commission has finalized its rules for the registration of digital asset brokers, digital asset dealers, and digital asset trading systems, as appropriate.

(2) **TRANSITION TO FINAL REGISTRATION.**—

(A) **ONGOING DEFERRAL FOR ENTITIES REGISTERED WITH THE COMMISSION.**—Subsection (e)(1) shall continue to apply to a person who has submitted a notice of intent to register while the person is registered with the Commission as a digital asset broker, digital
asset dealer, or digital asset trading system, as appropriate.

(B) END OF DEFERRAL.—Subsection (e)(1) shall not apply to a person who has submitted a notice of intent to register if—

(i) the Commission—

(I) determines that the person has failed to comply with the requirements of this section; or

(II) denies the application of the person to register; or

(ii) the digital asset broker, digital asset dealer, or digital asset trading system that filed a notice of intent to register failed to register as such with the Commission within 180 days after the Commission finalized the rules of the Commission for the registration of digital asset brokers, digital asset dealers, and digital asset trading systems, as appropriate.

(g) LIABILITY OF THE FILER.—It shall be unlawful for any person to provide false information in support of a filing under this section if the person knowingly or reasonably should have known that the information was false.
SEC. 107. COMMODITY EXCHANGE ACT SAVINGS PROVISIONS.

(a) In General.—Nothing in this Act shall affect or apply to, or be interpreted to affect or apply to—

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

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

(B) a swap;

(C) a security futures product;

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

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

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

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

(b) Prohibitions on Spot Digital Commodity Entities.—Nothing in this Act authorizes, or shall be interpreted to authorize, a digital commodity exchange, digital commodity broker, or digital commodity dealer to engage in any activities involving any transaction, contract, or agreement described in subsection (a)(1), solely by virtue of being registered or filing notice of intent to register
as a digital commodity exchange, digital commodity broker, or digital commodity dealer.

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

SEC. 108. INTERNATIONAL HARMONIZATION.

In order to promote effective and consistent global regulation of digital assets, the Commodity Futures Trading Commission and the Securities and Exchange Commission, as appropriate—

(1) shall consult and coordinate with foreign regulatory authorities on the establishment of consistent international standards with respect to the regulation of digital assets, restricted digital assets, and digital commodities; and

(2) may agree to such information-sharing arrangements as may be deemed to be necessary or appropriate in the public interest or for the protection of investors, customers, and users of digital assets.

SEC. 109. IMPLEMENTATION.

(a) Global Rulemaking Timeframe.—Unless otherwise provided in this Act or an amendment made by this Act, the Commodity Futures Trading Commission and the Securities and Exchange Commission, or both, shall indi-
vidually, and jointly where required, promulgate rules and
regulations required of each Commission under this Act
or an amendment made by this Act not later than 360
days after the date of enactment of this Act.

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

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

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

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

(C) register persons under this Act; and

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

(2) LIMITATION ON EFFECTIVENESS.—An ac-
tion by the Commodity Futures Trading Commission
or the Securities and Exchange Commission under
paragraph (1) shall not become effective before the
effective date otherwise applicable to the action
under this Act.
TITLE II—DIGITAL ASSET
EXEMPTIONS

SEC. 201. EXEMPTED TRANSACTIONS IN DIGITAL ASSETS.

(a) In General.—The Securities Act of 1933 (15
U.S.C. 77a et seq.) is amended—

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

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

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

“(B) with respect to a transaction involv-
ing the purchase of units of a digital asset by
a person who is not an accredited investor, the
aggregate amount of all units of digital assets
purchased by such person during the 12-month
period preceding the date of such transaction,
including the unit of a digital asset purchased
in such transaction, does not exceed the greater
of—

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

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

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

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

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

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

“(iii) is an investment company, as defined in section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a–3), or is excluded from the definition of investment company by section 3(b) or section 3(e) of that Act (15 U.S.C. 80a–3(b) or 80a–3(e));

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

“(v) is, or has been, subject to any order of the Commission entered pursuant to section 12(j) of the Securities Exchange Act of 1934 during the 5-year period before the filing of the offering statement; or
“(vi) is disqualified pursuant to section 230.262 of title 17, Code of Federal Regulations; and
“(F) the issuer meets the requirements of section 4B(a).”; and
(2) by inserting after section 4A the following:

“SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN DIGITAL ASSET TRANSACTIONS.

“(a) Requirements for Digital Asset Issuers.—

“(1) Information required in statement.—A digital asset issuer offering or selling a unit of digital asset in reliance on section 4(a)(8) shall file with the Commission a statement containing the following information:

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

“(B) A certification that the digital asset issuer meets the relevant requirements described under section 4(a)(8).

“(C) An overview of the material aspects of the offering.
“(D) A description of the purpose and intended use of the offering proceeds.

“(E) A description of the plan of distribution of any unit of a digital asset that is to be offered.

“(F) A description of the material risks surrounding ownership of a unit of a digital asset.

“(G) A description of exempt offerings conducted within the past three years by the digital asset issuer.

“(H) A description of the digital asset issuer and the current number of employees of the digital asset issuer.

“(I) A description of any material transactions or relationships between the digital asset issuer and affiliated persons.

“(J) A description of exempt offerings conducted within the past three years.

“(2) INFORMATION REQUIRED FOR PURCHASERS.—A digital asset issuer shall disclose the information described under section 43 of the Securities Exchange Act of 1934 on a freely accessible public website.
“(3) ONGOING DISCLOSURE REQUIREMENTS.—

A digital asset issuer that has filed a statement under paragraph (1) to offer and sell a unit of a digital asset in reliance on section 4(a)(8) shall file the following with the Commission:

“(A) ANNUAL REPORTS.—An annual report that includes any material changes to the information described under paragraph (2) for the current fiscal year and for any fiscal year thereafter, unless the issuer is no longer obligated to file such annual report pursuant to paragraph (4).

“(B) SEMIANNUAL REPORTS.—Along with each annual report required under subparagraph (A), and separately six months thereafter, a report containing—

“(i) an updated description of the current state and timeline for the development of the blockchain system to which the digital asset relates, showing how and when the blockchain system intends or intended to be considered a functional network and a decentralized network;

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

“(iii) any material changes to the information in the most recent annual report.

“(C) CURRENT REPORTS.—A current report shall be filed with the Commission reflecting any material changes to the information previously reported to the Commission by the digital asset issuer.

“(4) TERMINATION OF REPORTING REQUIREMENTS.—

“(A) IN GENERAL.—The ongoing reporting requirements under paragraph (3) shall not apply to a digital asset issuer 180 days after the end of the covered fiscal year.

“(B) COVERED FISCAL YEAR DEFINED.—In this paragraph, the term ‘covered fiscal year’ means the first fiscal year of an issuer in which the blockchain system to which the digital asset relates is a functional network and certified to be a decentralized network under section 44 of the Securities Exchange Act of 1934.
“(b) REQUIREMENTS FOR INTERMEDIARIES.—

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

“(A) register with the Commission as a broker under section 15(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(b)); and


“(2) PURCHASER QUALIFICATION.—

“(A) IN GENERAL.—Each time, before accepting any commitment (including any additional commitment from the same person), an intermediary or digital asset issuer shall have a reasonable basis for believing that the purchaser satisfies the requirements of section 4(a)(8).

“(B) RELIANCE ON PURCHASER’S REPRESENTATIONS.—For purposes of subparagraph (A), an intermediary or digital asset issuer may rely on a purchaser’s representations concerning the purchaser’s annual income
and net worth and the amount of the purchaser’s other investments made, unless the intermediary or digital asset issuer has reason to question the reliability of the representation.

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

“(c) ADDITIONAL PROVISIONS.—

“(1) ACCEPTANCE OF WRITTEN OFFERS; SALES.—After an issuer files a statement under paragraph (1) to offer and sell a digital asset in reliance on section 4(a)(8)—

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

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

“(2) SOLICITATION OF INTEREST.—

“(A) IN GENERAL.—At any time before the filing of a statement under paragraph (1), a digital asset issuer may communicate orally or in writing to determine whether there is any
interest in a contemplated offering. Such communications are deemed to be an offer of a unit of a digital asset for sale for purposes of the antifraud provisions of the Federal securities laws. No solicitation or acceptance of money or other consideration, nor of any commitment, binding or otherwise, from any person is permitted until the statement is filed.

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

“(i) state that no money or other consideration is being solicited, and if sent in response, will not be accepted;

“(ii) state that no offer to buy a unit of a digital asset can be accepted and no part of the purchase price can be received until the statement is filed and then only through an intermediary; and

“(iii) state that a person’s indication of interest involves no obligation or commitment of any kind.

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

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

“(4) DIGITAL ASSETS DEEMED RESTRICTED
digital asset.—A unit of a digital asset acquired
directly or indirectly from the digital asset issuer in
reliance on the exemption provided under section
4(a)(8) is deemed a restricted digital asset.”.

(b) ADDITIONAL EXEMPTIONS.—

(1) CERTAIN REGISTRATION REQUIREMENTS.—
Section 12(g)(6) of the Securities Exchange Act of
1934 (15 U.S.C. 78l(g)(6)) is amended by striking
“under section 4(6)” and inserting “under section
4(a)(6) or 4(a)(8)”.

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

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

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

(C) in subparagraph (F)—

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

(ii) by striking “or” at the end;

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

(E) by adding at the end the following:

“(H) section 4(a)(8).”.

SEC. 202. REQUIREMENTS TO TRANSACT IN CERTAIN DIGITAL ASSETS.

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

“SEC. 42. REQUIREMENTS TO TRANSACT IN CERTAIN DIGITAL ASSETS.

“(a) Transactions in Certain Restricted Digital Assets.—
“(1) IN GENERAL.—Notwithstanding any other provision of law, subject to paragraph (2), a restricted digital asset may be offered and sold on an alternative trading system by any person other than a digital asset issuer if, at the time of such offer or sale, any blockchain system to which the restricted digital asset relates is a functional network and the information described in section 43 has been certified and made publicly available for any blockchain system to which the restricted digital asset relates.

“(2) ADDITIONAL RULES FOR RELATED AND AFFILIATED PERSONS.—A restricted digital asset owned by a related person or an affiliated person may only be offered or sold after 12 months after the later of—

“(A) the date on which such restricted digital asset was acquired; or

“(B) the digital asset maturity date.

“(b) TRANSACTIONS IN CERTAIN DIGITAL COMMODITIES.—

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

“(2) RULES FOR RELATED AND AFFILIATED PERSONS.—A digital commodity may only be offered
or sold by a related person or an affiliated person

if—

“(A) the holder of the digital commodity

owned the digital commodity while it was a re-

stricted digital asset for 12 months after the

later of—

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

“(ii) the digital asset maturity date;

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

“(C) the digital commodity is offered or

sold on or subject to the rules of a digital com-

modity exchange registered under section 5i of

the Commodity Exchange Act.

“(3) NOT A SECURITY.—

“(A) IN GENERAL.—Except as provided

under subparagraph (B), for purposes of the se-
curities laws, a transaction in a digital com-

modity made in compliance with paragraph (1)
or (2) shall not be a transaction in a security.

“(B) EXCEPTION.—Subparagraph (A)
does not apply to a transaction in a digital com-

modity if the transaction—
“(i) is a mixed digital asset trans-
action; or
“(ii) is made pursuant to an invest-
ment contract or in conjunction with any
other security.
“(c) SALES RESTRICTIONS FOR AFFILIATED Per-
sons.—A digital asset may be offered or sold by an affili-
ated person under subsection (a) or (b) if—
“(1) the aggregate amount of such digital as-
sets sold in any 3-month period by the affiliated per-
son is not greater than one percent of the digital as-
sets then outstanding; or
“(2) the affiliated person promptly, following
the placement of an order to sell one percent of the
digital assets then outstanding during any 3-month
period, reports the sale to—
“(A) the Commodity Futures Trading
Commission, in the case of an order to sell a
digital commodity on or subject to the rules of
a digital commodity exchange; or
“(B) the Securities and Exchange Commiss-
ion, in the case of a sell order for a restricted
digital asset placed with an alternative trading
system.
“(d) TREATMENT OF CERTAIN END USER DISTRIBUTIONS UNDER THE SECURITIES LAWS.—

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

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

“(B) with respect to the digital asset and each blockchain system to which such digital asset relates, the information described in section 43 has been certified and made publicly available.

“(2) NOT A SECURITY.—For purposes of the securities laws, an end user distribution described under paragraph (1) shall not be a transaction in a security.

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

SEC. 203. ENHANCED DISCLOSURE REQUIREMENTS.

Title I of the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), as amended by section 202, is further amended by adding at the end the following:
“SEC. 43. ENHANCED DISCLOSURE REQUIREMENTS WITH RESPECT TO DIGITAL ASSETS.

“(a) Disclosure Information.—With respect to a digital asset and any blockchain system to which the digital asset relates, the information described under this section is as follows:

“(1) Source Code.—The source code for any blockchain system to which the digital asset relates.

“(2) Transaction History.—A description of the steps necessary to independently access, search, and verify the transaction history of any blockchain system to which the digital asset relates.

“(3) Digital Asset Economics.—A description of the purpose of any blockchain system to which the digital asset relates and the operation of any such blockchain system, including—

“(A) information explaining the launch and supply process, including the number of digital assets to be issued in an initial allocation, the total number of digital assets to be created, the release schedule for the digital assets, and the total number of digital assets then outstanding;

“(B) information on any applicable consensus mechanism or process for validating transactions, method of generating or mining
digital assets, and any process for burning or destroying digital assets on the blockchain system;

“(C) an explanation of governance mechanisms for implementing changes to the blockchain system or forming consensus among holders of such digital assets; and

“(D) sufficient information for a third party to create a tool for verifying the transaction history of the digital asset.

“(4) PLAN OF DEVELOPMENT.—The current state and timeline for the development of any blockchain system to which the digital asset relates, showing how and when the blockchain system intends or intended to be considered a functional network and decentralized network.

“(5) DEVELOPMENT DISCLOSURES.—A list of all persons who are related persons or affiliated persons who have been issued a unit of a digital asset by a digital asset issuer or have a right to a unit of a digital asset from a digital asset issuer.

“(6) RISK FACTOR DISCLOSURES.—Where appropriate, provide under the caption ‘Risk Factors’ a description of the material risks surrounding ownership of a unit of a digital asset. This discussion
shall be organized logically with relevant headings
and each risk factor shall be set forth under a sub-
caption that adequately describes the risk.

“(b) CERTIFICATION.—With respect to a digital asset
and any blockchain system to which the digital asset re-
lates, the information required to be made available under
this section has been certified if the digital asset issuer,
an affiliated person, a decentralized governance system,
or a digital commodity exchange certifies on a quarterly
basis to the Commodity Futures Trading Commission and
the Securities and Exchange Commission that the infor-
mation is true and correct.”.

SEC. 204. CERTIFICATION OF CERTAIN DIGITAL ASSETS.

Title I of the Securities Exchange Act of 1934 (15
U.S.C. 78a et seq.), as amended by section 203, is further
amended by adding at the end the following:

“SEC. 44. CERTIFICATION OF CERTAIN DIGITAL ASSETS.

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

“(b) FILING REQUIREMENTS.—A certification de-
scribed under subsection (a) shall be filed with the Com-
mission, and include—
“(1) information regarding the person making the certification;

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

“(A) the operation of the blockchain system;

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

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

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

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

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

“(B) a description of the issuance process for the digital asset which relates to the blockchain system;
“(C) information identifying the digital asset issuer of the digital asset which relates to the blockchain system; and

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

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

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

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

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

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

“(B) information regarding the beneficial ownership of the digital asset which relates to such blockchain system and the distribution of voting power in any decentralized governance system during the previous 12 months;
“(C) information regarding the history of upgrades to the source code for such blockchain system during the previous 3 months, including—

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

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

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

“(D) information regarding any activities conducted to market the digital asset which relates to the blockchain system during the previous 3 months by the digital asset issuer or an affiliated person of the digital asset issuer; and

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

“(5) with respect to a blockchain system for which a certification has previously been rebutted
under this section or withdrawn under section 5i(m) of the Commodity Exchange Act, specific information relating to the analysis provided in subsection (f)(2) in connection with such rebuttal or such section 5i(m)(1)(C) in connection with such withdrawal.

