

[DISCUSSION DRAFT]

1 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

2 (a) SHORT TITLE.—This Act may be cited as the
3 “[To be added Act of 2023]”.

4 (b) TABLE OF CONTENTS.—The table of contents for
5 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. Provisional registration of CFTC intermediaries.

Sec. 106. Provisional registration of SEC intermediaries.

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.

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 payment stablecoins.

Sec. 303. Eligibility of alternative trading systems.

Sec. 304. Customer protection rule modernization.

Sec. 305. Modernization of recordkeeping requirements.

Sec. 306. Modifications to existing rules for digital assets.

Sec. 307. Treatment of certain digital assets in connection with federally regulated intermediaries.

Sec. 308. Dual registration.

Sec. 309. Exclusion for ancillary activities.

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. Exclusion for ancillary activities.

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.

1 **TITLE I—DEFINITIONS; RULE-**
 2 **MAKING; PROVISIONAL REG-**
 3 **ISTRATION**

4 **SEC. 101. DEFINITIONS UNDER THE SECURITIES ACT OF**
 5 **1933.**

6 Section 2(a) of the Securities Act of 1933 (15 U.S.C.
 7 77b(a)) is amended by adding at the end the following:

8 “(20) **AFFILIATED PERSONS.**—The term ‘affili-
 9 ated person’ means—

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

12 “(i) a person that directly, or indi-
 13 rectly through one or more intermediaries,
 14 controls, or is controlled by, or is under
 15 common control with, such digital asset
 16 issuer; and

17 “(ii) a person that was described
 18 under clause (i) at any point in the pre-
 19 vious 3-month period; or

1 “(B) with respect to any digital asset—

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

5 “(ii) a person that was described
6 under clause (i) at any point in the pre-
7 vious 3-month period.

8 “(21) BLOCKCHAIN.—The term ‘blockchain’
9 means any technology—

10 “(A) where data is—

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

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

17 “(iii) distributed to network partici-
18 pants in an automated fashion to concu-
19 rrently update network participants on the
20 state of the public ledger and any other
21 functions; and

22 “(B) composed of source code that is pub-
23 licly available.

1 “(22) BLOCKCHAIN NETWORK.—The term
2 ‘blockchain network’ means any blockchain or
3 blockchain protocol.

4 “(23) BLOCKCHAIN PROTOCOL.—The term
5 ‘blockchain protocol’ means any self-executing soft-
6 ware deployed to a blockchain composed of source
7 code that is publicly available and accessible, includ-
8 ing a smart contract or any network of smart con-
9 tracts.

10 “(24) DECENTRALIZED NETWORK.—With re-
11 spect to a blockchain network to which a digital
12 asset relates, the term ‘decentralized network’ means
13 the following conditions are met:

14 “(A) During the previous 12-month period,
15 no person, acting on the person’s own, exclud-
16 ing any decentralized organization—

17 “(i) had the unilateral authority, di-
18 rectly or indirectly, through any contract,
19 arrangement, understanding, relationship,
20 or otherwise, to control or materially alter
21 the functionality or operation of the
22 blockchain network; or

23 “(ii) had the unilateral authority to
24 restrict or prohibit any person who is not

1 a related person or an affiliated person
2 from—

3 “(I) using, earning, or transmit-
4 ting the digital asset;

5 “(II) deploying software that
6 uses or integrates with the blockchain
7 network;

8 “(III) participating in on-chain
9 governance decisions with respect to
10 the blockchain network; or

11 “(IV) operating a node, validator,
12 or other form of computational infra-
13 structure with respect to the
14 blockchain network.

15 “(B) During the previous 12-month period,
16 neither any digital asset issuer nor any affili-
17 ated person, excluding any decentralized organi-
18 zation—

19 “(i) beneficially owned units of such
20 digital asset that represented at any time
21 20 percent or more units of such digital
22 asset that are then outstanding; and

23 “(ii) had the unilateral authority to
24 direct the voting of units of such digital
25 asset that represented at any time 20 per-

1 cent or more of the outstanding voting
2 power of such digital assets.

3 “(C) During the previous 3-month period,
4 the digital asset issuer, any affiliated person, or
5 any related person has not implemented or con-
6 tributed any intellectual property to the soft-
7 ware code of the blockchain network that mate-
8 rially alters the functionality or operation of the
9 blockchain network.

10 “(D) During the previous 3-month period,
11 neither any digital asset issuer nor any affili-
12 ated person—

13 “(i) has marketed to the public the
14 digital assets or the blockchain network; or

15 “(ii) issued a unit of the digital asset.

16 “(E) During the previous 12-month period,
17 all issuances of units of the digital asset
18 through the programmatic functioning of the
19 blockchain network were end user distributions.

20 “(25) DECENTRALIZED ORGANIZATION.—

21 “(A) IN GENERAL.—The term ‘decentral-
22 ized organization’ means, with respect to a
23 blockchain network, any organization of persons
24 using the digital assets related to such
25 blockchain network to form consensus in the de-

1 velopment, publication, management, or admin-
2 istration of such blockchain network, which is
3 controlled by the entirety of persons holding
4 such digital assets and not by any particular
5 person.

6 “(B) EXCLUSION.—The term ‘decentral-
7 ized organization’ does not include any organi-
8 zation directly engaged in an activity that re-
9 quires registration with the Commission or the
10 Commodity Futures Trading Commission other
11 than—

12 “(i) developing, publishing, managing,
13 or administering a blockchain network; or

14 “(ii) an activity with respect to which
15 the organization is exempt from such reg-
16 istration.

17 “(26) DIGITAL ASSET.—

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

1 “(B) RELATIONSHIP TO A BLOCKCHAIN
2 NETWORK.—A digital asset is considered to re-
3 late to a blockchain network if the digital asset
4 is intrinsically linked to the blockchain network,
5 including—

6 “(i) where the digital asset’s value is
7 reasonably expected to be generated by the
8 programmatic functioning of the
9 blockchain network;

10 “(ii) where the asset has voting rights
11 with respect to the blockchain network; or

12 “(iii) where the digital asset is issued
13 through the programmatic functioning of
14 the blockchain network.

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

17 “(A) means—

18 “(i) any person that deploys the
19 source code providing for the creation of
20 such digital asset;

21 “(ii) any person that makes an initial
22 distribution of a unit of the digital asset;
23 or

24 “(iii) any sponsor; and

25 “(B) does not include—

1 “(i) any person deploying source code
2 on the instruction of a principal; or

3 “(ii) any software creating such dig-
4 ital asset.

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

11 “(A) digital commodities; or

12 “(B) digital assets that have been reg-
13 istered with the Commission and issued and
14 sold by a digital asset issuer.

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

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

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

1 “(B) is distributed in a broad, non-discre-
2 tionary manner based on conditions capable of
3 being satisfied by any participant in the
4 blockchain network, including, as incentive-
5 based rewards—

6 “(i) to users of the digital asset or
7 any blockchain network to which the dig-
8 ital asset relates; or

9 “(ii) for activities directly related to
10 the operation of the blockchain network,
11 such as mining, validating, staking, or
12 other activity directly tied to the operation
13 of the blockchain network; and

14 “(C) relates to a blockchain network that
15 is a functional network and for which the infor-
16 mation described in section 203 of **【SHORT**
17 **TITLE】** has been certified and made publicly
18 available.

19 “(31) **FUNCTIONAL NETWORK.**—With respect
20 to a blockchain network to which a digital asset re-
21 lates, the term ‘functional network’ means—

22 “(A) the network allows network partici-
23 pants to use such digital asset for—

24 “(i) the transmission and storage of
25 value on the blockchain network;

1 “(ii) the participation in an applica-
2 tion running on the blockchain network; or

3 “(iii) the participation in governance
4 of the blockchain network; and

5 “(B) the digital asset does not confer any
6 express contractual rights between the holder
7 and the digital asset issuer.

8 “(32) PAYMENT STABLECOIN.—The term ‘pay-
9 ment stablecoin’—

10 “(A) means a digital asset—

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

13 “(ii) the issuer of which—

14 “(I) is obligated to convert, re-
15 deem, or repurchase for a fixed
16 amount of monetary value; and

17 “(II) represents will maintain or
18 creates the reasonable expectation
19 that it will maintain a stable value rel-
20 ative to the value of a fixed amount of
21 monetary value; and

22 “(B) that is not—

23 “(i) a national currency; or

24 “(ii) a security issued by an invest-
25 ment company registered under section

1 8(a) of the Investment Company Act of
2 1940 (15 U.S.C. 80a–8(a)).

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

6 “(A) a founder, promoter, employee, con-
7 sultant, advisor, or person serving in a similar
8 capacity;

9 “(B) any person that is or was in the pre-
10 vious 6-month period an executive officer, direc-
11 tor, trustee, general partner, advisory board
12 member, or person serving in a similar capacity;
13 and

14 “(C) any equity holder or other security
15 holder of a digital asset issuer.

16 “(34) RESTRICTED DIGITAL ASSET.—The term
17 ‘restricted digital asset’ means a digital asset that
18 is—

19 “(A) purchased directly from the digital
20 asset issuer or an affiliated person in a private
21 offering;

22 “(B) distributed to a digital asset issuer, a
23 related person, or an affiliated person in an end
24 user distribution; or

1 “(C) distributed to any other person
2 through a transaction that is not an end user
3 distribution.

4 “(35) SECURITIES LAWS.—The term ‘securities
5 laws’ has the meaning given that term under section
6 3(a) of the Securities Exchange Act of 1934 (15
7 U.S.C. 78c(a)).

8 “(36) SOURCE CODE.—The term ‘source code’
9 means a text listing of commands to be compiled or
10 assembled into an executable computer program
11 used by network participants to access the network,
12 amend the code, and confirm transactions.

13 “(37) SPONSOR.—The term ‘sponsor’ means,
14 with respect to any issuance of digital assets, any
15 person that—

16 “(A) participates in an arrangement for
17 the primary purpose of effecting a sale, end
18 user distribution, or other issuance of such dig-
19 ital assets, including—

20 “(i) the granting of a license or as-
21 signment of intellectual property;

22 “(ii) the making available of free soft-
23 ware or open source licenses; or

24 “(iii) the granting of other rights or
25 transfer of assets material to execution of

1 such sale, distribution, or other issuance;

2 or

3 “(B) undertakes any other activity de-
4 signed to avoid a classification as a ‘digital
5 asset issuer’ for purposes of this Act.”.

6 **SEC. 102. DEFINITIONS UNDER THE COMMODITY EX-**
7 **CHANGE ACT.**

8 Section 1a of the Commodity Exchange Act (7 U.S.C.
9 1a) is amended—

10 (1) in paragraph (40), by striking subpara-
11 graph (F) and the following:

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

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

15 “(52) DIGITAL COMMODITY.—

16 “(A) IN GENERAL.—The term ‘digital com-
17 modity’ means—

18 “(i) a digital asset that was issued to
19 any person, other than a digital asset
20 issuer, a related person, or an affiliated
21 person, through an end user distribution;

22 “(ii) a digital asset that is held by any
23 person, other than a digital asset issuer, a
24 related person, or an affiliated person,

1 after each network to which the digital
2 asset relates is—

3 “(I) a functional network; and

4 “(II) certified to be a decentral-
5 ized network under section 204 of
6 **【SHORT TITLE】**; or

7 “(iii) a unit of the digital asset that is
8 held by a related person or an affiliated
9 person for so long as each blockchain net-
10 work to which the digital asset relates is—

11 “(I) a functional network; and

12 “(II) certified to be a decentral-
13 ized network under section 204 of the
14 **【SHORT TITLE】**.

15 “(B) EXCLUSION.—The term ‘digital com-
16 modity’ does not include a payment stablecoin.

17 “(53) DIGITAL COMMODITY BROKER.—

18 “(A) IN GENERAL.—The term ‘digital com-
19 modity broker’ means any person who, in a dig-
20 ital commodity cash or spot market, is—

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

1 “(ii) engaged in soliciting or accepting
2 orders for the purchase or sale of a unit of
3 a digital commodity from a customer on or
4 subject to the rules of a registered entity;
5 or

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

8 “(B) EXCEPTION.—The term ‘digital com-
9 modity broker’ does not include a person solely
10 because the person mines or validates a digital
11 commodity transaction.

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

16 “(55) DIGITAL COMMODITY DEALER.—

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

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

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

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

1 “(III) regularly enters into dig-
2 ital commodity transactions as an or-
3 dinary course of business for its own
4 account; or

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

10 “(ii) is registered with the Commis-
11 sion as a digital commodity dealer.

12 “(B) EXCEPTION.—The term ‘digital com-
13 modity dealer’ does not include a person solely
14 because the person—

15 “(i) enters into digital a commodity
16 transaction with an eligible contract partic-
17 ipant;

18 “(ii) enters into a digital commodity
19 transaction on or through a registered dig-
20 ital commodity exchange;

21 “(iii) enters into a digital commodity
22 transaction for the person’s own account,
23 either individually or in a fiduciary capac-
24 ity, but not as a part of a regular business;
25 or

1 “(iv) mines or validates a digital com-
2 modity transaction.

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

7 “(57) DIGITAL ASSET-RELATED DEFINI-
8 TIONS.—The terms ‘affiliated person’, ‘blockchain
9 network’, ‘decentralized network’, ‘digital asset’,
10 ‘digital asset issuer’, ‘end user distribution’, ‘func-
11 tional network’, ‘payment stablecoin’, ‘related per-
12 son’, and ‘restricted digital asset’ have the meaning
13 given the terms, respectively, under section 2(a) of
14 the Securities Act of 1933 (15 U.S.C. 77b(a)).”.