“(c) REBUTTABLE PRESUMPTION.—The Commission may rebut a certification described under subsection (a) with respect to a blockchain system if the Commission, within 30 days of receiving such certification, determines that the blockchain system is not a decentralized network.

“(d) CERTIFICATION REVIEW.—

“(1) IN GENERAL.—Any blockchain system that relates to a digital asset for which a certification has been made under subsection (a) shall be considered a decentralized network 30 days after the date on which the Commission receives a certification under subsection (a), unless the Commission notifies the person who made the certification within such time that the Commission is staying the certification due to—

“(A) an inadequate explanation by the person making the certification; or

“(B) any novel or complex issues which require additional time to consider.
“(2) Public Notice.—The Commission shall make the following available to the public and provide a copy to the Commodity Futures Trading Commission:

“(A) Each certification received under subsection (a).

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

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

“(3) Consolidation.—The Commission may consolidate and treat as one submission multiple certifications made under subsection (a) for the same blockchain system which relates to a digital asset which are received during the review period provided under this subsection.

“(e) Stay of Certification.—

“(1) In General.—A notification by the Commission pursuant to subsection (d)(1) shall stay the certification once for up to an additional 120 days from the date of the notification.

“(2) Public Comment Period.—Before the end of the 30-day period described under subsection (d)(1), the Commission may begin a public comment
period of at least 30 days in conjunction with a stay under this section.

“(f) **Disposition of Certification.**—

“(1) **In General.**—A certification made under subsection (a) shall—

“(A) become effective—

“(i) upon the publication of a notification from the Commission to the person who made the certification that the Commission does not object to the certification; or

“(ii) at the expiration of the certification review period; and

“(B) not become effective upon the publication of a notification from the Commission to the person who made the certification that the Commission has rebutted the certification.

“(2) **Detailed Analysis Included with Rebuttal.**—The Commission shall include, with each publication of a notification of rebuttal described under paragraph (1)(B), a detailed analysis of the factors on which the decision was based.

“(g) **Recertification.**—With respect to a blockchain system for which a certification has been rebutted under this section, no person may make a certification
under subsection (a) with respect to such blockchain sys-
tem during the 90-day period beginning on the date of
such rebuttal.

“(h) APPEAL OF REBUTTAL.—

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

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

“(i) LIABILITY FOR PROVIDING FALSE INFORMA-
TION.—It shall be unlawful for any person to provide false
information in support of a certification under this section
if such person knew or reasonably should have known such
information was false.”.

SEC. 205. EFFECTIVE DATE.

Unless otherwise provided in this title, this title and
the amendments made by this title shall take effect 360
days after the date of enactment of this Act, except that,
to the extent a provision of this title requires a rule-
making, the provision shall take effect on the later of—
(1) 360 days after the date of enactment of this Act; or
(2) 60 days after the publication in the Federal Register of the final rule implementing the provision.

TITLE III—REGISTRATION FOR DIGITAL ASSET INTERMEDIARIES AT THE SECURITIES AND EXCHANGE COMMISSION

SEC. 301. TREATMENT OF DIGITAL COMMODITIES AND OTHER DIGITAL ASSETS.

(a) Securities Act of 1933.—Section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1)) is amended by adding at the end the following: “The term does not include a digital commodity or permitted payment stablecoin.”.


(1) in paragraph (1), by adding at the end the following: “The term ‘exchange’ does not include a digital asset trading system, blockchain protocol, or any person or group of persons solely because of their development of a blockchain protocol.”;
(2) in paragraph (2), by adding at the end the following: “A digital asset trading system is not a ‘facility’ of an exchange.”;

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

(4) in paragraph (5)(A), by inserting “restricted digital assets or” after “not including”;

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

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

(7) in paragraph (10), by adding at the end the following: “Subject to subsection (i), the term does not include a digital commodity or permitted payment stablecoin.”;

(8) by redesignating the second paragraph (80) (relating to funding portals) as paragraph (81); and

(9) by adding at the end the following:

“(81) 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.

“(82) DIGITAL ASSET BROKER.—The term ‘digital asset broker’—

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

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

“(83) DIGITAL ASSET DEALER.—The term ‘digital asset dealer’—

“(A) means any person engaged in the business of buying and selling digital assets for such person’s own account through a broker or otherwise; and

“(B) does not include—

“(i) a person that buys or sells digital assets for such person’s own account, either individually or in a fiduciary capacity, but not as a part of a regular business; or
“(ii) a blockchain protocol or a person
or group of persons solely because of their
development of a blockchain protocol.

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

“(A) means any organization, association,
person, or group of persons, whether incor-
porated or unincorporated, that constitutes,
maintains, or provides a market place or facili-
ties for bringing together purchasers and sellers
of restricted digital assets or for otherwise per-
forming with respect to digital assets the func-
tions commonly performed by a stock exchange
within the meaning of section 240.3b–16 of title
17, Code of Federal Regulations, as in effect on
the date of enactment of this paragraph; and

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

“(85) MIXED DIGITAL ASSET TRANSACTION.—
The term ‘mixed digital asset transaction’ means an
agreement, contract, or transaction involving a re-
stricted digital asset and a digital commodity.

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

“(87) ADDITIONAL DIGITAL ASSET-RELATED TERMS.—


“(B) Commodity Exchange Act.—The terms ‘digital commodity’, ‘digital commodity broker’, ‘digital commodity dealer’, and ‘digital commodity exchange’ have the meaning given those terms, respectively, under section 1a of the Commodity Exchange Act (7 U.S.C. 1a).”
(c) INVESTMENT ADVISERS ACT OF 1940.—Section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2) is amended—

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

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

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

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

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

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

(2) by adding at the end the following:

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

SEC. 302. ANTIFRAUD AUTHORITY OVER PERMITTED PAYMENT STABLECOINS.


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

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

(3) by adding at the end the following:

“(e)(1) Rules promulgated under subsection (b) that prohibit fraud, manipulation, or insider trading (but not rules imposing or specifying reporting or recordkeeping requirements, procedures, or standards as prophylactic measures against fraud, manipulation, or insider trading), and judicial precedents decided under subsection (b) and rules promulgated thereunder that prohibit fraud, manipulation, or insider trading, shall apply to permitted payment stablecoins with respect to those circumstances in which the permitted payment stablecoins are brokered, traded, or custodied by a broker, dealer, digital asset broker, or digital asset dealer or through an alternative trading system or digital asset trading platform to the same extent as they apply to securities.
“(2) Judicial precedents decided under section 17(a) of the Securities Act of 1933 and sections 9, 15, 16, 20, and 21A of this title, and judicial precedents decided under applicable rules promulgated under such sections, shall apply to permitted payment stablecoins with respect to those circumstances in which the permitted payment stablecoins are brokered, traded, or custodied by a digital asset broker, digital asset dealer, or digital asset trading platform to the same extent as they apply to securities.

“(3) Nothing in this subsection may be construed to provide the Commission authority to make any rule, regulation, requirement, or obligation on a permitted payment stablecoin issuer regarding the operations of a permitted payment stablecoin issuer or a permitted payment stablecoin, including requirements or obligations regarding—

“(A) design;

“(B) structure;

“(C) issuance;

“(D) redemption;

“(E) financial resources;

“(F) collateral; or

“(G) any other aspect of the operation of a permitted payment stablecoin issuer or permitted payment stablecoin.”.
SEC. 303. REGISTRATION OF DIGITAL ASSET TRADING SYSTEMS.

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

“(m) DIGITAL ASSET TRADING SYSTEM.—

“(1) IN GENERAL.—It shall be unlawful for any digital asset trading system to make use of the mails or any means or instrumentality of interstate commerce within or subject to the jurisdiction of the United States to effect any transaction in a digital asset, unless such digital asset trading system is registered with the Commission.

“(2) APPLICATION.—A person desiring to register as a digital asset trading system shall submit to the Commission an application in such form and containing such information as the Commission may require for the purpose of making the determinations required for approval.

“(3) EXEMPTIONS.—A digital asset trading system that offers or seeks to offer at least one digital asset shall not be required to register under this section (and subparagraph (A) shall not apply to such digital asset trading system) if the trading system satisfies any of the exemptions set forth in section 240.3b–16(b) of title 17, Code of Federal Regulations.”.
SEC. 304. REQUIREMENTS FOR DIGITAL ASSET TRADING SYSTEMS.

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

“SEC. 6A. REQUIREMENTS FOR DIGITAL ASSET TRADING SYSTEMS.

“(a) HOLDING OF CUSTOMER ASSETS.—

“(1) IN GENERAL.—Subject to paragraph (2), a digital asset trading system, in its capacity as such, may not hold custody of customer money, assets, or property.

“(2) CUSTODY IN OTHER CAPACITY.—Nothing in this Act shall prohibit a person registered as a digital asset trading system from holding custody of customer money, assets, or property in any other permitted capacity, including as a digital asset broker or digital asset dealer, in compliance with the requirements of section 15H.

“(b) RULEMAKING.—The Commission shall prescribe rules for digital asset trading systems relating to the following:

“(1) NOTICE.—Notice to the Commission of the initial operation of a digital asset trading system or any material change to the operation of the digital asset trading system.
“(2) ORDER DISPLAY.—The thresholds at which a digital asset trading system is required to display the orders of the digital asset trading system, and the manner of such display.

“(3) FAIR ACCESS.—The thresholds at which a digital asset trading system is required to have policies regarding providing fair access to the digital asset trading system.

“(4) CAPACITY, INTEGRITY, AND SECURITY OF AUTOMATED SYSTEMS.—Policies and procedures reasonably designed to ensure the capacity, integrity, and security of the digital asset trading system, taking into account the particular nature of digital asset trading systems.

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

“(6) RECORDKEEPING.—The making, keeping current, and preservation of records related to trading activity on the digital asset trading system.
“(7) REPORTING.—The reporting of transactions in digital assets that occur through the digital asset trading system.

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

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

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

“(2) is clearly indicated as being provided outside of the system’s capacity as a national securities exchange.

“(d) TREATMENT UNDER THE BANK Secrecy ACT.—A digital asset trading system shall be treated as a financial institution for purposes of the Bank Secrecy Act.”.

SEC. 305. REGISTRATION OF DIGITAL ASSET BROKERS AND DIGITAL ASSET DEALERS.

The Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by inserting after section 15G the following:
SEC. 15H. REGISTRATION OF DIGITAL ASSET BROKERS AND DIGITAL ASSET DEALERS.

(a) Registration.—

(1) In general.—It shall be unlawful for any digital asset broker or digital asset dealer (other than a natural person associated with a digital asset broker or digital asset dealer, and other than such a digital asset broker or digital asset dealer whose business is exclusively intrastate and who does not make use of any facility of a digital asset trading platform) to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any digital asset unless such digital asset broker or digital asset dealer is registered in accordance with this section.

(2) Application.—A person desiring to register as a digital asset broker or digital asset dealer shall submit to the Commission an application in such form and containing such information as the Commission may require for the purpose of making the determinations required for approval.

(b) National Securities Association Membership.—

(1) In general.—A digital asset broker or digital asset dealer may not register or maintain reg-
istration under this section unless such digital asset
broker or digital asset dealer is a member of a na-
tional securities association registered under section
15A.

“(2) EXCEPTION.—A digital asset broker or
digital asset dealer may register under this section
without obtaining membership in a national securi-
ties association until the end of the 360-day period
beginning on the date the first national securities as-
association adopts rules to admit digital asset brokers
or digital asset dealers as members.

“(c) ADDITIONAL REGISTRATIONS WITH THE COM-
MODITY FUTURES TRADING COMMISSION.—A registered
digital asset broker or digital asset dealer shall be per-
mitted to maintain any other registration with the Com-
modity Futures Trading Commission relating to the other
activities of the registered digital asset broker or reg-
istered digital asset dealer, including as a digital com-
modity broker or digital commodity dealer, to list or trade
contracts of sale for digital commodities.”.

SEC. 306. REQUIREMENTS OF DIGITAL ASSET BROKERS
AND DIGITAL ASSET DEALERS.

Section 15H of the Securities Exchange Act of 1934,
as added by section 205, is amended by adding at the end
the following:
“(d) ANTI-FRAUD.—No digital asset broker or digital asset dealer shall make use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any digital asset that is not a digital commodity by means of any manipulative, deceptive, or other fraudulent device or contrivance.

“(e) HOLDING OF CUSTOMER ASSETS.—

“(1) IN GENERAL.—A digital asset broker or digital asset dealer shall hold customer money, assets, and property in a manner to minimize the risk of loss to the customer or unreasonable delay in the access to the money, assets, and property of the customer.

“(2) RULEMAKING.—Not later than 180 days after the date of enactment of this section, the Commission shall issue rules to provide that a registered digital asset broker or digital asset dealer will be considered to satisfy the requirements of paragraph (1), with respect to digital assets, so long as the digital asset broker or digital asset dealer—

“(A) holds such digital asset at a bank that—

“(i) is recognized by the appropriate Federal banking agency or State bank su-
pervisor (as such terms are defined, respecti-
respectively, in section 3 of the Federal De-
posit Insurance Act (12 U.S.C. 1813)) as
having custody over such assets;

“(ii) delivers the digital asset to the
digital asset broker or digital asset dealer
without requiring the payment of money or
value; and

“(iii) has acknowledged in writing
that the digital asset in the custody or con-
trol of the bank is free of charge, lien, or
claim of any kind in favor of such bank or
any person claiming through the bank;

“(B) establishes, maintains, and enforces
written policies, procedures, and controls rea-
sonably designed to demonstrate that the digital
asset broker or digital asset dealer—

“(i) has control over the digital asset
that the digital asset broker or digital
asset dealer holds in custody to protect
against the theft, loss, or unauthorized use
of the private keys necessary to access and
transfer such digital asset;

“(ii) has identified the steps that will
be taken in the wake of certain events that
could affect the custody of the digital assets by the digital asset broker or digital asset dealer;

“(iii) can comply with a court-ordered freeze or seizure; and

“(iv) has established arrangements to allow for the transfer of the digital asset held by such digital asset broker or digital asset dealer to another digital asset broker or digital asset dealer, a trustee, receiver, liquidator, or person performing a similar function, or to another appropriate person, in the event such digital asset broker or digital asset dealer can no longer continue as a going concern and self-liquidates or is subject to a formal bankruptcy, receivership, liquidation, or similar proceeding; or

“(C) complies with such other requirements as the Commission may permit.

“(3) SEGREGATION OF FUNDS.—

“(A) IN GENERAL.—A digital asset broker or digital asset dealer shall treat and deal with all money, assets, and property held for a customer of the digital asset broker or digital asset dealer, or that accrues to a customer as a result
of trading in digital assets, as belonging to the customer.

“(B) COMMINGLING PROHIBITED.—Money, assets, and property of a customer described in subparagraph (A) shall be separately accounted for and shall not be commingled with the funds of the digital asset broker or digital asset dealer or be used to margin, secure, or guarantee any trades of any person other than the customer of the digital asset broker or digital asset dealer for whom the same are held.

“(4) EXCEPTIONS.—

“(A) USE OF FUNDS.—

“(i) IN GENERAL.—Notwithstanding paragraph (3), money, assets, and property of customers of a digital asset broker or digital asset dealer described in paragraph (3) may be maintained and deposited in the same account or accounts with any bank, trust company, digital asset broker, or digital asset dealer, if the money, assets, and property remain segregated from the money, assets, and property of the digital asset broker or digital asset dealer.
“(ii) WITHDRAWAL.—Notwithstanding paragraph (3), such share of the money, assets, and property described in paragraph (3) as in the normal course of business shall be necessary to transfer, adjust, or settle a digital asset transaction pursuant to a customer’s instruction (standing or otherwise) may be withdrawn and applied to such purposes, including the withdrawal and payment of commissions, brokerage, interest, taxes, storage, and other charges lawfully accruing in connection with a digital asset transaction.