15 **SEC. 103. DEFINITIONS UNDER THIS ACT.**

16 In this Act:

17 (1) ALTERNATIVE TRADING SYSTEM.—The
18 term “alternative trading system” has the meaning
19 given that term under section 242.300 of title 17,
20 Code of Federal Regulations.

21 (2) DEFINITIONS UNDER THE COMMODITY EX-
22 CHANGE ACT.—The terms “digital commodity”,
23 “digital commodity broker”, and “digital commodity
24 exchange” have the meaning given those terms, re-

1 spectively, under section 1a of the Commodity Ex-
2 change Act (7 U.S.C. 1a).

3 (3) DEFINITIONS UNDER THE SECURITIES ACT
4 OF 1933.—The terms “affiliated person”,
5 “blockchain”, “blockchain network”, “blockchain
6 protocol”, “decentralized network”, “digital asset”,
7 “digital asset issuer”, “digital asset maturity date”,
8 “end user distribution”, “functional network”, “pay-
9 ment stablecoin”, “restricted digital asset”, “securi-
10 ties laws”, and “source code” have the meaning
11 given those terms, respectively, under section 2(a) of
12 the Securities Act of 1933 (15 U.S.C. 77b(a)).

13 (4) DEFINITIONS UNDER THE SECURITIES EX-
14 CHANGE ACT OF 1934.—The terms “broker”, “deal-
15 er”, and “self-regulatory organization” have the
16 meaning given those terms, respectively, under sec-
17 tion 3(a) of the Securities Exchange Act of 1934
18 (15 U.S.C. 78c(a)).

19 **SEC. 104. JOINT RULEMAKINGS.**

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

24 (1) The terms “affiliated person”,
25 “blockchain”, “blockchain network”, “blockchain

1 protocol”, “decentralized network”, “decentralized
2 organization”, “digital asset”, “digital asset issuer”,
3 “digital asset maturity date”, “end user distribu-
4 tion”, “functional network”, “related person”, “re-
5 stricted digital asset”, “source code”, and “spon-
6 sor”, as defined under section 2(a) of the Securities
7 Act of 1933.

8 (2) The term “digital commodity”, as defined
9 under section 1a of the Commodity Exchange Act.

10 (b) JOINT RULEMAKING FOR EXCHANGES.—The
11 Commodity Futures Trading Commission and the Securi-
12 ties and Exchange Commission shall, jointly, issue rules
13 to exempt persons dually registered with the Commodity
14 Futures Trading Commission as a digital commodity ex-
15 change and with the Securities and Exchange Commission
16 as an alternative trading system from duplicative, con-
17 flicting, or unduly burdensome provisions of this Act, the
18 securities laws, and the Commodity Exchange Act and the
19 rules thereunder, to the extent such exemption would fos-
20 ter the development of fair and orderly markets in digital
21 assets, be necessary or appropriate in the public interest,
22 and be consistent with the protection of investors.

1 **SEC. 105. PROVISIONAL REGISTRATION OF CFTC INTER-**
2 **MEDIARIES.**

3 (a) TRANSITION TO FULL REGISTRATION FOR DIG-
4 ITAL COMMODITY EXCHANGES, BROKERS, AND DEAL-
5 ERS.—

6 (1) IN GENERAL.—

7 (A) PROVISIONAL REGISTRATION STATE-
8 MENT.—Any person may file a provisional reg-
9 istration statement with the Commodity Fu-
10 tures Trading Commission (in this subsection
11 referred to as the “Commission”) as a—

12 (i) provisional digital commodity ex-
13 change, for a person intending to register
14 as a digital commodity exchange under sec-
15 tion 5i of the Commodity Exchange Act;

16 (ii) provisional digital commodity
17 broker, for a person intending to register
18 as a digital commodity broker under sec-
19 tion 4u of the Commodity Exchange Act;

20 or

21 (iii) (iii) provisional digital commodity
22 dealer, for a person intending to register
23 as a digital commodity dealer under sec-
24 tion 4u of the Commodity Exchange Act.

25 (B) FILING.—A person desiring to file a
26 provisional registration statement under sub-

1 paragraph (A) shall submit to the Commission
2 an application in such form and containing—

3 (i) the nature of the registrations the
4 filer intends to pursue;

5 (ii) the information required by para-
6 graph (2);

7 (iii) a certification of compliance with
8 the requirements of paragraph (3); and

9 (iv) such other information as the
10 Commission may require.

11 (2) DISCLOSURE OF GENERAL INFORMATION.—

12 A person filing a provisional registration statement
13 under paragraph (1) shall disclose to the Commis-
14 sion the following:

15 (A) Information concerning the manage-
16 ment of the person, including information de-
17 scribing—

18 (i) the ownership and management of
19 the person;

20 (ii) the financial condition of the per-
21 son;

22 (iii) affiliated entities engaging in dig-
23 ital asset-related activities;

24 (iv) potential conflicts of interest; and

1 (v) other information relevant to the
2 management of the person, as determined
3 by the Commission.

4 (B) Information concerning the operations
5 of the person, including—

6 (i) any rulebook or other customer
7 order fulfilment rules;

8 (ii) risk management procedures; and

9 (iii) a description of the product list-
10 ing process.

11 (3) REQUIREMENTS.—A person filing a provi-
12 sional registration statement under paragraph (1)
13 shall certify to the Commission that the person com-
14 plies, in such manner as the Commission may by
15 rule or order determine, with the following require-
16 ments:

17 (A) BOOKS AND RECORDS.—A person fil-
18 ing a provisional registration statement under
19 paragraph (1) shall—

20 (i) make such reports as are required
21 by the Commission by rule regarding the
22 transactions, positions, and financial condi-
23 tion of the person;

1 (ii) keep books and records in such
2 form and manner and for such period as
3 may be prescribed by the Commission; and

4 (iii) keep the books and records re-
5 ferred to in clause (ii) open to inspection
6 and examination by any representative of
7 the Commission.

8 (B) CUSTOMER DISCLOSURES.—A person
9 filing a provisional registration statement under
10 paragraph (1) shall—

11 (i) make disclosures to customers of
12 the person related to offering digital com-
13 modities, relevant to—

14 (I) the experience of the cus-
15 tomer; and

16 (II) the risk tolerance of the cus-
17 tomer;

18 (ii) provide information to customers
19 of the person related to each digital com-
20 modity, including—

21 (I) the history of the digital com-
22 modity;

23 (II) the functionality of the dig-
24 ital commodity;

1 (III) the operation of the digital
2 commodity; and

3 (IV) the economics of the digital
4 commodity.

5 (C) CUSTOMER ASSETS.—

6 (i) IN GENERAL.—A person filing a
7 provisional registration statement under
8 paragraph (1) shall—

9 (I) hold customer money, assets,
10 and property in a manner to minimize
11 the risk of loss to the customer or un-
12 reasonable delay in customer access to
13 money, assets, and property of the
14 customer;

15 (II) treat and deal with all
16 money, assets, and property of any
17 customer received as belonging to the
18 customer;

19 (III) segregate all money, assets,
20 and property received from any cus-
21 tomer of the person from the funds of
22 the person, except that—

23 (aa) the money, assets, and
24 property of any customer may be
25 commingled with that of any

1 other customer, if separately ac-
2 counted for; and

3 (bb) the share of the money,
4 assets, and property, as in the
5 normal course of business are
6 necessary to margin, guarantee,
7 secure, transfer, adjust, or settle
8 a contract of sale of a digital
9 commodity, may be withdrawn
10 and applied to do so, including
11 the payment of commissions, bro-
12 kerage, interest, taxes, storage,
13 and other charges lawfully accru-
14 ing in connection with the con-
15 tract of sale of a digital com-
16 modity.

17 (ii) **ADDITIONAL RESOURCES.—**

18 (I) **IN GENERAL.—**This section
19 shall not prevent or be construed to
20 prevent a person filing a provisional
21 registration statement under para-
22 graph (1) from adding to the cus-
23 tomer money, assets, and property re-
24 quired to be segregated under clause
25 (i), additional amounts of money, as-

1 sets, or property from the account of
2 the person as the person determines
3 necessary to prevent the account of a
4 customer from becoming under-seg-
5 regated.

6 (II) TREATMENT AS CUSTOMER
7 FUNDS.—Any money, assets, or prop-
8 erty deposited pursuant to subclause
9 (I) shall be considered customer prop-
10 erty within the meaning of this para-
11 graph.

12 (D) LISTINGS.—

13 (i) PERMITTED DIGITAL COMMOD-
14 ITIES.—

15 (I) LISTING ON DIGITAL COM-
16 MODITY EXCHANGES.—

17 (aa) IN GENERAL.—Except
18 as provided in clause (ii), a per-
19 son filing a provisional registra-
20 tion statement under paragraph
21 (1) as a provisional digital com-
22 modity exchange may list for
23 trading any digital asset that is
24 listed for trading on the date
25 such person filed the provisional

1 registration statement with the
2 Commission.

3 (bb) EXCHANGE CERTIFI-
4 CATION FOR EXISTING ASSETS.—
5 On filing a provisional registra-
6 tion statement described under
7 item (aa), the exchange shall
8 submit to the Commission and
9 the Securities and Exchange
10 Commission a certification that
11 any digital asset listed on the ex-
12 change that was issued before the
13 date of the enactment of this
14 Act—

15 (AA) is related to a
16 blockchain network that is a
17 functional network and a de-
18 centralized network; and

19 (BB) satisfies the list-
20 ing standards under section
21 5i(c)(3) of the Commodity
22 Exchange Act.

23 (cc) NEW LISTINGS.—A pro-
24 visional digital commodity ex-
25 change may submit to the Com-

1 mission and the Securities and
2 Exchange Commission for review
3 under item (bb) a certification
4 attesting that any digital asset
5 the exchange seeks to list—

6 (AA) is related to a
7 blockchain network that is a
8 functional network and a de-
9 centralized network; and

10 (BB) satisfies the list-
11 ing standards under section
12 5i(c)(3) of the Commodity
13 Exchange Act.

14 (II) PERMITTED ACTIVITIES BY
15 BROKERS AND DEALERS.—Except as
16 provided in clause (ii), a provisional
17 digital commodity broker or digital
18 commodity dealer may offer for trad-
19 ing any digital commodity that is—

20 (aa) offered for trading on
21 the date of the provisional digital
22 commodity broker or digital com-
23modity dealer filed a provisional
24 registration statement with the
25 Commission; or

1 (bb) offered for trading on a
2 provisional digital commodity ex-
3 change.

4 (ii) DE-LISTING OF DIGITAL AS-
5 SETS.—

6 (I) NOTICE OF NONCOMPLI-
7 ANCE.—

8 (aa) IN GENERAL.—After
9 such time as the Commission and
10 the Securities and Exchange
11 Commission finalize the joint
12 rulemaking described under sec-
13 tion 104, the Commission and
14 the Securities and Exchange
15 Commission may issue notices to
16 an entity under this section.

17 (bb) NOTICE FROM THE
18 COMMISSION.—The Commission
19 may provide notice to a provi-
20 sionally registered digital com-
21 modity exchange that a digital
22 asset certified under clause
23 (i)(I)(bb) does not satisfy the
24 listing standards under 5i(c)(3)
25 of the Commodity Exchange Act.

1 (cc) NOTICE FROM THE SE-
2 CURITIES AND EXCHANGE COM-
3 MISSION.—The Securities and
4 Exchange Commission may pro-
5 vide notice to a provisionally reg-
6 istered digital commodity ex-
7 change that a digital asset cer-
8 tified under clause (i)(I)(bb) is
9 not related to a blockchain net-
10 work that is a functional network
11 and a decentralized network

12 (II) DE-LISTING REQUIRED.—

13 (aa) PROVISIONAL DIGITAL
14 COMMODITY EXCHANGE.—A pro-
15 visional digital commodity ex-
16 change shall de-list a digital asset
17 from trading if the provisional
18 digital commodity exchange—

19 (AA) did not submit a
20 certification under clause
21 (i)(I)(bb) with respect to the
22 digital asset; or

23 (BB) received a notice
24 under subclause (I) with re-
25 spect to the digital asset.

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(bb) PROVISIONAL DIGITAL COMMODITY BROKERS AND DEALERS.—A provisional digital commodity broker or digital commodity dealer shall de-list a digital asset from trading if—

(AA) within 6 months after the date of the enactment of this Act, a provisional digital commodity exchange has not submitted a certification under clause (i)(I)(bb) with respect to the digital asset; or

(BB) a provisionally registered digital commodity exchange has received a notice under subclause (I) with respect to the digital asset.

(cc) REASONABLE TIME.—
With respect to a required de-listing, the Commission shall provide a provisional digital commodity exchange, digital commodity broker, or digital com-

1 modity dealer sufficient time to
2 ensure—

3 (AA) an orderly
4 winddown of trading activi-
5 ties; and

6 (BB) the prevention of
7 disruptive trading.

8 (4) EXPIRATION OF PROVISIONAL REGISTRA-
9 TION.—

10 (A) IN GENERAL.—No person may file a
11 provisional registration statement with the
12 Commission after the rules for the registration
13 of digital commodity exchanges or digital com-
14 modity brokers or digital commodity dealers are
15 finalized, as appropriate.

16 (B) TRANSITION TO FULL REGISTRA-
17 TION.—The Commission shall provide for an or-
18 derly transition to full registration for any enti-
19 ty that has filed a provisional registration state-
20 ment under this subsection.

21 (C) REVOCATION OF REGISTRATION.—The
22 Commission shall revoke a provisional registra-
23 tion statement filed by any person that fails to
24 comply with this section, after providing notice
25 to the person of the failure of the person to

1 comply and affording the person a reasonable
2 opportunity to correct the noncompliance.

3 (5) DEFERMENT OF ENFORCEMENT.—

4 (A) IN GENERAL.—Any person who has
5 filed a provisional registration statement under
6 this section and is in compliance with this sec-
7 tion shall not be subject to an enforcement ac-
8 tion by the Commodity Futures Trading Com-
9 mission or the Securities and Exchange Com-
10 mission, or any other cause of action, for—

11 (i) listing for trading a digital asset
12 that is not a digital commodity; or

13 (ii) failing to register as a digital com-
14 modity exchange, digital commodity
15 broker, or digital commodity dealer.

16 (B) FULL REGISTRATION.—A registered
17 digital commodity exchange, registered digital
18 commodity broker, and registered digital com-
19 modity dealer shall not be subject to an enforce-
20 ment action by the Commodity Futures Trad-
21 ing Commission or the Securities and Exchange
22 Commission, or any other cause of action, while
23 such person was in compliance with this sec-
24 tion, for—

- 1 (i) listing for trading a digital asset
2 that is not a digital commodity; or
3 (ii) failing to register as a digital com-
4 modity exchange.

5 **SEC. 106. PROVISIONAL REGISTRATION OF SEC INTER-**
6 **MEDIARIES.**

7 (a) PROVISIONAL REGISTRATION.—

8 (1) IN GENERAL.—Any person engaging in, or
9 proposing to engage in, activities of a broker, dealer,
10 or alternative trading system involving digital assets
11 that would be subject to registration with the Securi-
12 ties and Exchange Commission (in this subsection
13 referred to as the “Commission”) may file a provi-
14 sional registration statement with the Commission,
15 and any relevant self-regulatory organization, as a
16 broker, dealer, or alternative trading system, as ap-
17 propriate, by providing the Commission and any rel-
18 evant self-regulatory organization with a statement
19 stating the intention of the person to provisionally
20 register as such under this section.

21 (2) INSPECTION AND EXAMINATION.—Each
22 broker, dealer, or alternative trading system that
23 has filed a provisional registration statement pursu-
24 ant to this section shall be subject to inspection and
25 examination by the Commission.

1 (3) REGISTRATION PRIOR TO FINAL RULES.—

2 (A) IN GENERAL.—The Commission shall
3 permit any person engaging in, or proposing to
4 engage in, activities of a broker, dealer, or al-
5 ternative trading system involving digital assets
6 to file a provision registration statement pursu-
7 ant to this section.

8 (B) ENFORCEMENT DEFERRED.—Begin-
9 ning on the date of the enactment of this Act
10 and ending on the date the Commission estab-
11 lishes a registration process for purposes of this
12 section, a person engaging in, or proposing to
13 engage in, activities of a broker, dealer, or al-
14 terative trading system involving digital assets
15 shall not be subject to an enforcement action by
16 the Commission for a violation of this Act or
17 the securities laws related to a failure to reg-
18 ister with the Commission before engaging in
19 such activities.

20 (4) EXCEPTION.—A person may not file a pro-
21 visional registration statement to be a broker, deal-
22 er, or alternative trading system is such person is
23 disqualified under the securities laws or rules issued
24 thereunder from acting as a broker, dealer, or alter-
25 native trading system, as applicable.

1 (5) TREATMENT UNDER CUSTOMER PROTEC-
2 TION RULES.—The revisions required under section
3 304 shall apply to a broker, dealer, or alternative
4 trading system that has provisionally registered pur-
5 suant to this section to the same extent as such revi-
6 sions apply to a registered broker or dealer.

7 (b) TRANSITION TO FULL REGISTRATION.—

8 (1) IN GENERAL.—When finalizing the rules re-
9 quired under this section, the Commission shall pro-
10 vide for an orderly transition to full registration for
11 each broker, dealer, or alternative trading system
12 which has filed a provisional registration statement.

13 (2) REVOCATION OF REGISTRATION.—The
14 Commission shall revoke a provisional registration
15 statement under this section of any broker, dealer,
16 or alternative trading system which fails to comply
17 with this section after notice of such failure to com-
18 ply and a reasonable opportunity to correct the defi-
19 ciency.

20 (c) DEFERMENT OF ENFORCEMENT.—

21 (1) IN GENERAL.—A broker, dealer, or alter-
22 native trading system which has filed a provisional
23 registration statement and is in compliance with the
24 requirements of this section shall not be subject to
25 an enforcement action by the Commission for engag-

1 ing in activities involving digital assets, while the
2 provisional registration statement for the broker,
3 dealer, or alternative trading system is in effect,
4 for—

5 (A) a violation of offering a digital asset
6 deemed a security; or

7 (B) failure to register as a broker, dealer,
8 or alternative trading system.

9 (2) FULL REGISTRATION.—A registered broker,
10 dealer, or alternative trading system shall not be
11 subject to an enforcement action by the Commission,
12 while it was provisionally registered for—

13 (A) a violation of offering a digital asset
14 deemed a security; or

15 (B) for failure to register as a broker,
16 dealer, or alternative trading system.

17 **TITLE II—DIGITAL ASSET** 18 **EXEMPTIONS**

19 **SEC. 201. EXEMPTED TRANSACTIONS IN DIGITAL ASSETS.**

20 (a) IN GENERAL.—The Securities Act of 1933 (15
21 U.S.C. 77a et seq.) is amended—

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

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

1 “(A) the aggregate amount of units of the
2 digital asset sold by the digital asset issuer, in-
3 cluding any amount sold in reliance on the ex-
4 emption provided under this paragraph, during
5 the 12-month period preceding the date of such
6 transaction, including the amount sold in such
7 transaction, is not more than \$75,000,000;

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

17 “(i) 5 percent of the person’s annual
18 income or joint income with that person’s
19 spouse or spousal equivalent ; or

20 “(ii) 5 percent of the person’s net
21 worth or joint net worth with the person’s
22 spouse or spousal equivalent;

23 “(C) after the completion of the trans-
24 action, the purchaser does not own more than
25 10 percent of the total amount of the units of

1 the digital asset sold in reliance on the exemp-
2 tion under this paragraph;

3 “(D) the transaction does not involve the
4 offer or sale of equity securities, debt securities,
5 or debt securities convertible or exchangeable to
6 equity interests;

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

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

13 “(ii) is a development stage company
14 that either—

15 “(I) has no specific business plan
16 or purpose; or

17 “(II) has indicated that the busi-
18 ness plan of the company is to merge
19 with or acquire an unidentified com-
20 pany;

21 “(iii) is an investment company, as
22 defined in section 3 of the Investment
23 Company Act of 1940 (15 U.S.C. 80a-3),
24 or is excluded from the definition of invest-
25 ment company by section 3(b) or section

1 3(c) of that Act (15 U.S.C. 80a-3(b) or
2 80a-3(c));

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

6 “(v) is, or has been, subject to any
7 order of the Commission entered pursuant
8 to section 12(j) of the Securities Exchange
9 Act of 1934 during the 5-year period be-
10 fore the filing of the offering statement;
11 and

12 “(vi) is disqualified pursuant to sec-
13 tion 230.262 of title 17, Code of Federal
14 Regulations; and

15 “(F) the issuer meets the requirements of
16 section 4B(a).”; and

17 (2) by inserting after section 4A the following:

18 **“SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN DIG-
19 ITAL ASSET TRANSACTIONS.**

20 **“(a) REQUIREMENTS FOR DIGITAL ASSET
21 ISSUERS.—**

22 **“(1) INFORMATION REQUIRED IN STATE-
23 MENT.—**A digital asset issuer offering or selling a
24 unit of digital asset in reliance on section 4(a)(8)

1 shall file with the Commission a statement con-
2 taining the following information:

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

7 “(B) A certification that the digital asset
8 issuer meets the relevant requirements de-
9 scribed under section 4(a)(8).

10 “(C) An overview of the material aspects
11 of the offering.

12 “(D) A description of the purpose and in-
13 tended use of the offering proceeds.

14 “(E) A description of the plan of distribu-
15 tion of any unit of a digital asset that is to be
16 offered.

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

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

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

1 “(I) A description of any material trans-
2 actions or relationships between the digital
3 asset issuer and affiliated persons.

4 “(2) INFORMATION REQUIRED FOR PUR-
5 CHASERS.—A digital asset issuer shall disclose the
6 information described under section 203 of
7 **【SHORT TITLE】** on a freely accessible public
8 website.

9 “(3) ONGOING DISCLOSURE REQUIREMENTS.—
10 A digital asset issuer that has filed a statement
11 under paragraph (1) to offer and sell a unit of a dig-
12 ital asset in reliance on section 4(a)(8) shall file the
13 following with the Commission:

14 “(A) ANNUAL REPORTS.—An annual re-
15 port that includes any material changes to the
16 information described under paragraph (2) for
17 the current fiscal year and for any fiscal year
18 thereafter, unless the issuer is no longer obli-
19 gated to file such annual report pursuant to
20 paragraph (4).

21 “(B) SEMIANNUAL REPORTS.—Every six
22 months, a report containing—

23 “(i) an updated description of the cur-
24 rent state and timeline for the development
25 of the blockchain network to which the dig-

1 ital asset relates, showing how and when
2 the blockchain network intends or intended
3 to be considered a functional network and
4 a decentralized network; and

5 “(ii) any material changes to the in-
6 formation in the most recent annual re-
7 port.

8 “(C) CURRENT REPORTS.—A current re-
9 port shall be filed with the Commission reflect-
10 ing any fundamental changes to the information
11 previously reported to the Commission by the
12 digital asset issuer.

13 “(4) TERMINATION OF REPORTING REQUIRE-
14 MENTS.—

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

19 “(B) COVERED FISCAL YEAR DEFINED.—
20 In this paragraph, the term ‘covered fiscal year’
21 means the first fiscal year of an issuer in which
22 the blockchain network to which the digital
23 asset relates is a functional network and cer-
24 tified to be a decentralized network under sec-
25 tion 204 of **[SHORT TITLE]**.

1 “(b) REQUIREMENTS FOR INTERMEDIARIES.—

2 “(1) IN GENERAL.—A person acting as an
3 intermediary in a transaction involving the offer or
4 sale of a unit of a digital asset in reliance on section
5 4(a)(8) shall—

6 “(A) register with the Commission as a
7 broker under section 15(b) of the Securities Ex-
8 change Act of 1934 (15 U.S.C. 78o(b)); and

9 “(B) be a member of a national securities
10 association registered under section 15A of the
11 Securities Exchange Act of 1934 (15 U.S.C.
12 78o-3).

13 “(2) PURCHASER QUALIFICATION.—

14 “(A) IN GENERAL.—Each time, before ac-
15 cepting any commitment (including any addi-
16 tional commitment from the same person), an
17 intermediary or digital asset issuer shall have a
18 reasonable basis for believing that the pur-
19 chaser satisfies the requirements of section
20 4(a)(8).

21 “(B) RELIANCE ON PURCHASER’S REP-
22 RESENTATIONS.—For purposes of subpara-
23 graph (A), an intermediary or digital asset
24 issuer may rely on a purchaser’s representa-
25 tions concerning the purchaser’s annual income

1 and net worth and the amount of the pur-
2 chaser's other investments made, unless the
3 intermediary or digital asset issuer has reason
4 to question the reliability of the representation.

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

11 “(c) ADDITIONAL PROVISIONS.—

12 “(1) ACCEPTANCE OF WRITTEN OFFERS;
13 SALES.—After an issuer files a statement under
14 paragraph (1) to offer and sell a digital asset in reli-
15 ance on section 4(a)(8)—

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

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

21 “(2) SOLICITATION OF INTEREST.—

22 “(A) IN GENERAL.—At any time before
23 the filing of a statement under paragraph (1),
24 a digital asset issuer may communicate orally
25 or in writing to determine whether there is any

1 interest in a contemplated offering. Such com-
2 munications are deemed to be an offer of a unit
3 of a digital asset for sale for purposes of the
4 antifraud provisions of the Federal securities
5 laws. No solicitation or acceptance of money or
6 other consideration, nor of any commitment,
7 binding or otherwise, from any person is per-
8 mitted until the statement is filed.

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

12 “(i) state that no money or other con-
13 sideration is being solicited, and if sent in
14 response, will not be accepted;

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

20 “(iii) state that a person’s indication
21 of interest involves no obligation or com-
22 mitment of any kind.

23 “(C) INDICATIONS OF INTEREST.—Any
24 written communication described under sub-
25 paragraph (A) may include a means by which

1 a person may indicate to the digital asset issuer
2 that such person is interested in a potential of-
3 fering. A digital asset issuer may require a
4 name, address, telephone number, or email ad-
5 dress in any response form included with a
6 communication described under subparagraph
7 (A).

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

13 “(4) DIGITAL ASSETS DEEMED RESTRICTED SE-
14 CURITIES.—A unit of a digital asset acquired di-
15 rectly or indirectly from the digital asset issuer in a
16 transaction, or chain of transactions, made in reli-
17 ance on the exemption provided under section
18 4(a)(8) is deemed a restricted digital asset.”.

19 (b) ADDITIONAL EXEMPTIONS.—

20 (1) CERTAIN REGISTRATION REQUIREMENTS.—
21 Section 12(g)(6) of the Securities Exchange Act of
22 1934 (15 U.S.C. 78l(g)(6)) is amended by striking
23 “under section 4(6)” and inserting “under section
24 4(a)(6) or 4(a)(8)”.

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

4 (A) in section (B), by striking “section
5 4(4)” and inserting “section 4(a)(4)”;

6 (B) in section (C), by striking “section
7 4(6)” and inserting “section 4(a)(6)”;

8 (C) in subparagraph (F)—

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

12 (ii) by striking “or” at the end;

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

15 (E) by adding at the end the following:

16 “(H) section 4(a)(8).”.