“(iii) COMMISSION ACTION.—In accordance with such terms and conditions as the Commission may prescribe by rule, regulation, or order, any money, assets, or property of a customer of a digital asset broker or digital asset dealer described in paragraph (3) may be commingled and deposited as provided in this section with any other money, assets, or property received by the digital asset broker or digital asset dealer and required by the Commission to be separately accounted for and treated
and dealt with as belonging to the cus-
tomer of the digital asset broker or digital
asset dealer.

“(B) PARTICIPATION IN BLOCKCHAIN
SERVICES.—

“(i) IN GENERAL.—A customer shall
have the right to waive the restrictions in
paragraph (3) for any unit of a digital
asset, by affirmatively electing, in writing
to the digital asset broker or digital asset
dealer, to waive the restrictions.

“(ii) USE OF FUNDS.—Customer dig-
ital assets removed from segregation under
clause (i) may be pooled and used by the
digital asset broker or digital asset dealer
or its designee to provide a blockchain
service for a blockchain system to which
the unit of the digital asset removed from
segregation under clause (i) relates.

“(iii) LIMITATIONS.—The Commission
may, by rule, establish notice and disclo-
sure requirements, and any other limita-
tions and rules related to the waiving of
any restrictions under this subparagraph
that are reasonably necessary to protect customers.

“(iv) Blockchain service defined.—In this subparagraph, the term ‘blockchain service’ means any activity relating to validating transactions on a blockchain system, providing security for a blockchain system, or other similar activity required for the ongoing operation of a blockchain system.

“(5) Further limitations.—No person shall treat or deal with a digital asset held on behalf of any customer pursuant to paragraph (3) by utilizing any unit of such digital asset to participate in a blockchain service (as defined in paragraph (4)(B)(iv)) or a decentralized governance system associated with the digital asset or the blockchain system to which the digital asset relates in any manner other than that which is expressly directed by the customer from which such unit of a digital asset was received.

“(f) Capital requirements.—

“(1) In general.—Each registered digital asset broker and registered digital asset dealer shall meet such minimum capital requirements as the
Commission may prescribe to ensure that the digital asset broker or digital asset dealer is able to—

“(A) conduct an orderly wind-down of the activities of the digital asset broker or digital asset dealer; and

“(B) fulfill the customer obligations of the digital asset broker or digital asset dealer.

“(2) Calculation.—For purposes of any Commission rule or order adopted under this section or any interpretation thereof regulating a digital asset broker or digital asset dealer’s financial responsibility obligations and capital requirements, a registered digital asset broker or digital asset dealer that maintains control of customer digital assets in a manner that satisfies the rules issued by the Commission under subsection (e)(2) shall not be required to include the value of such digital assets as assets or liabilities of the digital asset broker or digital asset dealer.

“(3) Coordination of Capital Requirements.—

“(A) Commission Rule.—The Commission shall, by rule, provide appropriate offsets to any applicable capital requirement for a person with multiple registrations, including as a
broker, dealer, digital asset broker, or digital asset dealer.

“(B) JOINT RULE.—The Commission and the Commodity Futures Trading Commission shall jointly, by rule, provide appropriate offsets to any applicable capital requirement for a person with multiple registrations, including as a digital asset broker, digital asset dealer, digital asset trading system, digital commodity broker, digital commodity dealer, or digital commodity exchange.

“(g) REPORTING AND RECORDKEEPING.—Each registered digital asset broker and digital asset dealer—

“(1) shall make such reports as are required by the Commission by rule or regulation regarding the transactions, positions, and financial condition of the digital asset broker or digital asset dealer;

“(2) shall keep books and records in such form and manner and for such period as may be prescribed by the Commission by rule or regulation; and

“(3) shall keep the books and records open to inspection and examination by any representative of the Commission.

“(h) TREATMENT UNDER THE BANK SECRECY ACT.—A digital asset broker and a digital asset dealer
shall be treated as a financial institution for purposes of
the Bank Secrecy Act.”.

SEC. 307. RULES RELATED TO CONFLICTS OF INTEREST.
et seq.) is amended by inserting after section 10D the fol-
lowing:

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

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

SEC. 308. TREATMENT OF CERTAIN DIGITAL ASSETS IN
CONNECTION WITH FEDERALLY REGULATED
INTERMEDIARIES.

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

“(5) Exemption for certain digital assets
in connection with federally regulated
intermediaries.—A digital asset is a covered secu-
rity with respect to a transaction that is exempt from registration under this Act when—

“(A) it is brokered, traded, custodied, or cleared by a digital asset broker or digital asset dealer registered under section 15H of the Securities Exchange Act of 1934; or

“(B) traded through a digital asset trading system (as defined under section 242.301 of title 17, Code of Federal Regulations).”.

SEC. 309. DUAL REGISTRATION.

Any person that is registered with the Securities and Exchange Commission as a digital asset broker, digital asset dealer, or digital asset trading system may register with the Commodity Futures Trading Commission, as appropriate, as—

(1) a digital commodity exchange under section 5i of the Commodity Exchange Act (7 U.S.C. 1 et seq.), as added by this Act, if the person offers or seeks to offer a cash or spot market in at least one digital commodity;

(2) a digital commodity broker under section 4u of the Commodity Exchange Act, as added by this Act, if the person is engaged in soliciting or accepting orders in digital commodity cash or spot markets; or
(3) a digital commodity dealer under section 4u of the Commodity Exchange Act, as added by this Act, if the person holds themself out as a dealer in digital commodity cash or spot markets.

SEC. 310. EXCLUSION FOR ANCILLARY ACTIVITIES.

The Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by inserting after section 15G the following:

“SEC. 15H. EXCLUSION FOR ANCILLARY ACTIVITIES.

“(a) IN GENERAL.—Notwithstanding any other provision of this Act, a person shall not be subject to this Act and the regulations thereunder solely based on the person undertaking any ancillary activities.

“(b) EXCEPTIONS.—Subsection (a) shall not be construed to apply to the antimanipulation and antifraud authorities of the Commission.

“(c) ANCILLARY ACTIVITIES DEFINED.—In this section, the term ‘ancillary activities’ means any of the following activities related to the operation of a blockchain system:

“(1) Compiling network transactions, operating a pool, relaying, searching, sequencing, validating, or acting in a similar capacity with respect to a restricted digital asset.
“(2) Providing computational work, operating a node, or procuring, offering, or utilizing network bandwidth, or other similar incidental services with respect to a restricted digital asset.

“(3) Providing a user interface that enables a user to read and access data about a blockchain system, send messages, or otherwise interact with a blockchain system.

“(4) Developing, publishing, constituting, administering, maintaining, or otherwise distributing a blockchain system.

“(5) Developing, publishing, constituting, administering, maintaining, or otherwise distributing software or systems that create or deploy a hardware or software wallet or other system facilitating an individual user’s own personal ability to keep, safeguard, or custody the user’s restricted digital assets or related private keys.”.

SEC. 311. REGISTRATION AND REQUIREMENTS FOR NOTICE-REGISTERED DIGITAL ASSET CLEARING AGENCIES.

Section 17A(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78q–1(b)) is amended—
(1) in subsection (1), by inserting “(other than a notice-registered digital asset clearing agency)” after “unlawful for any clearing agency”; and

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

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

“(A) ELIGIBILITY.—A person may register with the Commission as a notice-registered digital asset clearing agency if the person—

“(i) is otherwise registered as a digital asset broker or digital asset dealer with the Commission and is engaging in a business involving digital assets that are not digital commodities, in compliance with Commission rules pursuant to section 15H(e); or

“(ii) is a bank engaging in a business involving digital assets, in compliance with applicable banking law and regulation relating to the custody and safekeeping of such assets.

“(B) REGISTRATION.—A person may register with the Commission as a notice-registered digital asset clearing agency by providing the Commission with notice of the activities of the
person or planned activities in such form as the
Commission determines appropriate.

“(C) RULEMAKING.—The Commission may
adopt rules, which may not take effect until at
least 360 days following the date of enactment
of this paragraph, with regard to the activities
of notice-registered digital asset clearing agen-
cies, taking into account the nature of digital
assets.”.

SEC. 312. TREATMENT OF CUSTODY ACTIVITIES BY BANK-
ING INSTITUTIONS.

(a) TREATMENT OF CUSTODY ACTIVITIES.—The ap-
propriate Federal banking agency (as defined under sec-
tion 3 of the Federal Deposit Insurance Act (12 U.S.C.
1813)), the National Credit Union Administration (in the
case of a credit union), and the Securities and Exchange
Commission may not require a depository institution, na-
tional bank, Federal credit union, State credit union, or
trust company, or any affiliate thereof—

(1) to include assets held in custody as a liabil-
ity on any financial statement or balance sheet, in-
cluding payment stablecoin custody or safekeeping
activities;

(2) to hold additional regulatory capital against
assets in custody or safekeeping, except as necessary
to mitigate against operational risks inherent with
the custody or safekeeping services, as determined
by—

(A) the appropriate Federal banking agen-
cy;

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

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

(D) a State credit union supervisor (as de-

dined under section 6003 of the Anti-Money

Laundering Act of 2020); or

(3) to recognize a liability for any obligations
related to activities or services performed for digital
assets that the entity does not own if that liability
would exceed the expense recognized in the income
statement as a result of the corresponding obliga-
tion.

(b) DEFINITIONS.—In this section:

(1) DEPOSITORY INSTITUTION.—The terms
“depository institution” has the meaning given that
term under section 3 of the Federal Deposit Insur-
ance Act.
(2) Credit union terms.—The terms “Federal credit union” and “State credit union” have the meaning given those terms, respectively, under section 101 of the Federal Credit Union Act.

TITLE IV—REGISTRATION FOR DIGITAL ASSET INTERMEDIARIES AT THE COMMODITY FUTURES TRADING COMMISSION

SEC. 401. COMMISSION JURISDICTION OVER DIGITAL COMMODITY TRANSACTIONS.

(a) In general.—Section 2(a)(1) of the Commodity Exchange Act (7 U.S.C. 2(a)(1)) is amended by adding at the end the following:

“(J) Except as expressly provided in this Act, nothing in the Financial Innovation and Technology for the 21st Century Act shall affect or apply to, or be interpreted to affect or apply to—

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

“(I) a contract of sale of a commodity for future delivery or an option on such a contract;

“(II) a swap;
“(III) a security futures product;

“(IV) an option authorized under section 4c of this Act;

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

“(VI) a leverage transaction authorized under section 19 of this Act;

or

“(ii) the activities of any person with respect to any such an agreement, contract, or transaction.”.

(b) IN GENERAL.—Section 2(c)(1) of the Commodity Exchange Act (7 U.S.C. 2(c)(1)) is amended—

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

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

(3) by adding at the end the following:

“(H) permitted payment stablecoins.”.

(c) IN GENERAL.—Section 2(c)(2) of the Commodity Exchange Act (7 U.S.C. 2(c)(2)) is amended—

(1) in subparagraph (D)(ii)—
(A) in subclause (III), in the matter that precedes item (aa), by inserting "of a commodity, other than a digital commodity," before "that"; and

(B) by redesignating subclauses (IV) and (V) as subclauses (V) and (VI) and inserting after subclause (III) the following:

"(IV) a contract of sale of a digital commodity that—

"(aa) results in actual delivery, as the Commission shall by rule determine, within 2 days or such other period as the Commission may determine by rule or regulation based upon the typical commercial practice in cash or spot markets for the digital commodity involved; or

"(bb) is executed with a registered digital commodity dealer—

"(AA) directly;

"(BB) through a registered digital commodity broker; or
“(CC) on or subject to the rules of a registered digital commodity exchange;”;

and

(2) by adding at the end the following:

“(F) COMMISSION JURISDICTION WITH RESPECT TO DIGITAL COMMODITY TRANSACTIONS.—

“(i) IN GENERAL.—Subject to sections 6d and 12(e), the Commission shall have exclusive jurisdiction with respect to any account, agreement, contract, or transaction involving a contract of sale of a digital commodity in interstate commerce, including in a digital commodity cash or spot market, that is offered, solicited, traded, facilitated, executed, cleared, reported, or otherwise dealt in—

“(I) on or subject to the rules of a registered entity or an entity that is required to be registered as a registered entity; or

“(II) by any other entity registered, or required to be registered, with the Commission.

“(ii) LIMITATIONS.—Clause (i) shall not apply with respect to custodial or depository activities for a digital commodity, or custodial or depository activities for any promise or right to a future digital commodity, of an entity regulated by an appropriate
Federal banking agency or a State bank supervisor (within the meaning of section 3 of the Federal Deposit Insurance Act).

“(iii) MIXED DIGITAL ASSET TRANSACTIONS.—

“(I) IN GENERAL.—Clause (i) shall not apply to a mixed digital asset transaction.

“(II) OVERSIGHT OF MIXED DIGITAL ASSET TRANSACTIONS.—A mixed digital asset transaction shall be subject to the exclusive jurisdiction of the Securities and Exchange Commission.

“(III) REPORTS ON MIXED DIGITAL ASSET TRANSACTIONS.—A digital asset issuer, related person, affiliated person, or other person registered with the Securities and Exchange Commission that engages in a mixed digital asset transaction, shall, on request, open to inspection and examination by the Commodity Futures Trading Commission all books and records relating to the mixed digital asset transaction, subject to the confidentiality and disclosure requirements of section 8.

“(G) AGREEMENTS, CONTRACTS, AND TRANSACTIONS IN STABLECOINS.—
(i) TREATMENT OF PERMITTED PAYMENT STABLECOINS ON COMMISSION-REGISTERED ENTITIES.—Subject to clauses (ii) and (iii), the Commission shall have jurisdiction over a cash or spot agreement, contract, or transaction in a permitted payment stablecoin that is offered, offered to enter into, entered into, executed, confirmed the execution of, solicited, or accepted—

“(I) on or subject to the rules of a registered entity; or

“(II) by any other entity registered with the Commission.

(ii) PERMITTED PAYMENT STABLECOIN TRANSACTION RULES.—This Act shall apply to a transaction described in clause (i) only for the purpose of regulating the offer, execution, solicitation, or acceptance of a cash or spot permitted payment stablecoin transaction on a registered entity or by any other entity registered with the Commission, as if the permitted payment stablecoin were a digital commodity.

“(iii) NO AUTHORITY OVER PERMITTED PAYMENT STABLECOINS.—Notwithstanding clause (ii), the Commission shall not make a rule or regulation, impose a requirement or obligation on a registered
entity or other entity registered with the Commission, or impose a requirement or obligation on a permitted payment stablecoin issuer, regarding the operation of a permitted payment stablecoin issuer or a permitted payment stablecoin, including any aspect of such an operation or such a stablecoin.”.

(d) CONFORMING AMENDMENT.—Section 2(a)(1)(A) of such Act (7 U.S.C. 2(a)(1)(A)) is amended in the 1st sentence by inserting “subparagraphs (F) and (G) of subsection (c)(2) of this section or” before “section 19”.

SEC. 402. REQUIRING FUTURES COMMISSION MERCHANTS TO USE QUALIFIED DIGITAL COMMODITY CUSTODIANS.

Section 4d of the Commodity Exchange Act (7 U.S.C. 6d) is amended—

(1) in subsection (a)(2)—

(A) in the 1st proviso, by striking “any bank or trust company” and inserting “any bank, trust company, or qualified digital commodity custodian”; and

(B) by inserting “: Provided further, That any such property that is a digital commodity shall be held in a qualified digital commodity custodian” before the period at the end; and
(2) in subsection (f)(3)(A)(i), by striking “any bank or trust company” and inserting “any bank, trust company, or qualified digital commodity custodian”.