17 **SEC. 202. REQUIREMENTS TO TRANSACT IN CERTAIN DIG-**
18 **ITAL ASSETS.**

19 (a) TRANSACTIONS IN CERTAIN RESTRICTED DIG-
20 ITAL ASSETS.—

21 (1) IN GENERAL.—Notwithstanding any other
22 provision of law, subject to paragraph (2), a re-
23 stricted digital asset may be offered and sold on an
24 alternative trading system by any person other than
25 a digital asset issuer if, at the time of such offer or

1 sale, the information described in section 203 has
2 been certified and made publicly available for any
3 blockchain network to which the restricted digital
4 asset relates.

5 (2) ADDITIONAL RULES FOR RELATED AND AF-
6 FILLIATED PERSONS.—A restricted digital asset
7 owned by a related person or an affiliated person
8 may only be offered or sold after 12 months after
9 the later of—

10 (A) the date on which such restricted dig-
11 ital asset was acquired; or

12 (B) the digital asset maturity date.

13 (b) DIGITAL COMMODITIES.—

14 (1) IN GENERAL.—Subject to paragraph (2), a
15 digital commodity may be offered and sold by any
16 person other than a digital asset issuer, a related
17 person, or an affiliated person.

18 (2) PREVIOUSLY RESTRICTED DIGITAL AS-
19 SETS.—A digital commodity that was a restricted
20 digital asset when it was first acquired, may only be
21 offered or sold by a related person or an affiliated
22 person if—

23 (A) the holder of the digital commodity
24 owned the digital commodity while it was a re-

1 stricted digital asset for 12 months after the
2 later of—

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

5 (ii) the digital asset maturity date;
6 and

7 (B) the digital commodity is offered or
8 sold on or subject to the rules of a digital com-
9 modity exchange registered under section 5i of
10 the Commodity Exchange Act.

11 (3) NOT AN INVESTMENT CONTRACT.—For pur-
12 poses of the securities laws, a transaction in a dig-
13 ital commodity made in compliance with paragraph
14 (1) or (2) shall not be a transaction in an invest-
15 ment contract.

16 (c) SALES RESTRICTIONS FOR AFFILIATED PER-
17 SONS.—A digital asset may be offered or sold by an affili-
18 ated person under subsection (a) or (b) if—

19 (1) the aggregate amount of such digital assets
20 sold in any 3-month period by the affiliated person
21 is not greater than one percent of the digital assets
22 then outstanding; or

23 (2) the affiliated person promptly, following the
24 placement of an order to sell one percent of the dig-

1 ital assets then outstanding during any 3-month pe-
2 riod, reports the sale to—

3 (A) the Commodity Futures Trading Com-
4 mission, in the case of an order to sell a digital
5 commodity on or subject to the rules of a dig-
6 ital commodity exchange; or

7 (B) the Securities and Exchange Commis-
8 sion, in the case of a sell order for a restricted
9 digital asset placed with an alternative trading
10 system.

11 (d) TREATMENT UNDER THE SECURITIES LAWS.—

12 (1) NOT AN INVESTMENT CONTRACT.—For pur-
13 poses of the securities laws, an end user distribution
14 shall not be a transaction in an investment contract.

15 (2) EXEMPTION.—Section 5 of the Securities
16 Act of 1933 (15 U.S.C. 77e) shall not apply to an
17 end user distribution or a unit of digital asset issued
18 in such a distribution.

19 **SEC. 203. ENHANCED DISCLOSURE REQUIREMENTS.**

20 (a) DISCLOSURE INFORMATION.—With respect to a
21 digital asset and any blockchain network to which the dig-
22 ital asset relates, the information described under this sec-
23 tion is as follows:

24 (1) SOURCE CODE.—The source code for any
25 blockchain network to which the digital asset relates.

1 (2) TRANSACTION HISTORY.—A description of
2 the steps necessary to independently access, search,
3 and verify the transaction history of any blockchain
4 network to which the digital asset relates.

5 (3) DIGITAL ASSET ECONOMICS.—A description
6 of the purpose of any blockchain network to which
7 the digital asset relates and the operation of any
8 such blockchain network, including—

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

15 (B) information on any applicable con-
16 sensus mechanism or process for validating
17 transactions, method of generating or mining
18 digital assets, and any process for burning or
19 destroying digital assets on the blockchain net-
20 work;

21 (C) an explanation of governance mecha-
22 nisms for implementing changes to the
23 blockchain network or forming consensus
24 among holders of such digital assets; and

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

4 (4) PLAN OF DEVELOPMENT.—The current
5 state and timeline for the development of any
6 blockchain network to which the digital asset relates,
7 showing how and when the blockchain network in-
8 tends or intended to be considered a functional net-
9 work and decentralized network.

10 (5) DEVELOPMENT DISCLOSURES.—A list of all
11 persons who are related persons or affiliated persons
12 who have been issued a unit of a digital asset by a
13 digital asset issuer or have a right to a unit of a dig-
14 ital asset from a digital asset issuer.

15 (6) RISK FACTOR DISCLOSURES.—Where appro-
16 priate, provide under the caption “Risk Factors” a
17 description of the material risks surrounding owner-
18 ship of a unit of a digital asset. This discussion shall
19 be organized logically with relevant headings and
20 each risk factor shall be set forth under a subcaption
21 that adequately describes the risk.

22 (b) CERTIFICATION.—With respect to a digital asset
23 and any blockchain network to which the digital asset re-
24 lates, the information required to be made available under
25 this section has been certified if the digital asset issuer,

1 an affiliated person, or a decentralized organization (or,
2 if no digital asset issuer, affiliated person, or decentralized
3 organization are identifiable, an alternative trading system
4 or digital commodity exchange) certifies on a quarterly
5 basis to the Securities and Exchange Commission and
6 Commodity Futures Trading Commission that the infor-
7 mation is true and correct.

8 **SEC. 204. CERTIFICATION OF CERTAIN DIGITAL ASSETS.**

9 (a) **CERTIFICATION.**—Any person may certify to the
10 Securities and Exchange Commission (in this subsection
11 referred to as the “Commission”) that the blockchain net-
12 work to which a digital asset relates is a decentralized net-
13 work.

14 (b) **FILING REQUIREMENTS.**—A certification de-
15 scribed under subsection (a) shall be filed with the Com-
16 mission, and include—

17 (1) information regarding the person making
18 the certification; and

19 (2) an analysis of the factors on which such
20 person based the certification that the blockchain
21 network is a decentralized network.

22 (c) **REBUTTABLE PRESUMPTION.**—The Commission
23 may rebut a certification described under subsection (a)
24 with respect to a blockchain network if the Commission,
25 within 30 days of receiving such certification, determines

1 that the blockchain network is not a decentralized net-
2 work.

3 (d) CERTIFICATION REVIEW.—

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

13 (A) an inadequate explanation by the per-
14 son making the certification; or

15 (B) any novel or complex issues which re-
16 quire additional time to consider.

17 (2) PUBLIC NOTICE.—The Commission shall
18 make the following available to the public and pro-
19 vide a copy to the Commodity Futures Trading
20 Commission:

21 (A) Each certification received under sub-
22 section (a).

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

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

4 (e) STAY OF CERTIFICATION.—

5 (1) IN GENERAL.—A notification by the Com-
6 mission pursuant to subsection (d)(1) shall stay the
7 certification once for up to an additional 90 days
8 from the date of the notification.

9 (2) PUBLIC COMMENT PERIOD.—Before the end
10 of the 30-day period described under subsection
11 (d)(1), the Commission may begin a public comment
12 period of at least 30 days in conjunction with a stay
13 under this section.

14 (f) DISPOSITION OF CERTIFICATION.—

15 (1) IN GENERAL.—A certification made under
16 subsection (a) shall—

17 (A) become effective—

18 (i) upon the publication of a notifica-
19 tion from the Commission to the person
20 who made the certification that the Com-
21 mission does not object to the certification;
22 or

23 (ii) at the expiration of the certifi-
24 cation review period; and

1 (B) not become effective upon the publica-
2 tion of a notification from the Commission to
3 the person who made the certification that the
4 Commission has rebutted the certification.

5 (2) DETAILED ANALYSIS INCLUDED WITH RE-
6 BUTTAL.—The Commission shall include, with each
7 publication of a notification of rebuttal described
8 under paragraph (1)(B), a detailed analysis of the
9 factors on which the decision was based.

10 (g) RECONSIDERATION.—

11 (1) IN GENERAL.—Any certification of a
12 blockchain network that becomes effective pursuant
13 to subsection (f) shall be eligible to be reconsidered
14 by the Commission one year after the date on which
15 the certification becomes effective and each year
16 thereafter.

17 (2) RECONSIDERATION PROCESS.—To recon-
18 sider a certification under (f), the Commission
19 shall—

20 (A) publish a notice announcing the recon-
21 sideration 120 days before the anniversary of
22 the initial certification;

23 (B) provide a 30 day comment period, be-
24 ginning 90 days before the anniversary of the
25 initial certification; and

1 (C) after the end of the 30-day comment
2 required under subparagraph (B) and no later
3 than 30 days prior to the anniversary of the ini-
4 tial certification, publish either—

5 (i) a rebuttal of the certification; or

6 (ii) a notice that the Commission is
7 not rebutting the certification.

8 (3) DETAILED ANALYSIS REQUIRED.—The
9 Commission shall include, with each publication of a
10 notification of rebuttal described under paragraph
11 (2)(C)(i), a detailed analysis of the factors on which
12 the decision was based.

13 (h) APPEAL OF REBUTTAL.—If the Commission re-
14 butts a certification under this section, either initially or
15 in a reconsideration under subsection (g), the person mak-
16 ing such certification may appeal the decision of the Com-
17 mission to a court of competent jurisdiction.

1 **TITLE III—REGISTRATION FOR**
2 **DIGITAL ASSET INTER-**
3 **MEDIARIES AT THE SECURI-**
4 **TIES AND EXCHANGE COM-**
5 **MISSION**

6 **SEC. 301. TREATMENT OF DIGITAL COMMODITIES AND**
7 **OTHER DIGITAL ASSETS.**

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

13 (b) SECURITIES EXCHANGE ACT OF 1934.—Section
14 3(a) of the Securities Exchange Act of 1934 (15 U.S.C.
15 78c(a)) is amended—

16 (1) in paragraph (6), by striking “receiving de-
17 posits or exercising fiduciary powers” and inserting
18 “receiving deposits, exercising fiduciary powers, or
19 offering custody and safekeeping services”;

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

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

1 (4) by adding at the end the following:

2 “(82) DIGITAL ASSET-RELATED TERMS.—The
3 terms ‘blockchain network’, ‘digital asset’, ‘digital
4 commodity’, ‘payment stablecoin’, and ‘restricted
5 digital asset’ have the meaning given those terms,
6 respectively, under section 2(a) of the Securities Act
7 of 1933 (15 U.S.C. 77b(a)).”.

8 (c) INVESTMENT ADVISERS ACT OF 1940.—Section
9 202(a) of the Investment Advisers Act of 1940 (15 U.S.C.
10 80b–2) is amended—

11 (1) in paragraph (2), by striking “receiving de-
12 posits or exercising fiduciary powers” and inserting
13 “receiving deposits, exercising fiduciary powers, or
14 offering custody and safekeeping services,”;

15 (2) in paragraph (18), by adding at the end the
16 following: “The term does not include a digital com-
17 modity or payment stablecoin.”;

18 (3) by redesignating the second paragraph (29)
19 (relating to commodity pools) as paragraph (31);

20 (4) by adding at the end, the following:

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

1 (d) INVESTMENT COMPANY ACT OF 1940.—Section
2 2(a) of the Investment Company Act of 1940 (15 U.S.C.
3 80a–2) is amended—

4 (1) in paragraph (5), by striking “receiving de-
5 posits or exercising fiduciary powers” and inserting
6 “receiving deposits, exercising fiduciary powers, or
7 offering custody and safekeeping services,”;

8 (2) in paragraph (36), by adding at the end the
9 following: “The term does not include a digital com-
10 modity or payment stablecoin.”; and

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

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

17 **SEC. 302. ANTIFRAUD AUTHORITY OVER PAYMENT**
18 **STABLECOINS.**

19 Section 10 of the Securities Exchange Act of 1934
20 (15 U.S.C. 78j) is amended—

21 (1) by designating the undesignated matter at
22 the end of that section as paragraph (3) of sub-
23 section (c); and

24 (2) in subsection (c)(3), as so designated—

1 (A) by striking “Rules promulgated under
2 subsection (b)” and inserting “Subsection (b)
3 and rules promulgated thereunder”;

4 (B) by inserting “and shall apply to pay-
5 ment stablecoins with respect to those cir-
6 cumstances in which the payment stablecoins
7 are brokered, traded, or custodied by a broker
8 or dealer or through an alternative trading sys-
9 tem to the same extent as they apply to securi-
10 ties” after “to the same extent as they apply to
11 securities” each place it occurs; and

12 (C) by inserting before the period at the
13 end the following: “provided, that the Commis-
14 sion shall have no authority under subsection
15 (b) or rules promulgated thereunder with re-
16 spect to payment stablecoins (including the de-
17 sign, structure, or operation of such payment
18 stablecoins) except with respect to cir-
19 cumstances in which the payment stablecoins
20 are brokered, traded, or custodied by a broker
21 or dealer or through an alternative trading sys-
22 tem”.

1 **SEC. 303. ELIGIBILITY OF ALTERNATIVE TRADING SYS-**
2 **TEMS.**

3 (a) IN GENERAL.—Section 5 of the Securities Ex-
4 change Act of 1934 (15 U.S.C. 78e) is amended—

5 (1) by striking “It” and inserting the following:

6 “(a) IN GENERAL.—It”; and

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

8 “(b) DIGITAL ASSET PROTECTIONS.—

9 “(1) IN GENERAL.—The Commission may not
10 preclude a trading platform from operating pursuant
11 to a covered exemption on the basis that the assets
12 traded or to be traded on such platform are digital
13 assets.

14 “(2) COVERED EXEMPTION.—In this sub-
15 section, the term ‘covered exemption’ means an ex-
16 emption with respect to—

17 “(A) the requirements of subsection (a);

18 and

19 “(B) any other rule of the Commission re-
20 lating to the definition of ‘exchange’.”.

21 (b) RULEMAKING.—

22 (1) IN GENERAL.—Not later than 270 days
23 after the date of the enactment of this Act, the Se-
24 curities and Exchange Commission shall revise the
25 covered regulations to—

1 (A) exempt an alternative trading system
2 permitting the trading of only securities, cov-
3 ered assets, or both from registration as a na-
4 tional securities exchange under section 6 of the
5 Securities Exchange Act of 1934 (15 U.S.C.
6 78f); and

7 (B) permit disintermediated trading be-
8 tween holders of covered assets and real-time
9 settlement through custody of the covered as-
10 sets, consistent with what is necessary or ap-
11 propriate in the public interest or for the pro-
12 tection of investors.

13 (2) DEFINITIONS.—In this subsection—

14 (A) COVERED ASSETS.—The term “cov-
15 ered assets” means restricted digital assets,
16 digital commodities, and payment stablecoins.

17 (B) COVERED REGULATIONS.—The term
18 “covered regulations” means sections 242.301,
19 242.302, 242.303, and 242.304 of title 17,
20 Code of Federal Regulations.

21 **SEC. 304. CUSTOMER PROTECTION RULE MODERNIZATION.**

22 Not later than 270 days after the date of enactment
23 of this Act, the Securities and Exchange Commission shall
24 revise section 240.15c3–3 of title 17, Code of Federal Reg-
25 ulations, to provide that a registered broker or dealer shall

1 be considered to have control of digital assets, in addition
2 to such other methods as the Securities and Exchange
3 Commission may permit, if—

4 (1) the broker or dealer holds such digital asset
5 at a bank (as defined in section 3(a) of the Securi-
6 ties Exchange Act of 1934 (15 U.S.C. 78c(a))—

7 (A) that is recognized by the appropriate
8 Federal banking agency or State bank super-
9 visor (as such terms are defined, respectively, in
10 section 3 of the Federal Deposit Insurance Act
11 (12 U.S.C. 1813)) as having custody over such
12 assets;

13 (B) the delivery of which to the broker or
14 dealer does not require the payment of money
15 or value; and

16 (C) that has acknowledged in writing that
17 the digital asset in its custody or control is free
18 of charge, lien, or claim of any kind in favor of
19 such bank or any person claiming through the
20 bank; or

21 (2) the broker or dealer establishes, maintains,
22 and enforces written policies, procedures, and con-
23 trols reasonably designed to demonstrate that the
24 broker has control over the digital asset it holds in
25 custody to protect against the theft, loss, or unau-

1 thorized use of the private keys necessary to access
2 and transfer such digital assets.

3 **SEC. 305. MODERNIZATION OF RECORDKEEPING REQUIRE-**
4 **MENTS.**

5 (a) IN GENERAL.—For purposes of determining cus-
6 tody of assets and maintenance of books and records by
7 brokers, dealers, transfer agents, clearing agencies, and
8 exchanges under the Securities and Exchange Act of 1934
9 (15 U.S.C. 78a et seq.), a person may consider records
10 of ownership of a digital asset determinable from a cryp-
11 tographically secured distributed ledger as accurately indi-
12 cating ownership.

13 (b) REVISION OF RULES.—Not later than 180 days
14 after the date of enactment of this Act, the Securities and
15 Exchange Commission shall issue and revise rules—

16 (1) in accordance with subsection (a); and

17 (2) to authorize registered transfer agents to
18 use the technology described in such subsection to
19 carry out the functions of such transfer agents
20 under section 17A(c)(1) of the Securities Exchange
21 Act of 1934 (15 U.S.C. 78q-1(c)(1)).

22 **SEC. 306. MODIFICATIONS TO EXISTING RULES FOR DIG-**
23 **ITAL ASSETS.**

24 (a) STUDY REQUIRED.—Not later than 180 days
25 after the date of the enactment of this Act, the Securities

1 and Exchange Commission shall complete a study with re-
2 spect to the modernization of specified regulations under
3 title 17, Code of Federal Regulations to apply to digital
4 assets.

5 (b) **RULE REVISION REQUIRED.**—Not later than 180
6 days after the date the study required under subsection
7 (a) is completed, the Securities and Exchange Commission
8 shall propose rules to modernize the specified regulations.
9 Such rules may not be unnecessary or unduly burdensome.

10 (c) **SPECIFIED REGULATIONS.**—In this section, the
11 term “specified regulations” means—

- 12 (1) regulation NMS under part 242 of title 17,
13 Code of Federal Regulations;
- 14 (2) regulation SCI under part 242 of such title;
- 15 (3) section 240.15c3–5 of such title; and
- 16 (4) section 240.15c2–11 of such title.

17 **SEC. 307. TREATMENT OF CERTAIN DIGITAL ASSETS IN**
18 **CONNECTION WITH FEDERALLY REGULATED**
19 **INTERMEDIARIES.**

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

23 “(5) **EXEMPTION FOR CERTAIN DIGITAL ASSETS**
24 **IN CONNECTION WITH FEDERALLY REGULATED**
25 **INTERMEDIARIES.**—A digital asset is a covered secu-

1 rity with respect to a transaction that is exempt
2 from registration under this Act when—

3 “(A) it is brokered, traded, custodied, or
4 cleared by a broker or dealer registered under
5 section 15 of the Securities Exchange Act of
6 1934; or

7 “(B) traded through an alternative trading
8 system (as defined under section 242.301 of
9 title 17, Code of Federal Regulations.”.

10 **SEC. 308. DUAL REGISTRATION.**

11 Any person that is registered with the Securities and
12 Exchange Commission as a broker, dealer, or alternative
13 trading system may register with the Commodity Futures
14 Trading Commission, as appropriate, as—

15 (1) a digital commodity exchange under section
16 5i of the Commodity Exchange Act (7 U.S.C. 1 et
17 seq.), as added by this Act, if the person offers or
18 seeks to offer a cash or spot market in at least one
19 digital commodity;

20 (2) a digital commodity broker under section 4u
21 of the Commodity Exchange Act, as added by this
22 Act, if the person is engaged in soliciting or accept-
23 ing orders in digital commodity cash or spot mar-
24 kets; or

1 (3) a digital commodity dealer under section 4u
2 of the Commodity Exchange Act, as added by this
3 Act, if the person holds themselves out as a dealer in
4 digital commodity cash or spot markets.

5 **SEC. 309. EXCLUSION FOR ANCILLARY ACTIVITIES.**

6 The Securities Exchange Act of 1934 (15 U.S.C. 78a
7 et seq.) is amended by inserting after section 15G the fol-
8 lowing:

9 **“SEC. 15H. EXCLUSION FOR ANCILLARY ACTIVITIES.**

10 “(a) IN GENERAL.—Notwithstanding any other pro-
11 vision of this Act, a person shall not be subject to the
12 regulatory requirements of this Act solely based on the
13 person undertaking any ancillary activities.

14 “(b) EXCEPTIONS.—Subsection (a) shall not be con-
15 strued to apply to the anti-manipulation and anti-fraud
16 authorities of the Commission.

17 “(c) ANCILLARY ACTIVITIES DEFINED.—In this sec-
18 tion, the term ‘ancillary activities’ means any of the fol-
19 lowing activities related to the operation of a blockchain
20 network:

21 “(1) Network transactions compilation, pool op-
22 erating, relating, searching, sequencing, validating,
23 or acting in a similar capacity with respect to a re-
24 stricted digital asset.

1 “(2) Providing computational work, or pro-
2 curing, offering or utilizing network bandwidth, or
3 other similar incidental services with respect to a re-
4 stricted digital asset.

5 “(3) Providing a user-interface that enables a
6 user to read and access data about a blockchain net-
7 work, send messages, or otherwise interact with a
8 blockchain network.

9 “(4) Developing, publishing, constituting, ad-
10 ministering, maintaining, or otherwise distributing a
11 blockchain network.

12 “(5) Developing, publishing, constituting, ad-
13 ministering, maintaining, or otherwise distributing
14 software or systems that create or deploy a hard-
15 ware or software wallet or other system facilitating
16 an individual user’s own personal ability to keep,
17 safeguard, or custody the user’s restricted digital as-
18 sets or related private keys.”.

1 **TITLE IV—REGISTRATION FOR**
2 **DIGITAL ASSET INTER-**
3 **MEDIARIES AT THE COM-**
4 **MODITY FUTURES TRADING**
5 **COMMISSION**

6 **SEC. 401. COMMISSION JURISDICTION OVER DIGITAL COM-**
7 **MODITY TRANSACTIONS.**

8 (a) IN GENERAL.—Section 2(e)(2) of the Commodity
9 Exchange Act (7 U.S.C. 2(e)(2)) is amended—

10 (1) in subparagraph (D)(ii)—

11 (A) in subclause (III), in the matter that
12 precedes item (aa), by inserting “of a com-
13 modity, other than a digital commodity,” before
14 “that”; and

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

18 “(IV) a contract of sale of a dig-
19 ital commodity that—

20 “(aa) results in actual deliv-
21 ery, as the Commission shall by
22 rule determine, within 2 days or
23 such other period as the Commis-
24 sion may determine by rule or
25 regulation based upon the typical

1 commercial practice in cash or
2 spot markets for the digital com-
3 modity involved; or

4 “(bb) is executed with a reg-
5 istered digital commodity deal-
6 er—

7 “(AA) directly;

8 “(BB) through a reg-
9 istered digital commodity
10 broker; or

11 “(CC) on or subject to
12 the rules of a registered dig-
13 ital commodity exchange;”;
14 and

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

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

18 “(i) IN GENERAL.—Subject to sections 6d and
19 12(e), the Commission shall have exclusive jurisdic-
20 tion with respect to any account, agreement, con-
21 tract, or transaction involving a contract of sale of
22 a digital commodity in interstate commerce, includ-
23 ing in a digital commodity cash or spot market, that
24 is offered, solicited, traded, facilitated, executed,
25 cleared, reported, or otherwise dealt in—

1 “(I) on or subject to the rules of a reg-
2 istered entity or an entity that is required to be
3 registered as a registered entity; or

4 “(II) by any other entity registered, or re-
5 quired to be registered, with the Commission.

6 “(ii) LIMITATIONS.—Clause (i) shall not apply
7 with respect to custodial or depository activities for
8 a digital commodity, or custodial or depository ac-
9 tivities for any promise or right to a future digital
10 commodity, of an entity regulated by an appropriate
11 Federal banking agency or a State bank supervisor
12 (within the meaning of section 3 of the Federal De-
13 posit Insurance Act).

14 “(iii) SAVINGS CLAUSE.—Clause (i) shall not
15 affect, or be interpreted to affect, the scope of the
16 jurisdiction of the Commission with respect to—

17 “(I) any contract for the purchase or sale
18 of any commodity for future delivery, security
19 futures product, or swap;

20 “(II) any agreement, contract, or trans-
21 action described in subparagraph (C)(i) or
22 (D)(i);

23 “(III) any commodity option authorized
24 under section 4c; or

1 “(IV) any leverage transaction authorized
2 under section 19.

3 “(G) AGREEMENTS, CONTRACTS, AND TRANS-
4 ACTIONS IN STABLECOINS.—

5 “(i) IN GENERAL.—Except as provided in
6 clause (ii)—

7 “(I) nothing in this Act governs or applies
8 to an agreement, contract, or transaction in or
9 with a payment stablecoin; and

10 “(II) a registered entity or other entity
11 registered with the Commission shall not offer,
12 offer to enter into, enter into, execute, confirm
13 the execution of, or conduct any office or busi-
14 ness for the purpose of soliciting, accepting any
15 order for, or otherwise dealing in, any trans-
16 action in, or in connection with, a payment
17 stablecoin.

18 “(ii) PERMITTED PAYMENT STABLECOIN
19 TRANSACTIONS.—

20 “(I) A registered entity and any other enti-
21 ty registered with the Commission may trans-
22 act, offer, offer to enter into, enter into, exe-
23 cute, confirm the execution of, solicit, or accept
24 any order for a payment stablecoin, as provided
25 in subclauses (II) and (III).

1 “(II) The requirements of this Act shall
2 apply to, and the Commission shall have jurisdic-
3 tion over, an agreement, contract, or trans-
4 action with or for a payment stablecoin that is
5 offered, offered to enter into, entered into, exe-
6 cuted, confirmed the execution of, solicited, or
7 accepted—

8 “(aa) on or subject to the rules of a
9 registered entity that is registered with the
10 Commission; or

11 “(bb) by any other entity registered
12 by the Commission.

13 “(III) The provisions of this Act and the
14 jurisdiction of the Commission shall apply to
15 any agreement, contract, or transaction de-
16 scribed in subclause (II) as if the payment
17 stablecoin were a digital commodity.

18 “(IV) A registered entity and any other en-
19 tity registered with the Commission may use a
20 payment stablecoin in general business trans-
21 actions that are not otherwise subject to regula-
22 tion by the Commission.”.

23 (b) CONFORMING AMENDMENT.—Section 2(a)(1)(A)
24 of such Act (7 U.S.C. 2(a)(1)(A)) is amended in the 1st

1 sentence by inserting “subsection (c)(2)(F) of this section
2 or” before “section 19”.