SEC. 403. TRADING CERTIFICATION AND APPROVAL FOR DIGITAL COMMODITIES.

Section 5c of the Commodity Exchange Act (7 U.S.C. 7a–2) is amended—

(1) in subsection (a), by striking “5(d) and 5b(c)(2)” and inserting “5(d), 5b(c)(2), and 5i(c)”;

(2) in subsection (b)—

(A) in each of paragraphs (1) and (2), by inserting “digital commodity exchange,” before “derivatives”; and

(B) in paragraph (3), by inserting “digital commodity exchange,” before “derivatives” each place it appears;

(3) in subsection (c)—

(A) in paragraph (2), by inserting “or participants” before “(in”;

(B) in paragraph (4)(B), by striking “1a(10)” and inserting “1a(9)”;

(C) in paragraph (5), by adding at the end the following:
“(D) SPECIAL RULES FOR DIGITAL COMMODITY CONTRACTS.—In certifying any new rule or rule amendment, or listing any new contract or instrument, in connection with a contract of sale of a commodity for future delivery, option, swap, or other agreement, contract, or transaction, that is based on or references a digital commodity, a registered entity shall make or rely on a certification under subsection (d) for the digital commodity.”; and

(4) by inserting after subsection (c) the following:

“(d) CERTIFICATIONS FOR DIGITAL COMMODITY TRADING.—

“(1) IN GENERAL.—Notwithstanding subsection (e), for the purposes of listing or offering a digital commodity for trading in a digital commodity cash or spot market, an eligible entity shall issue a written certification that the digital commodity meets the requirements of this Act (including regulations thereunder).

“(2) CONTENTS OF THE CERTIFICATION.—

“(A) IN GENERAL.—In making a written certification under this paragraph, the eligible entity shall furnish to the Commission—
“(i) an analysis of how the digital commodity meets the requirements of section 5i(c)(3);

“(ii) information about the digital commodity regarding—

“(I) its purpose and use;

“(II) its unit creation or release process;

“(III) its consensus mechanism;

“(IV) its governance structure;

“(V) its participation and distribution; and

“(VI) its current and proposed functionality; and

“(iii) any other information, analysis, or documentation the Commission may, by rule, require.

“(B) RELIANCE ON PRIOR DISCLOSURES.—In making a certification under this subsection, an eligible entity may rely on the records and disclosures of any relevant person registered with the Securities and Exchange Commission or other State or Federal agency.

“(3) MODIFICATIONS.—
“(A) IN GENERAL.—An eligible entity shall modify a certification made under paragraph (1) to—

“(i) account for significant changes in any information provided to the Commission under paragraph (2)(A)(ii); or

“(ii) permit or restrict trading in units of a digital commodity asset held by a related person or an affiliated person.

“(B) RECERTIFICATION.—Modifications required by this subsection shall be subject to the same disapproval and review process as a new certification under paragraphs (4) and (5).

“(4) DISAPPROVAL.—

“(A) IN GENERAL.—The written certification described in paragraph (1) shall become effective unless the Commission finds that the digital asset does not meet the requirements of this Act or the rules and regulations thereunder.

“(B) ANALYSIS REQUIRED.—The Commission shall include, with any findings referred to in subparagraph (A), a detailed analysis of the factors on which the decision was based.
“(C) Public Findings.—The Commission shall make public any disapproval decision, and any related findings and analysis, made under this paragraph.

“(5) Review.—

“(A) In general.—Unless the Commission makes a disapproval decision under paragraph (4), the written certification described in paragraph (1) shall become effective, pursuant to the certification by the eligible entity and notice of the certification to the public (in a manner determined by the Commission) on the date that is—

“(i) 20 business days after the date the Commission receives the certification (or such shorter period as determined by the Commission by rule or regulation), in the case of a digital commodity that has not been certified under this section or for which a certification is being modified under paragraph (3); or

“(ii) 2 business days after the date the Commission receives the certification (or such shorter period as determined by the Commission by rule or regulation) for
any digital commodity that has been certified under this section.

“(B) EXTENSIONS.—The time for consideration under subparagraph (A) may be extended through notice to the eligible entity that there are novel or complex issues that require additional time to analyze, that the explanation by the submitting eligible entity is inadequate, or of a potential inconsistency with this Act—

“(i) once, for 30 business days, through written notice to the eligible entity by the Chairman; and

“(ii) once, for an additional 30 business days, through written notice to the digital commodity exchange from the Commission that includes a description of any deficiencies with the certification, including any—

“(I) novel or complex issues which require additional time to analyze;

“(II) missing information or inadequate explanations; or

“(III) potential inconsistencies with this Act.
“(6) Certification Required.—Notwithstanding any other provision of this Act, a registered entity or other entity registered with the Commission shall not list for trading, accept for clearing, offer to enter into, enter into, execute, confirm the execution of, or conduct any office or business anywhere in the United States, its territories or possessions, for the purpose of soliciting, or accepting any order for, or otherwise dealing in, any transaction in, or in connection with, a digital commodity, unless a certification has been made under this section for the digital commodity.

“(7) Eligible Entity Defined.—In this subsection, the term ‘eligible entity’ means a registered entity or group of registered entities acting jointly.”.

SEC. 404. REGISTRATION OF DIGITAL COMMODITY EXCHANGES.

The Commodity Exchange Act (7 U.S.C. 1 et seq.) is amended by inserting after section 5h the following:

“SEC. 5i. REGISTRATION OF DIGITAL COMMODITY EXCHANGES.

“(a) In General.—

“(1) Registration.—

“(A) In General.—A trading facility that offers or seeks to offer a cash or spot market
in at least 1 digital commodity shall register with the Commission as a digital commodity exchange.

“(B) APPLICATION.—A person desiring to register as a digital commodity exchange shall submit to the Commission an application in such form and containing such information as the Commission may require for the purpose of making the determinations required for approval.

“(C) EXEMPTIONS.—A trading facility that offers or seeks to offer a cash or spot market in at least 1 digital commodity shall not be required to register under this section if the trading facility—

“(i) permits no more than a de minimis amount of trading activity; or

“(ii) serves only customers in a single State or territory.

“(2) ADDITIONAL REGISTRATIONS.—

“(A) WITH THE COMMISSION.—

“(i) IN GENERAL.—A registered digital commodity exchange may also register as—
“(I) a designated contract market; or

“(II) a swap execution facility.

“(ii) RULES.—For an entity with multiple registrations under clause (i), the Commission—

“(I) shall prescribe rules to exempt the entity from duplicative, conflicting, or unduly burdensome provisions of this Act and the rules under this Act, to the extent such an exemption would foster the development of fair and orderly cash or spot markets in digital commodities, be necessary or appropriate in the public interest, and be consistent with the protection of customers; and

“(II) may, after an analysis of the risks and benefits, prescribe rules to provide for portfolio margining, as may be necessary to protect market participants, promote fair and equitable trading in digital commodity markets, and promote responsible economic or financial innovation.
“(B) WITH THE SECURITIES AND EX-
CHANGE COMMISSION.—A registered digital
commodity exchange may register with the Se-
curities and Exchange Commission as a digital
asset trading system to list or trade contracts
of sale for digital assets deemed securities.

“(C) WITH A REGISTERED FUTURES ASso-
CIATION.—

“(i) IN GENERAL.—A registered dig-
ital commodity exchange shall also be a
member of a registered futures association
and comply with rules related to such ac-
tivity, if the registered digital commodity
exchange accepts customer funds required
to be segregated under subsection (d).

“(ii) RULEMAKING REQUIRED.—The
Commission shall require any registered
futures association with a digital com-
modity exchange as a member to provide
such rules as may be necessary to further
compliance with subsection (d), protect
customers, and promote the public interest.

“(D) REGISTRATION REQUIRED.—A per-
son required to be registered as a digital com-
modity exchange under this section shall reg-
ister with the Commission as such regardless of
whether the person is registered with another
State or Federal regulator.

“(b) TRADING.—

“(1) PROHIBITION ON CERTAIN TRADING PRACTICES.—

“(A) Section 4b shall apply to any agree-
ment, contract, or transaction in a digital com-
modity as if the agreement, contract, or trans-
action were a contract of sale of a commodity
for future delivery.

“(B) Section 4c shall apply to any agree-
ment, contract, or transaction in a digital com-
modity as if the agreement, contract, or trans-
action were a transaction involving the purchase
or sale of a commodity for future delivery.

“(2) PROHIBITION ON ACTING AS A
COUNTERPARTY.—

“(A) IN GENERAL.—A digital commodity
exchange or any affiliate of such an exchange
shall not trade on or subject to the rules of the
digital commodity exchange for its own account.

“(B) EXCEPTIONS.—The Commission
shall, by rule, permit a digital commodity ex-
change or any affiliate of a digital commodity
exchange to engage in trading on an affiliated exchange so long as the trading is not solely for the purpose of the profit of the exchange, including the following:

“(i) **CUSTOMER DIRECTION.**—A transaction for, or entered into at the direction of, or for the benefit of, an unaffiliated customer.

“(ii) **RISK MANAGEMENT.**—A transaction to manage the risks associated with the digital commodity business of the exchange.

“(iii) **FUNCTIONAL USE.**—A transaction related to the functional operation of a blockchain network.

“(C) **NOTICE REQUIREMENT.**—In order for a digital commodity exchange or any affiliate of a digital commodity exchange to engage in trading on the affiliated exchange pursuant to subsection (B), notice must be given to the Commission that shall enumerate how any proposed activity is consistent with the exceptions in subsection (B) and the principles of the Act.

“(D) **DELEGATION.**—The Commission may, by rule, delegate authority to the Director
of the Division of Market Oversight, or such
other employee or employees as the Director of
the Division of Market Oversight may designate
from time to time, to carry out these provisions.

“(3) TRADING SECURITIES.—A registered dig-
ital commodity exchange that is also registered with
the Securities and Exchange Commission may offer
a contract of sale of a digital asset deemed a secu-

“(4) RULES FOR CERTAIN DIGITAL ASSET
SALES.—The digital commodity exchange shall have
in place such rules as may be necessary to reason-
ably ensure the orderly sale of any unit of a digital
commodity sold by a related person or an affiliated
person.

“(c) CORE PRINCIPLES FOR DIGITAL COMMODITY
EXCHANGES.—

“(1) COMPLIANCE WITH CORE PRINCIPLES.—

“(A) IN GENERAL.—To be registered, and
maintain registration, as a digital commodity
exchange, a digital commodity exchange shall
comply with—

“(i) the core principles described in
this subsection; and
“(ii) any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5).

“(B) Reasonable discretion of a digital commodity exchange.—Unless otherwise determined by the Commission by rule or regulation, a digital commodity exchange described in subparagraph (A) shall have reasonable discretion in establishing the manner in which the digital commodity exchange complies with the core principles described in this subsection.

“(2) Compliance with rules.—A digital commodity exchange shall—

“(A) establish and enforce compliance with any rule of the digital commodity exchange, including—

“(i) the terms and conditions of the trades traded or processed on or through the digital commodity exchange; and

“(ii) any limitation on access to the digital commodity exchange;

“(B) establish and enforce trading, trade processing, and participation rules that will deter abuses and have the capacity to detect,
investigate, and enforce those rules, including
means—

“(i) to provide market participants
with impartial access to the market; and

“(ii) to capture information that may
be used in establishing whether rule viola-
tions have occurred; and

“(C) establish rules governing the oper-
ation of the exchange, including rules specifying
trading procedures to be used in entering and
executing orders traded or posted on the facil-
ity.

“(3) Listing standards for digital com-
modities.—

“(A) In general.—A digital commodity
exchange shall permit trading only in a digital
commodity that is not readily susceptible to ma-
nipulation.

“(B) Public information require-
ments.—

“(i) In general.—A digital com-
modity exchange shall permit trading only
in a digital commodity if the information
required in clause (ii) is correct, current,
and available to the public.
“(ii) REQUIRED INFORMATION.—

With respect to a digital commodity and each blockchain system to which the digital commodity relates for which the digital commodity exchange will make the digital commodity available to the customers of the digital commodity exchange, the information required in this clause is as follows:

“(I) SOURCE CODE.—The source code for any blockchain system to which the digital commodity relates.

“(II) TRANSACTION HISTORY.—A narrative description of the steps necessary to independently access, search, and verify the transaction history of any blockchain system to which the digital commodity relates.

“(III) DIGITAL ASSET ECONOMICS.—A narrative description of the purpose of any blockchain system to which the digital asset relates and the operation of any such blockchain system, including—

“(aa) information explaining the launch and supply process,
including the number of digital
assets to be issued in an initial
allocation, the total number of
digital assets to be created, the
release schedule for the digital
assets, and the total number of
digital assets then outstanding;

“(bb) information detailing
any applicable consensus mecha-
nism or process for validating
transactions, method of gener-
ating or mining digital assets,
and any process for burning or
destroying digital assets on the
blockchain system;

“(cc) an explanation of gov-
ernance mechanisms for imple-
menting changes to the
blockchain system or forming
consensus among holders of the
digital assets; and

“(dd) sufficient information
for a third party to create a tool
for verifying the transaction his-
tory of the digital asset.
“(IV) ADDITIONAL INFORMATION.—Such additional information as the Commission may, by rule, determine to be necessary for a customer to understand the financial and operational risks of a digital commodity, and to be in the public interest or in furtherance of the requirements of this Act.

“(C) ADDITIONAL LISTING CONSIDERATIONS.—In addition to the requirements of subparagraphs (A) and (B), a digital commodity exchange shall consider—

“(i) if a sufficient percentage of the units of the digital asset are units of a digital commodity to permit robust price discovery;

“(ii) if it is reasonably unlikely that the transaction history can be fraudulently altered by any person or group of persons acting collectively;

“(iii) if the operating structure and system of the digital commodity is secure from cybersecurity threats;
“(iv) if the functionality of the digital commodity will protect holders from operational failures;

“(v) if sufficient public information about the operation, functionality, and use of the digital commodity is available; and

“(vi) any other factor which the Commission has, by rule, determined to be in the public interest or in furtherance of the requirements of this Act.

“(D) RESTRICTED DIGITAL ASSETS.—A digital commodity exchange shall not permit the trading of a unit of a digital asset that is a restricted digital asset.

“(4) TREATMENT OF CUSTOMER ASSETS.—A digital commodity exchange shall establish standards and procedures that are designed to protect and ensure the safety of customer money, assets, and property.

“(5) MONITORING OF TRADING AND TRADE PROCESSING.—

“(A) IN GENERAL.—A digital commodity exchange shall provide a competitive, open, and efficient market and mechanism for executing
transactions that protects the price discovery process of trading on the exchange.

“(B) PROTECTION OF MARKETS AND MARKET PARTICIPANTS.—A digital commodity exchange shall establish and enforce rules—

“(i) to protect markets and market participants from abusive practices committed by any party, including abusive practices committed by a party acting as an agent for a participant; and

“(ii) to promote fair and equitable trading on the exchange.

“(C) TRADING PROCEDURES.—A digital commodity exchange shall—

“(i) establish and enforce rules or terms and conditions defining, or specifications detailing—

“(I) trading procedures to be used in entering and executing orders traded on or through the facilities of the digital commodity exchange; and

“(II) procedures for trade processing of digital commodities on or through the facilities of the digital commodity exchange; and
“(ii) monitor trading in digital commodities to prevent manipulation, price distortion, and disruptions of the delivery or cash settlement process through surveillance, compliance, and disciplinary practices and procedures, including methods for conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions.

“(6) ABILITY TO OBTAIN INFORMATION.—A digital commodity exchange shall—

“(A) establish and enforce rules that will allow the facility to obtain any necessary information to perform any of the functions described in this section;

“(B) provide the information to the Commission on request; and

“(C) have the capacity to carry out such international information-sharing agreements as the Commission may require.