3 **SEC. 402. REQUIRING FUTURES COMMISSION MERCHANTS**
4 **TO USE QUALIFIED DIGITAL COMMODITY**
5 **CUSTODIANS.**

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

8 (1) in subsection (a)(2)—

9 (A) in the 1st proviso, by striking “any
10 bank or trust company” and inserting “any
11 bank, trust company, or qualified digital com-
12 modity custodian”; and

13 (B) by inserting “: *Provided further*, That
14 any such property that is a digital commodity
15 shall be held in a qualified digital commodity
16 custodian” before the period at the end; and

17 (2) in subsection (f)(3)(A)(i), by striking “any
18 bank or trust company” and inserting “any bank,
19 trust company, or qualified digital commodity custo-
20 dian”.

21 **SEC. 403. TRADING CERTIFICATION AND APPROVAL FOR**
22 **DIGITAL COMMODITIES.**

23 Section 5c of the Commodity Exchange Act (7 U.S.C.
24 7a-2) is amended—

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

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

7 (B) in paragraph (3), by inserting “digital
8 commodity exchange,” before “derivatives” each
9 place it appears;
10 (3) in subsection (c)—

11 (A) in paragraph (2), by inserting “or par-
12 ticipants” before “(in”;

13 (B) in paragraph (4)(B), by striking
14 “1a(10)” and inserting “1a(9)”; and

15 (C) in paragraph (5), by adding at the end
16 the following:

17 “(D) SPECIAL RULES FOR DIGITAL COM-
18 MODITY CONTRACTS.—In certifying any new
19 rule or rule amendment, or listing any new con-
20 tract or instrument, in connection with a con-
21 tract of sale of a commodity for future delivery,
22 option, swap, or other agreement, contract, or
23 transaction, that is based on or references a
24 digital commodity, a registered entity shall

1 make or rely on a certification under subsection
2 (d) for the digital commodity.”; and
3 (4) by inserting after subsection (c) the fol-
4 lowing:

5 “(d) CERTIFICATIONS FOR DIGITAL COMMODITY
6 TRADING.—

7 “(1) IN GENERAL.—Notwithstanding subsection
8 (c), for the purposes of listing or offering a digital
9 commodity for trading in a digital commodity cash
10 or spot market, an eligible entity shall issue a writ-
11 ten certification that the digital commodity meets
12 the requirements of this Act (including regulations
13 thereunder).

14 “(2) CONTENTS OF THE CERTIFICATION.—

15 “(A) IN GENERAL.—In making a written
16 certification under this paragraph, the eligible
17 entity shall furnish to the Commission—

18 “(i) an analysis of how the digital
19 commodity meets the requirements of sec-
20 tion 5i(c)(3);

21 “(ii) information about the digital
22 commodity regarding—

23 “(I) its purpose and use;

24 “(II) its unit creation or release
25 process;

1 “(III) its consensus mechanism;

2 “(IV) its governance structure;

3 “(V) its participation and dis-
4 tribution; and

5 “(VI) its current and proposed
6 functionality; and

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

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

16 “(3) MODIFICATIONS.—

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

20 “(i) account for significant changes in
21 nature, operation, or functionality of the
22 digital commodity; or

23 “(ii) permit trading in units of a dig-
24 ital commodity which were once restricted
25 digital assets.

1 “(B) RECERTIFICATION.—Modifications
2 required by this subsection shall be subject to
3 the same disapproval and review process as a
4 new certification under paragraphs (4) and (5),
5 unless the Commission or such registered fu-
6 tures association (or committee thereof) to
7 which the Commission has, by rule or order,
8 delegated such authority finds that the digital
9 asset no longer meets the requirements of this
10 subsection (including regulations thereunder).

11 “(4) DISAPPROVAL.—

12 “(A) IN GENERAL.—The written certifi-
13 cation described in paragraph (1) shall become
14 effective unless the Commission or such reg-
15 istered futures association (or committee there-
16 of) to which the Commission has, by rule or
17 order, delegated such authority, finds that the
18 digital asset does not meet the requirements of
19 this Act (including regulations thereunder).

20 “(B) ANALYSIS REQUIRED.—The Commis-
21 sion shall include, with any findings referred to
22 in subparagraph (A), a detailed analysis of the
23 factors on which the decision was based.

24 “(5) REVIEW.—

1 “(A) IN GENERAL.—The written certifi-
2 cation described in paragraph (1) shall become
3 effective, pursuant to the certification by the el-
4 igible entity and notice of the certification to
5 the public (in a manner determined by the
6 Commission) on the date that is—

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

15 “(ii) 2 business days after the date
16 the Commission receives the certification
17 (or such shorter period as determined by
18 the Commission by rule or regulation) for
19 any digital commodity that has been cer-
20 tified under this section.

21 “(B) EXTENSIONS.—The time for consid-
22 eration under subparagraph (A) may be ex-
23 tended through notice to the eligible entity that
24 there are novel or complex issues that require
25 additional time to analyze, that the explanation

1 by the submitting eligible entity is inadequate,
2 or of a potential inconsistency with this Act—

3 “(i) once, for 30 business days,
4 through written notice to the eligible entity
5 by the Chairman or such other executive
6 office of a registered futures association to
7 which the Commission has, by rule or
8 order, delegated such authority; and

9 “(ii) once, for an additional 30 busi-
10 ness days, through written notice to the
11 digital commodity exchange from the Com-
12 mission or such registered futures associa-
13 tion (or committee thereof) to which the
14 Commission has, by rule or order, dele-
15 gated such authority, that includes a de-
16 scription of any deficiencies with the cer-
17 tification, including any—

18 “(I) novel or complex issues
19 which require additional time to ana-
20 lyze;

21 “(II) missing information or in-
22 adequate explanations; or

23 “(III) potential inconsistencies
24 with this Act.

1 “(6) CERTIFICATION REQUIRED.—Notwith-
2 standing any other requirement of this Act, a reg-
3 istered entity or other entity registered with the
4 Commission shall not list for trading, accept for
5 clearing, offer to enter into, enter into, execute, con-
6 firm the execution of, or conduct any office or busi-
7 ness anywhere in the United States, its territories or
8 possessions, for the purpose of soliciting, or accept-
9 ing any order for, or otherwise dealing in, any trans-
10 action in, or in connection with, a digital asset, un-
11 less a certification has been made under this section
12 for the digital asset.

13 “(7) ELIGIBLE ENTITY DEFINED.—In this sub-
14 section, the term ‘eligible entity’ means a registered
15 entity or group of registered entities acting jointly.”.

16 **SEC. 404. REGISTRATION OF DIGITAL COMMODITY EX-**
17 **CHANGES.**

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

20 **“SEC. 5i. REGISTRATION OF DIGITAL COMMODITY EX-**
21 **CHANGES.**

22 “(a) IN GENERAL.—

23 “(1) REGISTRATION.—

24 “(A) IN GENERAL.—A trading facility that
25 offers or seeks to offer a cash or spot market

1 in at least 1 digital commodity shall register
2 with the Commission as a digital commodity ex-
3 change.

4 “(B) APPLICATION.—A person desiring to
5 register as a digital commodity exchange shall
6 submit to the Commission an application in
7 such form and containing such information as
8 the Commission may require for the purpose of
9 making the determinations required for ap-
10 proval.

11 “(C) EXEMPTIONS.—A trading facility
12 that offers or seeks to offer a cash or spot mar-
13 ket in at least 1 digital commodity shall not be
14 required to register under this section if the
15 trading facility—

16 “(i) permits no more than a de mini-
17 mis amount of trading activity; or

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

20 “(2) ADDITIONAL REGISTRATIONS.—

21 “(A) WITH THE COMMISSION.—

22 “(i) IN GENERAL.—A registered dig-
23 ital commodity exchange may also register
24 as—

1 “(I) a designated contract mar-
2 ket;

3 “(II) a swap execution facility; or

4 “(III) a digital commodity
5 broker.

6 “(ii) RULES.—The Commission shall
7 prescribe rules for an entity with multiple
8 registrations under clause (i) to—

9 “(I) exempt the entity from du-
10 plicative, conflicting, or unduly bur-
11 densome provisions of this Act and
12 the rules under this Act, to the extent
13 such an exemption would foster the
14 development of fair and orderly cash
15 or spot markets in digital commod-
16 ities, be necessary or appropriate in
17 the public interest, and be consistent
18 with the protection of customers; and

19 “(II) provide for portfolio mar-
20 gining.

21 “(B) WITH THE SECURITIES AND EX-
22 CHANGE COMMISSION.—A registered digital
23 commodity exchange may register with the Se-
24 curities and Exchange Commission as an alter-

1 native trading system to list or trade contracts
2 of sale for digital assets deemed securities.

3 “(C) WITH A REGISTERED FUTURES ASSO-
4 CIATION.—

5 “(i) IN GENERAL.—A registered dig-
6 ital commodity exchange shall also be a
7 member of a registered futures association
8 and comply with rules related to such ac-
9 tivity, if the registered digital commodity
10 exchange—

11 “(I) accepts customer funds re-
12 quired to be segregated under sub-
13 section (d); or

14 “(II) maintains an account for
15 the trading of digital commodities di-
16 rectly with any person who is not an
17 eligible contract participant under
18 subsection (e).

19 “(ii) RULEMAKING REQUIRED.—The
20 Commission shall require any registered
21 futures association with a digital com-
22 modity exchange as a member to provide
23 such rules as may be necessary to further
24 compliance with subsections (d) and (e),

1 protect customers, and promote the public
2 interest.

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

9 “(b) TRADING.—

10 “(1) PROHIBITION ON CERTAIN TRADING PRAC-
11 TICES.—

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

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

22 “(2) PROHIBITION ON CERTAIN TRADING AC-
23 TIVITIES.—A registered digital commodity exchange
24 shall not—

1 “(A) offer any contract of sale of a com-
2 modity for future delivery, option, or swap for
3 trading without also being registered as a des-
4 ignated contract market or swap execution fa-
5 cility;

6 “(B) act as counterparty to any margined,
7 leveraged, or financed transaction under section
8 2(e)(2)(D); or

9 “(C) act as any counterparty to any mar-
10 gined, leveraged, or financed transaction under
11 section 2(e)(2)(C) without also being registered
12 in a capacity determined by the Commission by
13 rule or regulation.

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

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

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

3 “(1) COMPLIANCE WITH CORE PRINCIPLES.—

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

8 “(i) the core principles described in
9 this subsection; and

10 “(ii) any requirement that the Com-
11 mission may impose by rule or regulation
12 pursuant to section 8a(5).

13 “(B) REASONABLE DISCRETION OF A DIG-
14 ITAL COMMODITY EXCHANGE.—Unless other-
15 wise determined by the Commission by rule or
16 regulation, a digital commodity exchange de-
17 scribed in subparagraph (A) shall have reason-
18 able discretion in establishing the manner in
19 which the digital commodity exchange complies
20 with the core principles described in this sub-
21 section.

22 “(2) COMPLIANCE WITH RULES.—A digital
23 commodity exchange shall—

1 “(A) establish and enforce compliance with
2 any rule of the digital commodity exchange, in-
3 cluding—

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

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

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

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

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

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

24 “(3) LISTING STANDARDS FOR DIGITAL COM-
25 MODITIES.—

1 “(A) IN GENERAL.—A digital commodity
2 exchange shall permit trading in only a digital
3 commodity that is not readily susceptible to ma-
4 nipulation.

5 “(B) PUBLIC INFORMATION REQUIRE-
6 MENTS.—

7 “(i) IN GENERAL.—A digital com-
8 modity exchange shall permit trading only
9 in a digital commodity if the information
10 required in clause (ii) is correct, current,
11 and available to this public.

12 “(ii) REQUIRED INFORMATION.—
13 With respect to a digital commodity and
14 each blockchain network to which the dig-
15 ital commodity relates for which the digital
16 commodity exchange will make the digital
17 asset available to the customers of the dig-
18 ital commodity exchange, the information
19 required in this clause is as follows:

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

23 “(II) TRANSACTION HISTORY.—A
24 narrative description of the steps nec-
25 essary to independently access, search,

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and verify the transaction history of any blockchain network to which the digital commodity relates.

“(III) DIGITAL ASSET ECONOMICS.—A narrative description of the purpose of any blockchain network to which the digital asset relates and the operation of any such blockchain network, 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 mechanism or process for validating transactions, method of generating or mining digital assets, and any process for burning or

1 destroying digital assets on the
2 blockchain network;

3 “(cc) an explanation of gov-
4 ernance mechanisms for imple-
5 menting changes to the
6 blockchain network or forming
7 consensus among holders of the
8 digital assets; and

9 “(dd) sufficient information
10 for a third party to create a tool
11 for verifying the transaction his-
12 tory of the digital asset.

13 “(C) ADDITIONAL LISTING CONSIDER-
14 ATIONS.—In addition to the requirements of
15 subparagraphs (A) and (B), a digital com-
16 modity exchange shall consider—

17 “(i) whether a sufficient percentage of
18 the units of the digital asset are units of
19 a digital commodity to permit robust price
20 discovery;

21 “(ii) whether it is reasonably unlikely
22 that the transaction history can be fraudu-
23 lently altered by any person or group of
24 persons acting collectively;

1 “(iii) whether the operating structure
2 and system of the digital commodity is se-
3 cure from cybersecurity threats;

4 “(iv) whether the functionality of the
5 digital commodity will protect holders from
6 operational failures;

7 “(v) whether sufficient public informa-
8 tion about the operation, functionality, and
9 use of the digital commodity is available;
10 and

11 “(vi) any other factor which the Com-
12 mission has, by rule, determined to be in
13 the public interest or in furtherance of the
14 requirements of this Act.