“(7) EMERGENCY AUTHORITY.—A digital commodity exchange shall adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the Commission or a registered entity, as is necessary and appropriate, including the
authority to facilitate the liquidation or transfer of open positions in any digital commodity or to suspend or curtail trading in a digital commodity.

“(8) TIMELY PUBLICATION OF TRADING INFORMATION.—

“(A) IN GENERAL.—A digital commodity exchange shall make public timely information on price, trading volume, and other trading data on digital commodities to the extent prescribed by the Commission.

“(B) CAPACITY OF DIGITAL COMMODITY EXCHANGE.—A digital commodity exchange shall have the capacity to electronically capture and transmit trade information with respect to transactions executed on the exchange.

“(9) RECORDKEEPING AND REPORTING.—

“(A) IN GENERAL.—A digital commodity exchange shall—

“(i) maintain records of all activities relating to the business of the facility, including a complete audit trail, in a form and manner acceptable to the Commission for a period of 5 years;

“(ii) report to the Commission, in a form and manner acceptable to the Com-
mission, such information as the Commission determines to be necessary or appropriate for the Commission to perform the duties of the Commission under this Act; and

“(iii) keep any such records of digital commodities which relate to a security open to inspection and examination by the Securities and Exchange Commission.

“(B) INFORMATION-SHARING.—Subject to section 8, and on request, the Commission shall share information collected under subparagraph (A) with—

“(i) the Board;

“(ii) the Securities and Exchange Commission;

“(iii) each appropriate Federal banking agency;

“(iv) each appropriate State bank supervisor (within the meaning of section 3 of the Federal Deposit Insurance Act);

“(v) the Financial Stability Oversight Council;

“(vi) the Department of Justice; and
“(vii) any other person that the Commission determines to be appropriate, including—

“(I) foreign financial supervisors (including foreign futures authorities);

“(II) foreign central banks; and

“(III) foreign ministries.

“(C) CONFIDENTIALITY AGREEMENT.—Before the Commission may share information with any entity described in subparagraph (B), the Commission shall receive a written agreement from the entity stating that the entity shall abide by the confidentiality requirements described in section 8 relating to the information on digital commodities that is provided.

“(D) PROVIDING INFORMATION.—A digital commodity exchange shall provide to the Commission (including any designee of the Commission) information under subparagraph (A) in such form and at such frequency as is required by the Commission.

“(10) ANTITRUST CONSIDERATIONS.—Unless necessary or appropriate to achieve the purposes of this Act, a digital commodity exchange shall not—
“(A) adopt any rules or take any actions that result in any unreasonable restraint of trade; or

“(B) impose any material anticompetitive burden on trading.

“(11) CONFLICTS OF INTEREST.—A registered digital commodity exchange shall implement conflict-of-interest systems and procedures that—

“(A) establish structural and institutional safeguards—

“(i) to minimize conflicts of interest that might potentially bias the judgment or supervision of the digital commodity exchange and contravene the principles of fair and equitable trading and the business conduct standards described in this Act, including conflicts arising out of transactions or arrangements with affiliates (including affiliates engaging in digital commodity activities) which may include information partitions and the legal separation of different persons or entities involved in digital commodity activities; and

“(ii) to ensure that the activities of any person within the digital commodity
exchange or any affiliated entity relating to research or analysis of the price or market for any digital commodity or acting in a role of providing dealing, brokering, or advising activities are separated by appropriate informational partitions within the digital commodity exchange or any affiliated entity from the review, pressure, or oversight of persons whose involvement in pricing, trading, exchange, or clearing activities might potentially bias their judgment or supervision and contravene the core principles of open access and the business conduct standards described in this Act; and

“(B) address such other issues as the Commission determines to be appropriate.

“(12) FINANCIAL RESOURCES.—

“(A) IN GENERAL.—A digital commodity exchange shall have adequate financial, operational, and managerial resources, as determined by the Commission, to discharge each responsibility of the digital commodity exchange.

“(B) MINIMUM AMOUNT OF FINANCIAL RESOURCES.—A digital commodity exchange shall
possess financial resources that, at a minimum, exceed the total amount that would enable the digital commodity exchange to conduct an orderly wind-down of its activities.

“(13) DISCIPLINARY PROCEDURES.—A digital commodity exchange shall establish and enforce disciplinary procedures that authorize the digital commodity exchange to discipline, suspend, or expel members or market participants that violate the rules of the digital commodity exchange, or similar methods for performing the same functions, including delegation of the functions to third parties.

“(14) GOVERNANCE FITNESS STANDARDS.—

“(A) GOVERNANCE ARRANGEMENTS.—A digital commodity exchange shall establish governance arrangements that are transparent to fulfill public interest requirements.

“(B) FITNESS STANDARDS.—A digital commodity exchange shall establish and enforce appropriate fitness standards for—

“(i) directors; and

“(ii) any individual or entity with direct access to, or control of, customer assets.
“(15) SYSTEM SAFEGUARDS.—A digital commodity exchange shall—

“(A) establish and maintain a program of risk analysis and oversight to identify and minimize sources of operational and security risks, through the development of appropriate controls and procedures, and automated systems, that—

“(i) are reliable and secure; and

“(ii) have adequate scalable capacity;

“(B) establish and maintain emergency procedures, backup facilities, and a plan for disaster recovery that allow for—

“(i) the timely recovery and resumption of operations; and

“(ii) the fulfillment of the responsibilities and obligations of the digital commodity exchange; and

“(C) periodically conduct tests to verify that the backup resources of the digital commodity exchange are sufficient to ensure continued—

“(i) order processing and trade matching;

“(ii) price reporting;

“(iii) market surveillance; and
“(iv) maintenance of a comprehensive and accurate audit trail.

“(d) HOLDING OF CUSTOMER ASSETS.—

“(1) IN GENERAL.—A digital commodity exchange shall hold customer money, assets, and property in a manner to minimize the risk of loss to the customer or unreasonable delay in the access to the money, assets, and property of the customer.

“(A) SEGREGATION OF FUNDS.—

“(i) IN GENERAL.—A digital commodity exchange shall treat and deal with all money, assets, and property that is received by the digital commodity exchange, or accrues to a customer as the result of trading in digital commodities, as belonging to the customer.

“(ii) COMMINGLING PROHIBITED.—Money, assets, and property of a customer described in clause (i) shall be separately accounted for and shall not be commingled with the funds of the digital commodity exchange or be used to margin, secure, or guarantee any trades or accounts of any customer or person other than the person for whom the same are held.
“(B) EXCEPTIONS.—

“(i) USE OF FUNDS.—

“(I) IN GENERAL.—Notwithstanding subparagraph (A), money, assets, and property of customers of a digital commodity exchange described in subparagraph (A) may, for convenience, be commingled and deposited in the same account or accounts with any bank, trust company, derivatives clearing organization, or qualified digital commodity custodian.

“(II) WITHDRAWAL.—Notwithstanding subparagraph (A), such share of the money, assets, and property described in item (aa) as in the normal course of business shall be necessary to margin, guarantee, secure, transfer, adjust, or settle a contract of sale of a digital commodity with a registered entity may be withdrawn and applied to such purposes, including the payment of commissions, brokerage, interest, taxes, storage, and other charges, lawfully ac-
eruining in connection with the contract of sale of a digital commodity.

“(ii) COMMISSION ACTION.—Notwithstanding subparagraph (A), in accordance with such terms and conditions as the Commission may prescribe by rule, regulation, or order, any money, assets, or property of the customers of a digital commodity exchange described in subparagraph (A) may be commingled and deposited in customer accounts with any other money, assets, or property received by the digital commodity exchange and required by the Commission to be separately accounted for and treated and dealt with as belonging to the customer of the digital commodity exchange.

“(2) PERMITTED INVESTMENTS.—Money described in subparagraph (A) may be invested in obligations of the United States, in general obligations of any State or of any political subdivision of a State, and in obligations fully guaranteed as to principal and interest by the United States, or in any other investment that the Commission may by rule or regulation prescribe, and such investments shall
be made in accordance with such rules and regulations and subject to such conditions as the Commission may prescribe.

“(3) CUSTOMER PROTECTION DURING BANKRUPTCY.—

“(A) CUSTOMER PROPERTY.—All assets held on behalf of a customer by a digital commodity exchange, and all money, assets, and property of any customer received by a digital commodity exchange for trading or custody, or to facilitate, margin, guarantee, or secure contracts of sale of a digital commodity (including money, assets, or property accruing to the customer as the result of the transactions), shall be considered customer property for purposes of section 761 of title 11, United States Code.

“(B) TRANSACTIONS.—A transaction involving a unit of a digital commodity occurring on or subject to the rules of a digital commodity exchange shall be considered a ‘contract for the purchase or sale of a commodity for future delivery, on or subject to the rules of, a contract market or board of trade’ for the purposes of the definition of a ‘commodity con-
tract’ in section 761 of title 11, United States Code.

“(C) EXCHANGES.—A digital commodity exchange shall be considered a futures commission merchant for purposes of section 761 of title 11, United States Code.

“(4) MISUSE OF CUSTOMER PROPERTY.—

“(A) IN GENERAL.—It shall be unlawful—

“(i) for any digital commodity exchange that has received any customer money, assets, or property for custody to dispose of, or use any such money, assets, or property as belonging to the digital commodity exchange; or

“(ii) for any other person, including any depository, other digital commodity exchange, or digital commodity custodian that has received any customer money, assets, or property for deposit, to hold, dispose of, or use any such money, assets, or property, or property, as belonging to the depositing digital commodity exchange or any person other than the customers of the digital commodity exchange.
“(B) Use further defined.—For purposes of this section, ‘use’ of a digital commodity includes utilizing any unit of a digital asset to participate in a blockchain service defined in paragraph (5) or a decentralized governance system associated with the digital commodity or the blockchain system to which the digital commodity relates in any manner other than that expressly directed by the customer from whom the unit of a digital commodity was received.

“(5) Participation in blockchain services.—

“(A) In general.—A customer shall have the right to waive the restrictions in paragraph (1) for any unit of a digital commodity to be used under subparagraph (B), by affirmatively electing, in writing to the digital commodity exchange, to waive the restrictions.

“(B) Use of funds.—Customer digital commodities removed from segregation under subparagraph (A) may be pooled and used by the digital commodity exchange or its designee to provide a blockchain service for a blockchain system to which the unit of the digital asset re-
moved from segregation in subparagraph (A) relates.

“(C) LIMITATIONS.—The Commission may, by rule, establish notice and disclosure requirements, and any other limitations and rules related to the waiving of any restrictions under this paragraph that are reasonably necessary to protect customers, including eligible contract participants, non-eligible contract participants, or any other class of customers.

“(D) BLOCKCHAIN SERVICE DEFINED.—In this subparagraph, the term ‘blockchain service’ means any activity relating to validating transactions on a blockchain system, providing security for a blockchain system, or other similar activity required for the ongoing operation of a blockchain system.

“(e) MARKET ACCESS REQUIREMENTS.—

“(1) IN GENERAL.—A digital commodity exchange shall require any person who is not an eligible contract participant to access trading on the exchange through a digital commodity broker.

“(2) AFFILIATED COMMODITY BROKERS.—A registered digital commodity exchange may allow an
affiliated digital commodity broker to facilitate ac-
access to the digital commodity exchange, if—

“(A) no other digital commodity brokers
facilitate access to the exchange;

“(B) the affiliated digital commodity can-
not provide customer access to another digital
commodity exchange; and

“(C) the affiliated digital commodity
broker is not also registered as a digital com-
modity dealer.

“(3) DIRECT ACCESS FOR ELIGIBLE CONTRACT
PARTICIPANTS.—Nothing in this section shall pro-
hibit a digital commodity exchange in compliance
with this section from permitting direct access for
eligible contract participants.

“(4) ADDITIONAL REQUIREMENTS.—

“(A) IN GENERAL.—The Commission may,
by rule, impose any additional requirements re-
lated to the operations and activities of the dig-
ital commodity exchange and the affiliated dig-
ital commodity broker necessary to protect mar-
ket participants, promote fair and equitable
trading on the digital commodity exchange, and
promote responsible economic or financial inno-
vation.
“(B) DELEGATION OF AUTHORITY.—The Commission may delegate to a registered futures association such oversight and regulatory requirements as the Commission determines are necessary to—

“(i) supervise the activities of the digital commodity exchange and an affiliated digital commodity broker; and

“(ii) protect market participants, promote fair and equitable trading on the digital commodity exchange, and promote responsible economic or financial innovation.

“(C) COMPETITIVE ACCESS RULE.—Notwithstanding paragraph (2)(A), the Commission shall, by rule, adopt standards that permit a digital commodity exchange to allow both affiliated and unaffiliated digital commodity brokers to facilitate access to the digital commodity exchange. The Commission rule shall address—

“(i) additional requirements for independent governance arrangements and fitness standards of affiliated entities;

“(ii) open access;

“(iii) conflicts of interest;

“(iv) antitrust considerations; and
“(v) any other factor that the Commission determines is necessary or appropriate to foster an open and competitive market and is in the public interest.

“(f) DESIGNATION OF CHIEF COMPLIANCE OFFICER.—

“(1) IN GENERAL.—A digital commodity exchange shall designate an individual to serve as a chief compliance officer.

“(2) DUTIES.—The chief compliance officer shall—

“(A) report directly to the board or to the senior officer of the exchange;

“(B) review compliance with the core principles in this subsection;

“(C) in consultation with the board of the exchange, a body performing a function similar to that of a board, or the senior officer of the exchange, resolve any conflicts of interest that may arise;

“(D) establish and administer the policies and procedures required to be established pursuant to this section;

“(E) ensure compliance with this Act and the rules and regulations issued under this Act,
including rules prescribed by the Commission pursuant to this section; and

“(F) establish procedures for the remediation of noncompliance issues found during compliance office reviews, look backs, internal or external audit findings, self-reported errors, or through validated complaints.

“(3) REQUIREMENTS FOR PROCEDURES.—In establishing procedures under paragraph (2)(F), the chief compliance officer shall design the procedures to establish the handling, management response, remediation, retesting, and closing of noncompliance issues.

“(4) ANNUAL REPORTS.—

“(A) IN GENERAL.—In accordance with rules prescribed by the Commission, the chief compliance officer shall annually prepare and sign a report that contains a description of—

“(i) the compliance of the digital commodity exchange with this Act; and

“(ii) the policies and procedures, including the code of ethics and conflict of interest policies, of the digital commodity exchange.
“(B) REQUIREMENTS.—The chief compliance officer shall—

“(i) submit each report described in subparagraph (A) with the appropriate financial report of the digital commodity exchange that is required to be submitted to the Commission pursuant to this section; and

“(ii) include in the report a certification that, under penalty of law, the report is accurate and complete.

“(g) APPOINTMENT OF TRUSTEE.—

“(1) IN GENERAL.—If a proceeding under section 5e results in the suspension or revocation of the registration of a digital commodity exchange, or if a digital commodity exchange withdraws from registration, the Commission, on notice to the digital commodity exchange, may apply to the appropriate United States district court where the digital commodity exchange is located for the appointment of a trustee.

“(2) ASSUMPTION OF JURISDICTION.—If the Commission applies for appointment of a trustee under paragraph (1)—
“(A) the court may take exclusive jurisdiction over the digital commodity exchange and the records and assets of the digital commodity exchange, wherever located; and

“(B) if the court takes jurisdiction under subparagraph (A), the court shall appoint the Commission, or a person designated by the Commission, as trustee with power to take possession and continue to operate or terminate the operations of the digital commodity exchange in an orderly manner for the protection of customers subject to such terms and conditions as the court may prescribe.