15 “(D) RESTRICTED DIGITAL ASSETS.—A
16 digital commodity exchange shall not permit the
17 trading of a unit of a digital asset that is a re-
18 stricted digital asset.

19 “(4) TREATMENT OF CUSTOMER ASSETS.—A
20 digital commodity exchange shall establish standards
21 and procedures that are designed to protect and en-
22 sure the safety of customer money, assets, and prop-
23 erty.

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

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

6 “(B) PROTECTION OF MARKETS AND MAR-
7 KET PARTICIPANTS.—A digital commodity ex-
8 change shall establish and enforce rules—

9 “(i) to protect markets and market
10 participants from abusive practices com-
11 mitted by any party, including abusive
12 practices committed by a party acting as
13 an agent for a participant; and

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

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

18 “(i) establish and enforce rules or
19 terms and conditions defining, or specifica-
20 tions detailing—

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

1 “(II) procedures for trade proc-
2 essing of digital commodities on or
3 through the facilities of the digital
4 commodity exchange; and

5 “(ii) monitor trading in digital com-
6 modities to prevent manipulation, price
7 distortion, and disruptions of the delivery
8 or cash settlement process through surveil-
9 lance, compliance, and disciplinary prac-
10 tices and procedures, including methods
11 for conducting real-time monitoring of
12 trading and comprehensive and accurate
13 trade reconstructions.

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

16 “(A) establish and enforce rules that will
17 allow the facility to obtain any necessary infor-
18 mation to perform any of the functions de-
19 scribed in this section;

20 “(B) provide the information to the Com-
21 mission on request; and

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

1 “(7) EMERGENCY AUTHORITY.—A digital com-
2 modity exchange shall adopt rules to provide for the
3 exercise of emergency authority, in consultation or
4 cooperation with the Commission or a registered en-
5 tity, as is necessary and appropriate, including the
6 authority to facilitate the liquidation or transfer of
7 open positions in any digital commodity or to sus-
8 pend or curtail trading in a digital commodity.

9 “(8) TIMELY PUBLICATION OF TRADING INFOR-
10 MATION.—

11 “(A) IN GENERAL.—A digital commodity
12 exchange shall make public timely information
13 on price, trading volume, and other trading
14 data on digital commodities to the extent pre-
15 scribed by the Commission.

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

21 “(9) RECORDKEEPING AND REPORTING.—

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

24 “(i) maintain records of all activities
25 relating to the business of the facility, in-

1 including a complete audit trail, in a form
2 and manner acceptable to the Commission
3 for a period of 5 years;

4 “(ii) report to the Commission, in a
5 form and manner acceptable to the Com-
6 mission, such information as the Commis-
7 sion determines to be necessary or appro-
8 priate for the Commission to perform the
9 duties of the Commission under this Act;
10 and

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

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

19 “(i) the Board;

20 “(ii) the Securities and Exchange
21 Commission;

22 “(iii) each appropriate Federal bank-
23 ing agency;

1 “(iv) each appropriate State bank su-
2 pervisor (within the meaning of section 3
3 of the Federal Deposit Insurance Act);

4 “(v) the Financial Stability Oversight
5 Council;

6 “(vi) the Department of Justice; and

7 “(vii) any other person that the Com-
8 mission determines to be appropriate, in-
9 cluding—

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

12 “(II) foreign central banks; and

13 “(III) foreign ministries.

14 “(C) CONFIDENTIALITY AGREEMENT.—Be-
15 fore the Commission may share information
16 with any entity described in subparagraph (B),
17 the Commission shall receive a written agree-
18 ment from the entity stating that the entity
19 shall abide by the confidentiality requirements
20 described in section 8 relating to the informa-
21 tion on digital commodities that is provided.

22 “(D) PROVIDING INFORMATION.—A digital
23 commodity exchange shall provide to the Com-
24 mission (including any designee of the Commis-
25 sion) information under subparagraph (A) in

1 such form and at such frequency as is required
2 by the Commission.

3 “(10) ANTITRUST CONSIDERATIONS.—Unless
4 necessary or appropriate to achieve the purposes of
5 this Act, a digital commodity exchange shall not—

6 “(A) adopt any rules or take any actions
7 that result in any unreasonable restraint of
8 trade; or

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

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

14 “(A) establish structural and institutional
15 safeguards—

16 “(i) to minimize conflicts of interest
17 that might potentially bias the judgment or
18 supervision of the digital commodity ex-
19 change and contravene the principles of
20 fair and equitable trading and the business
21 conduct standards described in this Act,
22 including conflicts arising out of trans-
23 actions or arrangements with affiliates (in-
24 cluding affiliates engaging in digital com-
25 modity activities) which may include infor-

1 mation partitions and the legal separation
2 of different persons or entities involved in
3 digital commodity activities; and

4 “(ii) to ensure that the activities of
5 any person within the digital commodity
6 exchange or any affiliated entity relating to
7 research or analysis of the price or market
8 for any digital commodity or acting in a
9 role of providing dealing, brokering, or ad-
10 vising activities are separated by appro-
11 priate informational partitions within the
12 digital commodity exchange or any affili-
13 ated entity from the review, pressure, or
14 oversight of persons whose involvement in
15 pricing, trading, exchange, or clearing ac-
16 tivities might potentially bias their judg-
17 ment or supervision and contravene the
18 core principles of open access and the busi-
19 ness conduct standards described in this
20 Act; and

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

23 “(12) FINANCIAL RESOURCES.—

24 “(A) IN GENERAL.—A digital commodity
25 exchange shall have adequate financial, oper-

1 ational, and managerial resources, as deter-
2 mined by the Commission, to discharge each re-
3 sponsibility of the digital commodity exchange.

4 “(B) MINIMUM AMOUNT OF FINANCIAL RE-
5 SOURCES.—A digital commodity exchange shall
6 possess financial resources that, at a minimum,
7 exceed the total amount that would enable the
8 digital commodity exchange to conduct an or-
9 derly wind-down of its activities.

10 “(13) GOVERNANCE FITNESS STANDARDS.—

11 “(A) GOVERNANCE ARRANGEMENTS.—A
12 digital commodity exchange shall establish gov-
13 ernance arrangements that are transparent to
14 fulfill public interest requirements.

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

18 “(i) directors; and

19 “(ii) any individual or entity with di-
20 rect access to, or control of, customer as-
21 sets.

22 “(14) SYSTEM SAFEGUARDS.—A digital com-
23 modity exchange shall—

24 “(A) establish and maintain a program of
25 risk analysis and oversight to identify and mini-

1 mize sources of operational and security risks,
2 through the development of appropriate controls
3 and procedures, and automated systems, that—
4 “(i) are reliable and secure; and
5 “(ii) have adequate scalable capacity;
6 “(B) establish and maintain emergency
7 procedures, backup facilities, and a plan for dis-
8 aster recovery that allow for—
9 “(i) the timely recovery and resump-
10 tion of operations; and
11 “(ii) the fulfillment of the responsibil-
12 ities and obligations of the digital com-
13 modity exchange; and
14 “(C) periodically conduct tests to verify
15 that the backup resources of the digital com-
16 modity exchange are sufficient to ensure contin-
17 ued—
18 “(i) order processing and trade
19 matching;
20 “(ii) price reporting;
21 “(iii) market surveillance; and
22 “(iv) maintenance of a comprehensive
23 and accurate audit trail.
24 “(d) HOLDING OF CUSTOMER ASSETS.—

1 “(1) IN GENERAL.—A digital commodity ex-
2 change shall hold customer money, assets, and prop-
3 erty in a manner to minimize the risk of loss to the
4 customer or unreasonable delay in the access to the
5 money, assets, and property of the customer.

6 “(A) SEGREGATION OF FUNDS.—

7 “(i) IN GENERAL.—A digital com-
8 modity exchange shall treat and deal with
9 all money, assets, and property that is re-
10 ceived by the digital commodity exchange,
11 or accrues to a customer as the result of
12 trading in digital commodities, as belong-
13 ing to the customer.

14 “(ii) COMMINGLING PROHIBITED.—

15 Money, assets, and property of a customer
16 described in clause (i) shall be separately
17 accounted for and shall not be commingled
18 with the funds of the digital commodity ex-
19 change or be used to margin, secure, or
20 guarantee any trades or accounts of any
21 customer or person other than the person
22 for whom the same are held.

23 “(B) EXCEPTIONS.—

24 “(i) USE OF FUNDS.—

1 “(I) IN GENERAL.—Notwith-
2 standing subparagraph (A), money,
3 assets, and property of customers of a
4 digital commodity exchange described
5 in subparagraph (A) may, for conven-
6 ience, be commingled and deposited in
7 the same account or accounts with
8 any bank, trust company, derivatives
9 clearing organization, or qualified dig-
10 ital commodity custodian.

11 “(II) WITHDRAWAL.—Notwith-
12 standing subparagraph (A), such
13 share of the money, assets, and prop-
14 erty described in item (aa) as in the
15 normal course of business shall be
16 necessary to margin, guarantee, se-
17 cure, transfer, adjust, or settle a con-
18 tract of sale of a digital commodity
19 with a registered entity may be with-
20 drawn and applied to such purposes,
21 including the payment of commis-
22 sions, brokerage, interest, taxes, stor-
23 age, and other charges, lawfully ac-
24 cruing in connection with the contract
25 of sale of a digital commodity.

1 “(ii) COMMISSION ACTION.—Notwith-
2 standing subparagraph (A), in accordance
3 with such terms and conditions as the
4 Commission may prescribe by rule, regula-
5 tion, or order, any money, assets, or prop-
6 erty of the customers of a digital com-
7 modity exchange described in subpara-
8 graph (A) may be commingled and depos-
9 ited in customer accounts with any other
10 money, assets, or property received by the
11 digital commodity exchange and required
12 by the Commission to be separately ac-
13 counted for and treated and dealt with as
14 belonging to the customer of the digital
15 commodity exchange.

16 “(2) PERMITTED INVESTMENTS.—Money de-
17 scribed in subparagraph (A) may be invested in obli-
18 gations of the United States, in general obligations
19 of any State or of any political subdivision of a
20 State, and in obligations fully guaranteed as to prin-
21 cipal and interest by the United States, or in any
22 other investment that the Commission may by rule
23 or regulation prescribe, and such investments shall
24 be made in accordance with such rules and regula-

1 tions and subject to such conditions as the Commis-
2 sion may prescribe.

3 “(3) CUSTOMER PROTECTION DURING BANK-
4 RUPTCY.—

5 “(A) CUSTOMER PROPERTY.—All assets
6 held on behalf of a customer by a digital com-
7 modity exchange, and all money, assets, and
8 property of any customer received by a digital
9 commodity exchange registered under section 5i
10 of this Act for trading or custody, or to facili-
11 tate, margin, guarantee, or secure contracts of
12 sale of a digital commodity (including money,
13 assets, or property accruing to the customer as
14 the result of the transactions), shall be consid-
15 ered customer property for purposes of section
16 761 of title 11, United States Code.

17 “(B) TRANSACTIONS.—A transaction in-
18 volving a unit of a digital commodity occurring
19 on or subject to the rules of a digital com-
20 modity exchange shall be considered a ‘contract
21 for the purchase or sale of a commodity for fu-
22 ture delivery, on or subject to the rules of, a
23 contract market or board of trade’ for the pur-
24 poses of the definition of a ‘commodity con-

1 tract' in section 761 of title 11, United States
2 Code.

3 “(C) EXCHANGES.—A digital commodity
4 exchange shall be considered a futures commis-
5 sion merchant for purposes of section 761 of
6 title 11, United States Code.

7 “(4) MISUSE OF CUSTOMER PROPERTY.—It
8 shall be unlawful—

9 “(A) for any digital commodity exchange
10 that has received any customer money, assets,
11 or property for custody to dispose of, or use any
12 such money, assets, or property as belonging to
13 the digital commodity exchange; or

14 “(B) for any other person, including any
15 depository, other digital commodity exchange,
16 or digital commodity custodian that has re-
17 ceived any customer money, assets, or property
18 for deposit, to hold, dispose of, or use any such
19 money, assets, or property as belonging to the
20 depositing digital commodity exchange or any
21 person other than the customers of the digital
22 commodity exchange.

23 “(e) CUSTOMER PROTECTION.—For each registered
24 digital commodity exchange that maintains an account for
25 the trading of digital commodities directly with a person

1 who is not an eligible contract participant, the Commission
2 shall require the digital commodity exchange to register
3 as a digital commodity broker, solely to solicit orders for
4 the digital commodity exchange, directly from any person
5 who is not an eligible contract participant.

6 “(f) DESIGNATION OF CHIEF COMPLIANCE OFFI-
7 CER.—

8 “(1) IN GENERAL.—A digital commodity ex-
9 change shall designate an individual to serve as a
10 chief compliance officer.

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

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

15 “(B) review compliance with the core prin-
16 ciples in this subsection;

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

22 “(D) establish and administer the policies
23 and procedures required to be established pur-
24 suant to this section;

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

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

10 “(3) REQUIREMENTS FOR PROCEDURES.—In
11 establishing procedures under paragraph (2)(F), the
12 chief compliance officer shall design the procedures
13 to establish the handling, management response, re-
14 mediation, retesting, and closing of noncompliance
15 issues.

16 “(4) ANNUAL REPORTS.—

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

21 “(i) the compliance of the digital com-
22 modity exchange with this Act; and

23 “(ii) the policies and procedures, in-
24 cluding the code of ethics and conflict of

1 interest policies, of the digital commodity
2 exchange.