“(h) QUALIFIED DIGITAL COMMODITY CUSTODIAN.—A digital commodity exchange shall hold in a qualified digital commodity custodian each unit of a digital commodity that is—

“(1) the property of a customer of the digital commodity exchange;

“(2) required to be held by the digital commodity exchange under subsection (c)(12) of this section; or

“(3) otherwise so required by the Commission to reasonably protect customers or promote the public interest.
“(i) Exemptions.—

“(1) In order to promote responsible economic or financial innovation and fair competition, or protect customers, the Commission may (on its own initiative or on application of the registered digital commodity exchange) exempt, either unconditionally or on stated terms or conditions or for stated periods and either retroactively or prospectively, or both, a registered digital commodity exchange from the requirements of this section, if the Commission determines that—

“(A) the exemption would be consistent with the public interest and the purposes of this Act; and

“(B) the exemption will not have a material adverse effect on the ability of the Commission or the digital commodity exchange to discharge regulatory or self-regulatory duties under this Act.

“(2) The Commission may exempt, conditionally or unconditionally, a digital commodity exchange from registration under this section if the Commission finds that the digital commodity exchange is subject to comparable, comprehensive supervision and regulation on a consolidated basis by
the appropriate governmental authorities in the home country of the facility.

“(j) CUSTOMER DEFINED.—In this section, the term ‘customer’ means any person that maintains an account for the trading of digital commodities directly with a digital commodity exchange (other than a person that is owned or controlled, directly or indirectly, by the digital commodity exchange) for its own behalf or on behalf of any other person.

“(k) FEDERAL PREEMPTION.—Notwithstanding any other provision of law, the Commission shall have exclusive jurisdiction over any digital commodity exchange registered under this section.

“(l) TREATMENT UNDER THE BANK SECRECY ACT.—A registered digital commodity exchange shall be treated as a financial institution for purposes of the Bank Secrecy Act.

“(m) WITHDRAWAL OF CERTIFICATION OF A BLOCKCHAIN SYSTEM.—

“(1) IN GENERAL.—

“(A) DETERMINATION BY A DIGITAL COMMODITY EXCHANGE.—With respect to a certification of a blockchain system that becomes effective pursuant to section 44(f) of the Securities Exchange Act of 1934, if a digital com-
modity exchange determines that the blockchain
system may not be a decentralized network, the
digital commodity exchange shall notify the
Commission of such determination.

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

““(i) publish a notice announcing the
proposed withdrawal;
“(ii) provide a 30 day comment period
with respect to the proposed withdrawal;
and
“(iii) after the end of the 30-day com-
ment required under clause (ii), publish ei-
ther—
“(I) a notification of withdrawal
of the applicable certification; or
“(II) a notice that the Commis-
sion is not withdrawing the certifi-
cation.
“(C) DETAILED ANALYSIS REQUIRED.—
The Commission shall include, with each pub-
lication of a notification of withdrawal described
under subparagraph (B)(iii)(I), a detailed analysis of the factors on which the decision was based.

“(2) Recertification.—With respect to a blockchain system for which a certification has been withdrawn under this subsection, no person may make a certification under section 44(a) of the Securities Exchange Act of 1934 with respect to such blockchain system during the 90-day period beginning on the date of such withdrawal.

“(3) Appeal of withdrawal.—

“(A) In general.—If a certification is withdrawn under this subsection, a person making may appeal the decision to the United States Court of Appeals for the District of Columbia, not later than 60 days after the notice of withdrawal is made.

“(B) Review.—In an appeal under subparagraph (A), the court shall have de novo review of the determination to withdraw the certification.”.

SEC. 405. QUALIFIED DIGITAL COMMODITY CUSTODIANS.

The Commodity Exchange Act (7 U.S.C. 1 et seq.), as amended by the preceding provisions of this Act, is amended by inserting after section 5i the following:
SEC. 5j. QUALIFIED DIGITAL COMMODITY CUSTODIANS.

(a) IN GENERAL.—For purposes of this Act, a qualified digital commodity custodian is a digital commodity custodian who meets the following conditions:

(1) SUPERVISION.—The digital commodity custodian is subject to adequate supervision and appropriate regulation.

(2) NO PROHIBITION.—The digital commodity custodian is—

(A) subject to the supervision of—

(i) an appropriate Federal banking agency;

(ii) a State bank supervisor (within the meaning of section 3 of the Federal Deposit Insurance Act);

(iii) the Commission or the Securities and Exchange Commission; or

(iv) an appropriate foreign governmental authority in the home country of the digital commodity custodian; and

(B) not prohibited by the applicable supervisor referred to in subparagraph (A) from engaging in any activity with respect to the holding of digital commodities.

(3) INFORMATION-SHARING.—
“(A) IN GENERAL.—The digital commodity custodian agrees to such periodic sharing of information regarding customer accounts the digital commodity custodian holds on behalf of an entity registered with the Commission, as the Commission determines by rule shall be reasonably necessary to effectuate any of the provisions, or to accomplish any of the purposes, of this Act.

“(B) PROVISION OF INFORMATION.—Any person that is subject to regulation and examination by an appropriate Federal banking agency may satisfy any information request described in subparagraph (A), by providing the Commission with a detailed listing, in writing, of the digital commodities of a customer within the custody or use of the person.

“(b) ADEQUATE SUPERVISION AND APPROPRIATE REGULATION FURTHER DEFINED.—

“(1) IN GENERAL.—In subsection (a), the terms ‘adequate supervision’ and ‘appropriate regulation’ mean such minimum standards for supervision and regulation as are reasonably necessary to protect the digital commodities of customers of an
entity registered with the Commission, including minimum standards relating to—

“(A) accessibility of customer assets;

“(B) financial resources;

“(C) risk management requirements;

“(D) governance arrangements;

“(E) fitness standards for officers and directors;

“(F) recordkeeping;

“(G) information-sharing; and

“(H) conflicts of interest.

“(2) DEEMED COMPLIANCE.—For purposes of subsection (a), a digital commodity custodian is deemed to be subject to adequate supervision and appropriate regulation, if the digital commodity custodian is—

“(A) subject to the supervision of the Commission; or

“(B) a bank subject to the supervision of an appropriate Federal banking agency or a State bank supervisor (within the meaning of section 3 of the Federal Deposit Insurance Act).

“(3) RULEMAKING AUTHORITY.—For purposes of subsection (a), the Commission may, by rule, fur-
ther define the terms ‘adequate supervision’ and ‘ap-
propriate regulation’ as necessary in the public in-
terest, as appropriate for the protection of cus-
tomers, and consistent with the purposes of this Act.

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

SEC. 406. REGISTRATION AND REGULATION OF DIGITAL

COMMODITY BROKERS AND DEALERS.

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

“SEC. 4u. REGISTRATION AND REGULATION OF DIGITAL

COMMODITY BROKERS AND DEALERS.

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

“(b) REQUIREMENTS.—

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

“(2) CONTENTS.—

“(A) IN GENERAL.—The application shall be made in such form and manner as is prescribed by the Commission, and shall contain such information as the Commission considers necessary concerning the business in which the applicant is or will be engaged.

“(B) CONTINUAL REPORTING.—A person that is registered as a digital commodity broker or digital commodity dealer shall continue to submit to the Commission reports that contain such information pertaining to the business of the person as the Commission may require.

“(3) TRANSITION.—Within 180 days after the date of the enactment of this section, the Commission shall prescribe rules providing for the registration of digital commodity brokers and digital commodity dealers under this section.

“(4) STATUTORY DISQUALIFICATION.—Except to the extent otherwise specifically provided by rule, regulation, or order, it shall be unlawful for a digital commodity broker or digital commodity dealer to permit any person who is associated with a digital
commodity broker or a digital commodity dealer and who is subject to a statutory disqualification to effect or be involved in effecting a contract of sale of a digital commodity on behalf of the digital commodity broker or the digital commodity dealer, respectively, if the digital commodity broker or digital commodity dealer, respectively, knew, or in the exercise of reasonable care should have known, of the statutory disqualification.

“(5) LIMITATIONS ON CERTAIN ASSETS.—A digital commodity broker or digital commodity dealer shall not offer, offer to enter into, enter into, or facilitate any contract of sale of a digital commodity that has not been certified under section 5c(d).

“(c) ADDITIONAL REGISTRATIONS.—

“(1) WITH THE COMMISSION.—Any person required to be registered as a digital commodity broker or digital commodity dealer may also be registered as a futures commission merchant, introducing broker, or swap dealer.

“(2) WITH THE SECURITIES AND EXCHANGE COMMISSION.—Any person required to be registered as a digital commodity broker or digital commodity dealer under this section may register with the Securities and Exchange Commission as a digital asset
broker or digital asset dealer, pursuant to section 15(b) of the Securities Exchange Act of 1934, as applicable, if the digital asset broker or digital asset dealer limits its solicitation of orders, acceptance of orders, or execution of orders, or placing of orders on behalf of others involving any contract of sale of digital assets.

“(3) WITH MEMBERSHIP IN A REGISTERED FUTURES ASSOCIATION.—Any person required to be registered as a digital commodity broker or digital commodity dealer under this section shall be a member of a registered futures association.

“(4) REGISTRATION REQUIRED.—Any person required to be registered as a digital commodity broker or digital commodity dealer under this section shall register with the Commission as such regardless of whether the person is registered with another State or Federal regulator.

“(d) RULEMAKING.—

“(1) IN GENERAL.—The Commission shall prescribe such rules applicable to registered digital commodity brokers and registered digital commodity dealers as are appropriate to carry out this section, including rules in the public interest that limit the
activities of digital commodity brokers and digital commodity dealers.

“(2) MULTIPLE REGISTRANTS.—The Commission shall prescribe rules or regulations permitting, or may otherwise authorize, exemptions or additional requirements applicable to persons with multiple registrations under this Act, including as futures commission merchants, introducing brokers, digital commodity brokers, digital commodity dealers, or swap dealers, as may be in the public interest to reduce compliance costs and promote customer protection.

“(e) CAPITAL REQUIREMENTS.—

“(1) IN GENERAL.—Each digital commodity broker and digital commodity dealer shall meet such minimum capital requirements as the Commission may prescribe to ensure that the digital commodity broker or digital commodity dealer, respectively, is able to—

“(A) meet, and continue to meet, at all times, the obligations of such a registrant;

“(B) conduct an orderly wind-down of the activities of the digital commodity broker or digital commodity dealer, respectively; and

“(C) in the case of a digital commodity dealer, fulfill the counterparty obligations of the
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digital commodity dealer for any margined, leveraged, or financed transactions.

“(2) RULE OF CONSTRUCTION.—Nothing in this section shall limit, or be construed to limit, the authority of the Securities and Exchange Commission to set financial responsibility rules for a broker or dealer registered pursuant to section 15(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(b)) (except for section 15(b)(11) of such Act (15 U.S.C. 78o(b)(11)) in accordance with section 15(c)(3) of such Act (15 U.S.C. 78o(c)(3)).

“(3) FUTURES COMMISSION MERCHANTS AND OTHER DEALERS.—

“(A) IN GENERAL.—Each futures commission merchant, introducing broker, digital commodity broker, digital commodity dealer, broker, and dealer shall maintain sufficient capital to comply with the stricter of any applicable capital requirements to which the futures commission merchant, introducing broker, digital commodity broker, digital commodity dealer, broker, or dealer, respectively, is subject under this Act or the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).
“(B) COORDINATION OF CAPITAL REQUIREMENTS.—

“(i) COMMISSION RULE.—The Commission shall, by rule, provide appropriate offsets to any applicable capital requirement for a person with multiple registrations as a digital commodity dealer, digital commodity broker, futures commission merchant, or introducing broker.

“(ii) JOINT RULE.—The Commission and the Securities and Exchange Commission shall jointly, by rule, provide appropriate offsets to any applicable capital requirement for a person with multiple registrations as a digital commodity dealer, digital commodity broker, futures commission merchant, introducing broker, broker, or dealer.

“(f) REPORTING AND RECORDKEEPING.—Each digital commodity broker and digital commodity dealer—

“(1) shall make such reports as are required by the Commission by rule or regulation regarding the transactions, positions, and financial condition of the digital commodity broker or digital commodity dealer, respectively;
“(2) shall keep books and records in such form
and manner and for such period as may be pre-
scribed by the Commission by rule or regulation; and

“(3) shall keep the books and records open to
inspection and examination by any representative of
the Commission.

“(g) DAILY TRADING RECORDS.—

“(1) IN GENERAL.—Each digital commodity
broker and digital commodity dealer shall maintain
daily trading records of the transactions of the dig-
ital commodity broker or digital commodity dealer,
respectively, and all related records (including re-
lated forward or derivatives transactions) and re-
corded communications, including electronic mail, in-
stant messages, and recordings of telephone calls,
for such period as the Commission may require by
rule or regulation.

“(2) INFORMATION REQUIREMENTS.—The daily
trading records shall include such information as the
Commission shall require by rule or regulation.

“(3) COUNTERPARTY RECORDS.—Each digital
commodity broker and digital commodity dealer shall
maintain daily trading records for each customer or
counterparty in a manner and form that is identifi-
able with each digital commodity transaction.
“(4) AUDIT TRAIL.—Each digital commodity broker and digital commodity dealer shall maintain a complete audit trail for conducting comprehensive and accurate trade reconstructions.

“(h) BUSINESS CONDUCT STANDARDS.—

“(1) IN GENERAL.—Each digital commodity broker and digital commodity dealer shall conform with such business conduct standards as the Commission, by rule or regulation, prescribes related to—

“(A) fraud, manipulation, and other abusive practices involving spot or margined, leveraged, or financed digital commodity transactions (including transactions that are offered but not entered into);

“(B) diligent supervision of the business of the registered digital commodity broker or digital commodity dealer, respectively; and

“(C) such other matters as the Commission deems appropriate.

“(2) BUSINESS CONDUCT REQUIREMENTS.— The Commission shall, by rule, prescribe business conduct requirements which—

“(A) require disclosure by a registered digital commodity broker and registered digital
commodity dealer to any counterparty to the transaction (other than an eligible contract participant) of—

“(i) information about the material risks and characteristics of the digital commodity;

“(ii) information about the material risks and characteristics of the transaction;

“(B) establish a duty for such a digital commodity broker and such a digital commodity dealer to communicate in a fair and balanced manner based on principles of fair dealing and good faith;

“(C) establish standards governing digital commodity broker and digital commodity dealer marketing and advertising, including testimonials and endorsements; and

“(D) establish such other standards and requirements as the Commission may determine are—

“(i) in the public interest;

“(ii) appropriate for the protection of customers; or

“(iii) otherwise in furtherance of the purposes of this Act.
“(3) Prohibition on fraudulent practices.—It shall be unlawful for a digital commodity broker or digital commodity dealer to—

“(A) employ any device, scheme, or artifice to defraud any customer or counterparty;

“(B) engage in any transaction, practice, or course of business that operates as a fraud or deceit on any customer or counterparty; or

“(C) engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative.

“(i) Duties.—

“(1) Risk management procedures.—Each digital commodity broker and digital commodity dealer shall establish robust and professional risk management systems adequate for managing the day-to-day business of the digital commodity broker or digital commodity dealer, respectively.

“(2) Disclosure of general information.—Each digital commodity broker and digital commodity dealer shall disclose to the Commission information concerning—

“(A) the terms and conditions of the transactions of the digital commodity broker or digital commodity dealer, respectively;
“(B) the trading operations, mechanisms, and practices of the digital commodity broker or digital commodity dealer, respectively;

“(C) financial integrity protections relating to the activities of the digital commodity broker or digital commodity dealer, respectively; and

“(D) other information relevant to trading in digital commodities by the digital commodity broker or digital commodity dealer, respectively.

“(3) ABILITY TO OBTAIN INFORMATION.—Each digital commodity broker and digital commodity dealer shall—

“(A) establish and enforce internal systems and procedures to obtain any necessary information to perform any of the functions described in this section; and

“(B) provide the information to the Commission, on request.

“(4) CONFLICTS OF INTEREST.—Each digital commodity broker and digital commodity dealer shall implement conflict-of-interest systems and procedures that—

“(A) establish structural and institutional safeguards—
“(i) to minimize conflicts of interest that might potentially bias the judgment or supervision of the digital commodity broker or digital commodity dealer, respectively, and contravene the principles of fair and equitable trading and the business conduct standards described in this Act, including conflicts arising out of transactions or arrangements with affiliates (including affiliates acting as digital asset issuers, digital commodity dealers, or qualified digital commodity custodians), which may include information partitions and the legal separation of different persons involved in digital commodity activities; and

“(ii) to ensure that the activities of any person within the digital commodity broker or digital commodity dealer relating to research or analysis of the price or market for any digital commodity or acting in a role of providing exchange activities or making determinations as to accepting exchange customers are separated by appropriate informational partitions within the digital commodity broker or digital com-
commodity dealer from the review, pressure, or oversight of persons whose involvement in pricing, trading, exchange, or clearing activities might potentially bias their judgment or supervision and contravene the core principles of open access and the business conduct standards described in this Act; and

“(B) address such other issues as the Commission determines to be appropriate.

“(5) ANTITRUST CONSIDERATIONS.—Unless necessary or appropriate to achieve the purposes of this Act, a digital commodity broker or digital commodity dealer shall not—

“(A) adopt any process or take any action that results in any unreasonable restraint of trade; or

“(B) impose any material anticompetitive burden on trading or clearing.

“(j) DESIGNATION OF CHIEF COMPLIANCE OFFICER.—

“(1) IN GENERAL.—Each digital commodity broker and digital commodity dealer shall designate an individual to serve as a chief compliance officer.
“(2) DUTIES.—The chief compliance officer shall—

“(A) report directly to the board or to the senior officer of the registered digital commodity broker or registered digital commodity dealer;

“(B) review the compliance of the registered digital commodity broker or registered digital commodity dealer with respect to the registered digital commodity broker and registered digital commodity dealer requirements described in this section;

“(C) in consultation with the board of directors, a body performing a function similar to the board, or the senior officer of the organization, resolve any conflicts of interest that may arise;

“(D) be responsible for administering each policy and procedure that is required to be established pursuant to this section;

“(E) ensure compliance with this Act (including regulations), including each rule prescribed by the Commission under this section;
“(F) establish procedures for the remediation of noncompliance issues identified by the chief compliance officer through any—

“(i) compliance office review;

“(ii) look-back;

“(iii) internal or external audit finding;

“(iv) self-reported error; or

“(v) validated complaint; and

“(G) establish and follow appropriate procedures for the handling, management response, remediation, retesting, and closing of noncompliance issues.

“(3) ANNUAL REPORTS.—

“(A) IN GENERAL.—In accordance with rules prescribed by the Commission, the chief compliance officer shall annually prepare and sign a report that contains a description of—

“(i) the compliance of the registered digital commodity broker or registered digital commodity dealer with respect to this Act (including regulations); and

“(ii) each policy and procedure of the registered digital commodity broker or registered digital commodity dealer of the
chief compliance officer (including the code of ethics and conflict of interest policies).

“(B) REQUIREMENTS.—The chief compliance officer shall ensure that a compliance report under subparagraph (A)—

“(i) accompanies each appropriate financial report of the registered digital commodity broker or registered digital commodity dealer that is required to be furnished to the Commission pursuant to this section; and

“(ii) includes a certification that, under penalty of law, the compliance report is accurate and complete.

“(k) SEGREGATION OF DIGITAL COMMODITIES.—

“(1) HOLDING OF CUSTOMER ASSETS.—

“(A) IN GENERAL.—Each digital commodity broker and digital commodity dealer shall hold customer money, assets, and property in a manner to minimize the risk of loss to the customer or unreasonable delay in customer access to the money, assets, and property of the customer.

“(B) QUALIFIED DIGITAL COMMODITY CUSTODIAN.—Each digital commodity broker
and digital commodity dealer shall hold in a qualified digital commodity custodian each unit of a digital commodity that is—

“(i) the property of a customer or counterparty of the digital commodity broker or digital commodity dealer, respectively;

“(ii) required to be held by the digital commodity broker or digital commodity dealer under subsection (e); or

“(iii) otherwise so required by the Commission to reasonably protect customers or promote the public interest.

“(2) SEGREGATION OF FUNDS.—

“(A) IN GENERAL.—Each digital commodity broker and digital commodity dealer shall treat and deal with all money, assets, and property that is received by the registered digital commodity broker or registered digital commodity dealer, or accrues to a customer as the result of trading in digital commodities, as belonging to the customer.

“(B) COMMINGLING PROHIBITED.—

“(i) IN GENERAL.—Except as provided in clause (ii), each digital commodity
broker and digital commodity dealer shall separately account for money, assets, and property of a digital commodity customer, and shall not commingle any such money, assets, or property with the funds of the digital commodity broker or digital commodity dealer, respectively, or use any such money, assets, or property to margin, secure, or guarantee any trades or accounts of any customer or person other than the person for whom the money, assets, or property are held.

“(ii) EXCEPTIONS.—

“(I) USE OF FUNDS.—

“(aa) IN GENERAL.—A digital commodity broker or digital commodity dealer may, for convenience, commingle and deposit in the same account or accounts with any bank, trust company, derivatives clearing organization, or qualified digital commodity custodian money, assets, and property of customers.
“(bb) WITHDRAWAL.—The share of the money, assets, and property described in item (aa) as in the normal course of business shall be necessary to margin, guarantee, secure, transfer, adjust, or settle a contract of sale of a digital commodity with a registered entity may be withdrawn and applied to such purposes, including the payment of commissions, brokerage, interest, taxes, storage, and other charges, lawfully accruing in connection with the contract.

“(II) COMMISSION ACTION.—In accordance with such terms and conditions as the Commission may prescribe by rule, regulation, or order, any money, assets, or property of the customers of a digital commodity broker or digital commodity dealer may be commingled and deposited in customer accounts with any other money, assets, or property received by
the digital commodity broker or digital commodity dealer, respectively, and required by the Commission to be separately accounted for and treated and dealt with as belonging to the customer of the digital commodity broker or digital commodity dealer, respectively.

“(3) PERMITTED INVESTMENTS.—Money described in paragraph (2) may be invested in obligations of the United States, in general obligations of any State or of any political subdivision of a State, in obligations fully guaranteed as to principal and interest by the United States, or in any other investment that the Commission may by rule or regulation allow.

“(4) CUSTOMER PROTECTION DURING BANKRUPTCY.—

“(A) CUSTOMER PROPERTY.—All money, assets, or property described in paragraph (2) shall be considered customer property for purposes of section 761 of title 11, United States Code.

“(B) TRANSACTIONS.—A transaction involving a unit of a digital commodity occurring
with a digital commodity dealer shall be considered a ‘contract for the purchase or sale of a commodity for future delivery, on or subject to the rules of, a contract market or board of trade’ for purposes of the definition of a ‘commodity contract’ in section 761 of title 11, United States Code.

“(C) BROKERS AND DEALERS.—A digital commodity dealer and a digital commodity broker shall be considered a futures commission merchant for purposes of section 761 of title 11, United States Code.

“(D) ASSETS REMOVED FROM SEGREGATION.—Assets removed from segregation due to a customer election under paragraph (5) shall not be considered customer property for purposes of section 761 of title 11, United States Code.

“(5) MISUSE OF CUSTOMER PROPERTY.—

“(A) IN GENERAL.—It shall be unlawful—

“(i) for any digital commodity broker or digital commodity dealer that has received any customer money, assets, or property for custody to dispose of, or use any such money, assets, or property as be-
longing to the digital commodity broker or
digital commodity dealer, respectively; or

“(ii) for any other person, including
any depository, digital commodity ex-
change, other digital commodity broker,
other digital commodity dealer, or digital
commodity custodian that has received any
customer money, assets, or property for
deposit, to hold, dispose of, or use any
such money, assets, or property, as belong-
ing to the depositing digital commodity
broker or digital commodity dealer or any
person other than the customers of the
digital commodity broker or digital com-
modity dealer, respectively.

“(B) USE FURTHER DEFINED.—For pur-
poses of this section, ‘use’ of a digital com-
modity includes utilizing any unit of a digital
asset to participate in a blockchain service de-
fined in paragraph (6) or a decentralized gov-
ernance system associated with the digital com-
modity or the blockchain system to which the
digital commodity relates in any manner other
than that expressly directed by the customer
from whom the unit of a digital commodity was received.

“(6) Participation in Blockchain Services.—

“(A) In General.—A customer shall have the right to waive the restrictions in paragraph (1) for any unit of a digital commodity to be used under subparagraph (B), by affirmatively electing, in writing to the digital commodity broker or digital commodity dealer, to waive the restrictions.

“(B) Use of Funds.—Customer digital commodities removed from segregation under subparagraph (A) may be pooled and used by the digital commodity broker or digital commodity dealer, or one of their designees, to provide a blockchain service for a blockchain system to which the unit of the digital asset removed from segregation in subparagraph (A) relates.

“(C) Limitations.—The Commission may, by rule, establish notice and disclosure requirements, and any other limitations and rules related to the waiving of any restrictions under this paragraph that are reasonably necessary to
protect customers, including eligible contract
participants, non-eligible contract participants,
or any other class of customers.

“(D) BLOCKCHAIN SERVICE DEFINED.—In
this subparagraph, the term ‘blockchain service’
means any activity relating to validating trans-
actions on a blockchain system, providing secu-
riety for a blockchain system, or other similar
activity required for the ongoing operation of a
blockchain system.

“(l) FEDERAL PREEMPTION.—Notwithstanding any
other provision of law, the Commission shall have exclusive
jurisdiction over any digital commodity broker or digital
commodity dealer registered under this section.

“(m) EXEMPTIONS.—In order to promote responsible
economic or financial innovation and fair competition, or
protect customers, the Commission may (on its own initia-
tive or on application of the registered digital commodity
broker or registered digital commodity dealer) exempt, un-
conditionally or on stated terms or conditions, or for stat-
ed periods, and retroactively or prospectively, or both, a
registered digital commodity broker or registered digital
commodity dealer from the requirements of this section,
if the Commission determines that—
“(1) (A) the exemption would be consistent with the public interest and the purposes of this Act; and

“(B) the exemption will not have a material adverse effect on the ability of the Commission to discharge regulatory duties under this Act; or

“(2) the registered digital commodity broker or registered digital commodity dealer is subject to comparable, comprehensive supervision and regulation by the appropriate government authorities in the home country of the registered digital commodity broker or registered digital commodity dealer, respectively.

“(n) TREATMENT UNDER THE BANK SecRECY ACT.—A registered digital commodity broker and a registered digital commodity dealer shall be treated as a financial institution for purposes of the Bank Secrecy Act.”.

SEC. 407. REGISTRATION OF ASSOCIATED PERSONS.

(a) IN GENERAL.—Section 4k of the Commodity Exchange Act (7 U.S.C. 6k) is amended—

(1) by redesignating subsections (4) through (6) as subsections (5) through (7), respectively; and

(2) by inserting after subsection (3) the following:

“(4) It shall be unlawful for any person to act as an associated person of a digital commodity broker or an as-
sociated person of a digital commodity dealer unless the
person is registered with the Commission under this Act
and such registration shall not have expired, been sus-
pended (and the period of suspension has not expired),
or been revoked. It shall be unlawful for a digital com-
modity broker or a digital commodity dealer to permit
such a person to become or remain associated with the
digital commodity broker or digital commodity dealer if
the digital commodity broker or digital commodity dealer
knew or should have known that the person was not so
registered or that the registration had expired, been sus-
pended (and the period of suspension has not expired),
or been revoked.”; and

(3) in subsection (5) (as so redesignated), by
striking “or of a commodity trading advisor” and in-
serting “of a commodity trading advisor, of a digital
commodity broker, or of a digital commodity deal-
er”.

(b) CONFORMING AMENDMENTS.—The Commodity
Exchange Act (7 U.S.C. 1a et seq.) is amended by striking
“section 4k(6)” each place it appears and inserting “sec-
tion 4k(7)”.
SEC. 408. REGISTRATION OF COMMODITY POOL OPERATORS AND COMMODITY TRADING ADVISORS.

Section 4m(3) of the Commodity Exchange Act (7 U.S.C. 6m(3)) is amended—

(1) in subparagraph (A)—

(A) by striking “any commodity trading advisor” and inserting “a commodity pool operator or commodity trading advisor”; and

(B) by striking “acting as a commodity trading advisor” and inserting “acting as a commodity pool operator or commodity trading advisor”; and

(2) in subparagraph (C), by inserting “digital commodities,” after “physical commodities.”.

SEC. 409. EXCLUSION FOR ANCILLARY ACTIVITIES.

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

“SEC. 4v. EXCLUSION FOR ANCILLARY ACTIVITIES.

“(a) IN GENERAL.—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 undertaking any ancillary activities.

“(b) EXCEPTIONS.—Subsection (a) shall not be construed to apply to the anti-fraud, anti-manipulation, or false reporting enforcement authorities of the Commission.
“(c) Ancillary Activities Defined.—In this section, the term ‘ancillary activities’ means any of the following activities related to the operation of a blockchain system:

“(1) Compiling network transactions, operating or participating in a pool, relaying, searching, sequencing, validating, or acting in a similar capacity with respect to contract of sale of a digital asset.

“(2) Providing computational work, operating a node, or procuring, offering, or utilizing network bandwidth, or other similar incidental services with respect to a contract of sale of a digital asset.

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

“(4) Developing, publishing, constituting, administering, maintaining, or otherwise distributing a blockchain system.

“(5) Developing, publishing, constituting, administering, maintaining, or otherwise distributing software or systems that create or deploy hardware or software, including wallets or other systems, facilitating an individual user’s own personal ability to
keep, safeguard, or custody a user’s digital commodities or related private keys.”.

SEC. 410. FUNDING FOR IMPLEMENTATION, ADMINISTRATION, AND ENFORCEMENT.

Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $120,000,000 to the Commodity Futures Trading Commission for the implementation, administration, and enforcement of the provisions of this Act to be administered by the Commodity Futures Trading Commission, which amounts shall remain available through the 5-year period that begins with the date of the enactment of this Act.

SEC. 411. EFFECTIVE DATE.

Unless otherwise provided in this title, this title and the amendments made by this title shall take effect 360 days after the date of enactment of this Act, except that, to the extent a provision of this title requires a rule-making, the provision shall take effect on the later of—

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

(2) 60 days after the publication in the Federal Register of the final rule implementing the provision.
TITLE V—INNOVATION AND TECHNOLOGY IMPROVEMENTS

SEC. 501. CODIFICATION OF THE SEC STRATEGIC HUB FOR INNOVATION AND FINANCIAL TECHNOLOGY.

Section 4 of the Securities Exchange Act of 1934 (15 U.S.C. 78d) is amended by adding at the end the following:

“(1) Strategic Hub for Innovation and Financial Technology.—

“(1) Office established.—There is established within the Commission the Strategic Hub for Innovation and Financial Technology (referred to in this section as the ‘FinHub’).

“(2) Purposes.—The purposes of FinHub are as follows:

“(A) To assist in shaping the approach of the Commission to technological advancements in the financial industry.

“(B) To examine financial technology innovations within capital markets, market participants, and investors.

“(C) To coordinate the response of the Commission to emerging technologies in financial, regulatory, and supervisory systems.
“(3) DIRECTOR OF FINHUB.—FinHub shall have a Director who shall be appointed by the Commission, from among individuals having experience in both emerging technologies and Federal securities law and serve at the pleasure of the Commission. The Director shall report directly to the Commission and perform such functions and duties as the Commission may prescribe.

“(4) RESPONSIBILITIES.—FinHub shall—

“(A) foster responsible technological innovation and fair competition within the Commission, including around financial technology, regulatory technology, and supervisory technology;

“(B) provide internal education and training to the Commission regarding financial technology;

“(C) advise the Commission regarding financial technology that would serve the Commission’s oversight functions;

“(D) analyze technological advancements and the impact of regulatory requirements on financial technology companies;

“(E) advise the Commission with respect to rulemakings or other agency or staff action regarding financial technology;
“(F) provide businesses working in emerging financial technology fields with information on the Commission, its rules and regulations; and

“(G) encourage firms working in emerging technology fields to engage with the Commission and obtain feedback from the Commission on potential regulatory issues.

“(5) ACCESS TO DOCUMENTS.—The Commission shall ensure that FinHub has full access to the documents and information of the Commission and any self-regulatory organization, as necessary to carry out the functions of FinHub.

“(6) REPORT TO CONGRESS.—

“(A) IN GENERAL.—Not later than October 31 of each year after 2024, FinHub 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 on the activities of FinHub during the immediately preceding fiscal year.

“(B) CONTENTS.—Each report required under subparagraph (A) shall include—
“(i) the total number of persons that met with FinHub;

“(ii) the total number of market participants FinHub met with, including the classification of those participants;

“(iii) a summary of general issues discussed during meetings with persons;

“(iv) information on steps FinHub has taken to improve Commission services, including responsiveness to the concerns of persons;

“(v) recommendations—

“(I) with respect to the regulations of the Commission and the guidance and orders of the Commission; and

“(II) for such legislative actions as the FinHub determines appropriate; and

“(vi) any other information, as determined appropriate by the Director of FinHub.

“(C) CONFIDENTIALITY.—A report under subparagraph (A) may not contain confidential information.
“(7) Systems of records.—

“(A) In general.—The Commission shall establish a detailed system of records (as defined under section 552a of title 5, United States Code) to assist FinHub in communicating with interested parties.

“(B) Entities covered by the system.—Entities covered by the system required under subparagraph (A) include entities or persons submitting requests or inquiries and other information to Commission through FinHub.

“(C) Security and storage of records.—FinHub shall store—

“(i) electronic records—

“(I) in the system required under subparagraph (A); or

“(II) on the secure network or other electronic medium, such as encrypted hard drives or back-up media, of the Commission; and

“(ii) paper records in secure facilities.

“(8) Effective date.—This subsection shall take effect on the date that is 180 days after the date of the enactment of this subsection.”.
SEC. 502. CODIFICATION OF LABCFTC.

(a) In General.—Section 18 of the Commodity Exchange Act (7 U.S.C. 22) is amended by adding at the end the following:

“(c) LABCFTC.—

“(1) ESTABLISHMENT.—There is established in the Commission LabCFTC.

“(2) PURPOSE.—The purposes of LabCFTC are to—

“(A) promote responsible financial technology innovation and fair competition for the benefit of the American public;

“(B) serve as an information platform to inform the Commission about new financial technology innovation; and

“(C) provide outreach to financial technology innovators to discuss their innovations and the regulatory framework established by this Act and the regulations promulgated thereunder.

“(3) DIRECTOR.—LabCFTC shall have a Director, who shall be appointed by the Commission and serve at the pleasure of the Commission. Notwithstanding section 2(a)(6)(A), the Director shall report directly to the Commission and perform such
functions and duties as the Commission may pre-
scribe.

“(4) Duties.—LabCFTC shall—

“(A) advise the Commission with respect
to rulemakings or other agency or staff action
regarding financial technology;

“(B) provide internal education and train-
ing to the Commission regarding financial tech-
nology;

“(C) advise the Commission regarding fi-
nancial technology that would bolster the Com-
mission’s oversight functions;

“(D) engage with academia, students, and
professionals on financial technology issues,
ideas, and technology relevant to activities
under this Act;

“(E) provide persons working in emerging
technology fields with information on the Com-
mission, its rules and regulations, and the role
of a registered futures association; and

“(F) encourage persons working in emerg-
ing technology fields to engage with the Com-
mission and obtain feedback from the Commis-
sion on potential regulatory issues.
“(5) ACCESS TO DOCUMENTS.—The Commission shall ensure that LabCFTC has full access to the documents and information of the Commission and any self-regulatory organization or registered futures association, as necessary to carry out the functions of LabCFTC.

“(6) REPORT TO CONGRESS.—

“(A) IN GENERAL.—Not later than October 31 of each year after 2024, LabCFTC shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report on its activities.

“(B) CONTENTS.—Each report required under paragraph (1) shall include—

“(i) the total number of persons that met with LabCFTC;

“(ii) a summary of general issues discussed during meetings with the person;

“(iii) information on steps LabCFTC has taken to improve Commission services, including responsiveness to the concerns of persons;

“(iv) recommendations made to the Commission with respect to the regula-
tions, guidance, and orders of the Commission and such legislative actions as may be appropriate; and

“(v) any other information determined appropriate by the Director of LabCFTC.

“(C) CONFIDENTIALITY.—A report under paragraph (A) shall abide by the confidentiality requirements in section 8.

“(7) SYSTEMS OF RECORDS.—

“(A) IN GENERAL.—The Commission shall establish a detailed system of records (as defined in section 552a of title 5, United States Code) to assist LabCFTC in communicating with interested parties.

“(B) PERSONS COVERED BY THE SYSTEM.—The persons covered by the system of records shall include persons submitting requests or inquiries and other information to the Commission through LabCFTC.

“(C) SECURITY AND STORAGE OF RECORDS.—The system of records shall store records electronically or on paper in secure facilities, and shall store electronic records on the secure network of the Commission and on other
electronic media, such as encrypted hard drives and back-up media, as needed.”.

(b) Conforming Amendments.—Section 2(a)(6)(A) of such Act (7 U.S.C. 2(a)(6)(A)) is amended—

(1) by striking “paragraph and in” and inserting “paragraph,”; and

(2) by inserting “and section 18(c)(3),” before “the executive”.

(c) Effective Date.—The Commodity Futures Trading Commission shall implement the amendments made by this section (including complying with section 18(c)(7) of the Commodity Exchange Act) within 180 days after the date of the enactment of this Act.

SEC. 503. CFTC-SEC JOINT ADVISORY COMMITTEE ON DIGITAL ASSETS.

(a) Establishment.—The Commodity Futures Trading Commission and the Securities and Exchange Commission (in this section referred to as the “Commissions”) shall jointly establish the Joint Advisory Committee on Digital Assets (in this section referred to as the “Committee”).

(b) Purpose.—

(1) In General.—The Committee shall—
(A) provide the Commissions with advice on the rules, regulations, and policies of the Commissions related to digital assets;

(B) further the regulatory harmonization of digital asset policy between the Commissions;

(C) examine and disseminate methods for describing, measuring, and quantifying digital asset—

(i) decentralization;

(ii) functionality;

(iii) information asymmetries; and

(iv) transaction and network security;

(D) examine the potential for digital assets, blockchain systems, and distributed ledger technology to improve efficiency in the operation of financial market infrastructure and better protect financial market participants, including services and systems which provide—

(i) improved customer protections;

(ii) public availability of information;

(iii) greater transparency regarding customer funds;

(iv) reduced transaction cost; and

(v) increased access to financial market services; and
(E) discuss the implementation by the Commissions of this Act and the amendments made by this Act.

(2) Review by Agencies.—Each Commission shall—

(A) review the findings and recommendations of the Committee;

(B) each time the Committee submits a finding or recommendation to a Commission, promptly issue a public statement—

(i) assessing the finding or recommendation of the Committee;

(ii) disclosing the action or decision not to take action made by the Commission in response to a finding or recommendation; and

(iii) the reasons for the action or decision not to take action; and

(C) each time the Committee submits a finding or recommendation to a Commission, provide the Committee with a formal response to the finding or recommendation not later than 3 months after the date of the submission of the finding or recommendation.

(c) Membership and Leadership.—
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(1) NON-FEDERAL MEMBERS.—

(A) IN GENERAL.—The Commissions shall appoint at least 20 nongovernmental stakeholders with a wide diversity of opinion and who represent a broad spectrum of interests representing the digital asset ecosystem, equally divided between the Commissions, to serve as members of the Committee. The appointees shall include—

(i) digital asset issuers;

(ii) persons registered with the Commissions and engaged in digital asset related activities;

(iii) individuals engaged in academic research relating to digital assets; and

(iv) digital asset users.

(B) MEMBERS NOT COMMISSION EMPLOYEES.—Members appointed under subparagraph (A) shall not be deemed to be employees or agents of a Commission solely by reason of membership on the Committee.

(2) CO-DESIGNATED FEDERAL OFFICERS.—

(a) NUMBER; APPOINTMENT.—There shall be 2 co-designated Federal officers of the Committee, as follows:
(i) The Director of LabCFTC of the Commodity Futures Trading Commission.

(ii) The Director of the Strategic Hub for Innovation and Financial Technology of the Securities and Exchange Commission.

(B) DUTIES.—The duties required by chapter 10 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 co-designated Federal officers of the Committee.

(3) COMMITTEE LEADERSHIP.—

(A) COMPOSITION; ELECTION.—The Committee members shall elect, from among the Committee members—

(i) a chair;

(ii) a vice chair;

(iii) a secretary; and

(iv) an assistant secretary.

(B) TERM OF OFFICE.—Each member elected under subparagraph (A) in a 2-year period referred to in section 1013(b)(2) of title 5, United States Code, shall serve in the capacity
for which the member was so elected, until the end of the 2-year period.

(d) 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 performance 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 the Government service are allowed expenses under section 5703(b) of title 5, United States Code.

(2) No Compensation for Co-Designated Federal Officers.—The co-designated Federal officers shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(e) Frequency of Meetings.—The Committee shall meet—

(1) not less frequently than twice annually; and

(2) at such other times as either Commission may request.
(f) DURATION.—Section 1013(a)(2) of title 5, United States Code, shall not apply to the Committee.

(g) TIME LIMITS.—The Commissions shall—

(1) adopt a joint charter for the Committee within 90 days after the date of the enactment of this section;

(2) appoint members to the Committee within 120 days after such date of enactment; and

(3) hold the initial meeting of the Committee within 180 days after such date of enactment.

(h) FUNDING.—The Commissions shall jointly fund the Committee.

SEC. 504. MODERNIZATION OF THE SECURITIES AND EXCHANGE COMMISSION MISSION.

(a) SECURITIES ACT OF 1933.—Section 2(b) of the Securities Act of 1933 (15 U.S.C. 77(b)) is amended—

(1) in the heading, by inserting “INNOVATION,” after “EFFICIENCY,”; and

(2) by inserting “innovation,” after “efficiency,”.

(b) SECURITIES EXCHANGE ACT OF 1934.—Section 3(f) of the Securities Exchange Act of 1934 (15 U.S.C. 78(e)) is amended—

(1) in the heading, by inserting “INNOVATION,” after “EFFICIENCY,”; and
(2) by inserting “innovation,” after “efficiency,”.

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

(1) in the heading, by inserting “INNOVATION,” after “EFFICIENCY,”; and

(2) by inserting “innovation,” after “efficiency,”.

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

(1) in the heading, by inserting “INNOVATION,” after “EFFICIENCY,”; and

(2) by inserting “innovation,” after “efficiency,”.

SEC. 505. STUDY ON DECENTRALIZED FINANCE.

(a) IN GENERAL.—The Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly carry out a study on decentralized finance that analyzes—

(1) the nature, size, role, and use of decentralized finance blockchain protocols;

(2) the operation of blockchain protocols that comprise decentralized finance;
(3) the interoperability of blockchain protocols and blockchain systems;

(4) the interoperability of blockchain protocols and software-based systems, including websites and wallets;

(5) the decentralized governance systems through which blockchain protocols may be developed, published, constituted, administered, maintained, or otherwise distributed, including—

(A) whether the systems enhance or detract from—

(i) the decentralization of the decentralized finance; and

(ii) the inherent risks of the decentralized governance system; and

(B) any procedures or requirements that would mitigate the risks identified in subparagraph (A)(ii);

(6) the benefits of decentralized finance, including—

(A) operational resilience and interoperability of blockchain-based systems;

(B) market competition and innovation;

(C) transaction efficiency;
(D) transparency and traceability of transactions; and

(E) disintermediation; and

(7) the risks of decentralized finance, including—

(A) pseudonymity of users and transactions;

(B) disintermediation; and

(C) cybersecurity vulnerabilities;

(8) the extent to which decentralized finance has integrated with the traditional financial markets and any potential risks to stability of the markets;

(9) how the levels of illicit activity in decentralized finance compare with the levels of illicit activity in traditional financial markets;

(10) how decentralized finance may increase the accessibility of cross-border transactions; and

(11) the feasibility of embedding self-executing compliance and risk controls into decentralized finance.

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly submit to the relevant congressional commit-
tees a report that includes the results of the study re-
quired by subsection (a).

(c) GAO STUDY.—The Comptroller General of the
United States shall—

(1) carry out a study on decentralized finance
that analyzes the information described under para-
graphs (1) through (11) of subsection (a); and

(2) not later than 1 year after the date of en-
actment of this Act, submit to the relevant congress-
ional committees a report that includes the results
of the study required by paragraph (1).

(d) DEFINITIONS.—In this section:

(1) DECENTRALIZED FINANCE.—

(A) IN GENERAL.—The term “decentral-
ized finance” means blockchain protocols that
allow users to engage in financial transactions
in a self-directed manner so that a third-party
intermediary does not effectuate the trans-
actions or take custody of digital assets of a
user during any part of the transactions.

(B) RELATIONSHIP TO ANCILLARY ACTIVI-
ties.—The term “decentralized finance” shall
not be interpreted to limit or exclude any activ-
ity from the meaning of “ancillary activities”,
as defined in section 15H(e) of the Securities
Exchange Act of 1934 or section 4v(c) of the
Commodity Exchange Act.

(2) Relevant congressional committees.—The term “relevant congressional committees” means—

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

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

SEC. 506. STUDY ON NON-FUNGIBLE DIGITAL ASSETS.

(a) The Comptroller General of the United States
shall carry out a study of non-fungible digital assets that
analyzes—

(1) the nature, size, role, purpose, and use of
non-fungible digital assets;

(2) the similarities and differences between non-
fungible digital assets and other digital assets, in-
cluding digital commodities and payments
stablecoins, and how the markets for those digital
assets intersect with each other;

(3) how non-fungible digital assets are minted
by issuers and subsequently administered to pur-
chasers;
(4) how non-fungible digital assets are stored after being purchased by a consumer;

(5) the interoperability of non-fungible digital assets between different blockchain systems;

(6) the scalability of different non-fungible digital asset marketplaces;

(7) the benefits of non-fungible digital assets, including verifiable digital ownership;

(8) the risks of non-fungible tokens, including—
   (A) intellectual property rights;
   (B) cybersecurity risks; and
   (C) market risks;

(9) whether and how non-fungible digital assets have integrated with traditional marketplaces, including those for music, real estate, gaming, events, and travel;

(10) whether non-fungible tokens can be used to facilitate commerce or other activities through the representation of documents, identification, contracts, licenses, and other commercial, government, or personal records;

(11) any potential risks to traditional markets from such integration; and

(12) the levels and types of illicit activity in non-fungible digital asset markets.
REPORT.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Commerce, shall make publicly available a report that includes the results of the study required by subsection (a).

SEC. 507. STUDY ON FINANCIAL MARKET INFRASTRUCTURE IMPROVEMENTS.

(a) IN GENERAL.—The Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly conduct a study to assess whether additional guidance or rules are necessary to facilitate the development of tokenized securities and derivatives products, and to the extent such guidance or rules would foster the development of fair and orderly financial markets, be necessary or appropriate in the public interest, and be consistent with the protection of investors and customers.

(b) REPORT.—

(1) TIME LIMIT.—Not later than 1 year after the date of enactment of this Act, the Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly submit to the relevant congressional committees a report that includes the results of the study required by subsection (a).
(2) RELEVANT CONGRESSIONAL COMMITTEES

Defined.—In this section, the term “relevant congressional committees” means—

(A) the Committees on Financial Services and on Agriculture of the House of Representa
tives; and

(B) the Committees on Banking, Housing, and Urban Affairs and on Agriculture, Nutri-
tion, and Forestry of the Senate.