3 “(B) REQUIREMENTS.—The chief compli-
4 ance officer shall—

5 “(i) submit each report described in
6 subparagraph (A) with the appropriate fi-
7 nancial report of the digital commodity ex-
8 change that is required to be submitted to
9 the Commission pursuant to this section;
10 and

11 “(ii) include in the report a certifi-
12 cation that, under penalty of law, the re-
13 port is accurate and complete.

14 “(g) APPOINTMENT OF TRUSTEE.—

15 “(1) IN GENERAL.—If a proceeding under sec-
16 tion 5e results in the suspension or revocation of the
17 registration of a digital commodity exchange, or if a
18 digital commodity exchange withdraws from registra-
19 tion, the Commission, on notice to the digital com-
20 modity exchange, may apply to the appropriate
21 United States district court where the digital com-
22 modity exchange is located for the appointment of a
23 trustee.

1 “(2) ASSUMPTION OF JURISDICTION.—If the
2 Commission applies for appointment of a trustee
3 under paragraph (1)—

4 “(A) the court may take exclusive jurisdic-
5 tion over the digital commodity exchange and
6 the records and assets of the digital commodity
7 exchange, wherever located; and

8 “(B) if the court takes jurisdiction under
9 subparagraph (A), the court shall appoint the
10 Commission, or a person designated by the
11 Commission, as trustee with power to take pos-
12 session and continue to operate or terminate
13 the operations of the digital commodity ex-
14 change in an orderly manner for the protection
15 of customers subject to such terms and condi-
16 tions as the court may prescribe.

17 “(h) QUALIFIED DIGITAL COMMODITY CUSTO-
18 DIAN.—A digital commodity exchange shall hold in a
19 qualified digital commodity custodian each unit of a digital
20 commodity that is—

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

23 “(2) required to be held by the digital com-
24 modity exchange under subsection (c)(12) of this
25 section; or

1 “(3) otherwise so required by the Commission
2 to reasonably protect customers or promote the pub-
3 lic interest.

4 “(i) EXEMPTIONS.—In order to promote responsible
5 economic or financial innovation and fair competition, or
6 protect customers, the Commission may (on its own initia-
7 tive or on application of the registered digital commodity
8 exchange) exempt, either unconditionally or on stated
9 terms or conditions or for stated periods and either retro-
10 actively or prospectively, or both, a registered digital com-
11 modity exchange from the requirements of this section, if
12 the Commission determines that—

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

15 “(B) the exemption will not have a material ad-
16 verse effect on the ability of the Commission or the
17 digital commodity exchange to discharge regulatory
18 or self-regulatory duties under this Act; or

19 “(2) the digital commodity exchange is subject
20 to comparable, comprehensive supervision and regu-
21 lation by the appropriate government authorities in
22 the home country of the exchange.

23 “(j) CUSTOMER DEFINED.—In this section, the term
24 ‘customer’ means any person that maintains an account
25 for the trading of digital commodities directly with a dig-

1 ital commodity exchange (other than a person that is
2 owned or controlled, directly or indirectly, by the digital
3 commodity exchange) for its own behalf or on behalf of
4 other any person.

5 “(k) FEDERAL PREEMPTION.—Notwithstanding any
6 other provision of law, the Commission shall have exclusive
7 jurisdiction over any digital commodity exchange reg-
8 istered under this section.”.

9 **SEC. 405. QUALIFIED DIGITAL COMMODITY CUSTODIANS.**

10 The Commodity Exchange Act (7 U.S.C. 1 et seq.),
11 as amended by the preceding provisions of this Act, is
12 amended by inserting after section 5i the following:

13 **“SEC. 5j. QUALIFIED DIGITAL COMMODITY CUSTODIANS.**

14 “(a) IN GENERAL.—The Commission shall designate
15 a digital commodity custodian as a qualified digital com-
16 modity custodian, if—

17 “(1) the digital commodity custodian is—

18 “(A) subject to the supervision of the Com-
19 mission, an appropriate Federal banking agen-
20 cy, or the Securities and Exchange Commission,
21 and permitted by the supervisor to engage in
22 custodial activity;

23 “(B) subject to the supervision of a State
24 bank supervisor (within the meaning of section
25 3 of the Federal Deposit Insurance Act), unless

1 the Commission finds the digital commodity
2 custodian is not subject to adequate supervision
3 and appropriate regulation; or

4 “(C) subject to the supervision of an ap-
5 propriate foreign governmental authority in the
6 home country of the digital commodity custo-
7 dian, if the Commission finds that the digital
8 commodity custodian is subject to adequate su-
9 pervision and appropriate regulation; and

10 “(2) the digital commodity custodian agrees to
11 such regular and periodic sharing of information re-
12 garding any accounts relating to an entity registered
13 with the Commission, as the Commission determines
14 by rule shall be reasonably necessary to effectuate
15 any of the provisions, or to accomplish any of the
16 purposes, of this Act.

17 “(b) RULEMAKING AUTHORITY.—For purposes of
18 subsection (a), the Commission, by rule or order, shall de-
19 fine ‘adequate supervision’ and ‘appropriate regulation’ as
20 any regulatory regime which meets such minimum stand-
21 ards for supervision and regulation as the Commission de-
22 termines are reasonably necessary to protect the property
23 of customers of a registered digital commodity exchange,
24 including minimum standards relating to—

25 “(1) accessibility of customer assets;

- 1 “(2) financial resources;
- 2 “(3) risk management requirements;
- 3 “(4) governance arrangements;
- 4 “(5) fitness standards;
- 5 “(6) recordkeeping;
- 6 “(7) information-sharing; and
- 7 “(8) conflicts of interest.

8 “(c) **AUTHORITY TO TEMPORARILY SUSPEND STAND-**

9 **ARDS.**—The Commission may, by rule or order, tempo-

10 rarily suspend, in whole or in part, any requirement im-

11 posed under, or any standard referred to in, this section

12 if the Commission determines that the suspension would

13 be consistent with the public interest and the purposes of

14 this Act.”.

15 **SEC. 406. REGISTRATION AND REGULATION OF DIGITAL**

16 **COMMODITY BROKERS AND DEALERS.**

17 The Commodity Exchange Act (7 U.S.C. 1 et seq.),

18 as amended by the preceding provisions of this Act, is

19 amended by inserting after section 4t the following:

20 **“SEC. 4u. REGISTRATION AND REGULATION OF DIGITAL**

21 **COMMODITY BROKERS AND DEALERS.**

22 “(a) **REGISTRATION.**—It shall be unlawful for any

23 person to act as a digital commodity broker or digital com-

24 modity dealer unless the person is registered as such with

25 the Commission.

1 “(b) REQUIREMENTS.—

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

6 “(2) CONTENTS.—

7 “(A) IN GENERAL.—The application shall
8 be made in such form and manner as is pre-
9 scribed by the Commission, and shall contain
10 such information as the Commission considers
11 necessary concerning the business in which the
12 applicant is or will be engaged.

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

19 “(3) TRANSITION.—Within 180 days after the
20 date of the enactment of this section, the Commis-
21 sion shall prescribe rules providing for the registra-
22 tion of digital commodity brokers and digital com-
23 modity dealers under this section.

24 “(4) STATUTORY DISQUALIFICATION.—Except
25 to the extent otherwise specifically provided by rule,

1 regulation, or order, it shall be unlawful for a digital
2 commodity broker or digital commodity dealer to
3 permit any person who is associated with a digital
4 commodity broker or a digital commodity dealer and
5 who is subject to a statutory disqualification to ef-
6 fect or be involved in effecting a transaction on be-
7 half of the digital commodity broker or the digital
8 commodity dealer, respectively, if the digital com-
9 modity broker or digital commodity dealer, respec-
10 tively, knew, or in the exercise of reasonable care
11 should have known, of the statutory disqualification.

12 “(5) LIMITATIONS ON CERTAIN ASSETS.—A
13 registered digital commodity broker or registered
14 digital commodity dealer shall not offer, offer to
15 enter into, enter into, or facilitate any transaction
16 with a digital commodity which has not been cer-
17 tified under section 5c(d).

18 “(c) ADDITIONAL REGISTRATIONS.—

19 “(1) WITH THE COMMISSION.—Any person re-
20 quired to be registered as a digital commodity
21 broker or digital commodity dealer may also be reg-
22 istered as a futures commission merchant, intro-
23 ducing broker, or swap dealer.

24 “(2) WITH THE SECURITIES AND EXCHANGE
25 COMMISSION.—Any person required to be registered

1 as a digital commodity broker or digital commodity
2 dealer under this section may register with the Secu-
3 rities and Exchange Commission as a broker or deal-
4 er, pursuant to section 15(b) of the Securities Ex-
5 change Act of 1934, as applicable, if the broker or
6 dealer limits its solicitation of orders, acceptance of
7 orders, or execution of orders, or placing of orders
8 on behalf of others involving any contract of sale to
9 digital assets.

10 “(3) WITH A REGISTERED FUTURES ASSOCIA-
11 TION REGISTRATION.—Any person required to be
12 registered as a digital commodity broker or digital
13 commodity dealer under this section shall register as
14 such with a registered futures association.

15 “(4) REGISTRATION REQUIRED.—Any person
16 required to be registered as a digital commodity
17 broker or digital commodity dealer under this sec-
18 tion shall register with the Commission as such re-
19 gardless of whether the person is registered as such
20 with another State or Federal regulator.

21 “(d) RULEMAKING.—

22 “(1) IN GENERAL.—The Commission shall pre-
23 scribe such rules applicable to registered digital com-
24 modity brokers and registered digital commodity
25 dealers as are appropriate to carry out this section,

1 including rules in the public interest that limit the
2 activities of digital commodity brokers and digital
3 commodity dealers.

4 “(2) MULTIPLE REGISTRANTS.—The Commis-
5 sion shall prescribe rules or regulations permitting,
6 or may otherwise authorize, exemptions or additional
7 requirements applicable to persons with multiple reg-
8 istrations under this Act, including as futures com-
9 mission merchants, introducing brokers, digital com-
10 modity brokers, digital commodity dealers, or swap
11 dealers, as may be in the public interest to reduce
12 compliance costs and promote customer protection.

13 “(e) CAPITAL REQUIREMENTS.—

14 “(1) IN GENERAL.—Each registered digital
15 commodity broker and registered digital commodity
16 dealer shall meet such minimum capital require-
17 ments as the Commission may prescribe to ensure
18 that the digital commodity broker or digital com-
19 modity dealer, respectively, is able to—

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

23 “(B) fulfill the customer obligations of the
24 digital commodity broker or digital commodity

1 dealer, respectively, for any margined, lever-
2 aged, or financed transactions.

3 “(2) RULE OF CONSTRUCTION.—Nothing in
4 this section shall limit, or be construed to limit, the
5 authority of the Securities and Exchange Commis-
6 sion to set financial responsibility rules for a broker
7 or dealer registered pursuant to section 15(b) of the
8 Securities Exchange Act of 1934 (15 U.S.C. 78o(b))
9 (except for section 15(b)(11) of such Act (15 U.S.C.
10 78o(b)(11)) in accordance with section 15(c)(3) of
11 such Act (15 U.S.C. 78o(c)(3)).

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

14 “(A) IN GENERAL.—Each futures commis-
15 sion merchant, introducing broker, broker, and
16 dealer shall maintain sufficient capital to com-
17 ply with the stricter of any applicable capital
18 requirements to which the futures commission
19 merchant, introducing broker, broker, or dealer,
20 respectively, is subject under this Act or the Se-
21 curities Exchange Act of 1934 (15 U.S.C. 78a
22 et seq.).

23 “(B) COORDINATION OF CAPITAL RE-
24 QUIREMENTS.—

1 “(i) COMMISSION RULE.—The Com-
2 mission shall, by rule, provide appropriate
3 offsets to any applicable capital require-
4 ment for a person with multiple registra-
5 tions as a digital commodity dealer, digital
6 commodity broker, futures commission
7 merchant, or introducing broker.

8 “(ii) JOINT RULE.—The Commission
9 and the Securities and Exchange Commis-
10 sion shall jointly, by rule, provide appro-
11 priate offsets to any applicable capital re-
12 quirement for a person with multiple reg-
13 istrations as a digital commodity dealer,
14 digital commodity broker, futures commis-
15 sion merchant, introducing broker, broker,
16 or dealer.

17 “(f) REPORTING AND RECORDKEEPING.—Each reg-
18 istered digital commodity broker and registered digital
19 commodity dealer—

20 “(1) shall make such reports as are required by
21 the Commission by rule or regulation regarding the
22 transactions, positions, and financial condition of the
23 digital commodity broker or digital commodity deal-
24 er, respectively;

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

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

7 “(g) DAILY TRADING RECORDS.—

8 “(1) IN GENERAL.—Each registered digital
9 commodity broker and registered digital commodity
10 dealer shall maintain daily trading records of the
11 transactions of the digital commodity broker or dig-
12 ital commodity dealer, respectively, and all related
13 records (including related forward or derivatives
14 transactions) and recorded communications, includ-
15 ing electronic mail, instant messages, and recordings
16 of telephone calls, for such period as the Commission
17 may require by rule or regulation.

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

21 “(3) COUNTERPARTY RECORDS.—Each reg-
22 istered digital commodity broker and registered dig-
23 ital commodity dealer shall maintain daily trading
24 records for each customer or counterparty in a man-

1 ner and form that is identifiable with each digital
2 commodity transaction.

3 “(4) AUDIT TRAIL.—Each registered digital
4 commodity broker and registered digital commodity
5 dealer shall maintain a complete audit trail for con-
6 ducting comprehensive and accurate trade recon-
7 structions.

8 “(h) BUSINESS CONDUCT STANDARDS.—

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

14 “(A) fraud, manipulation, and other abu-
15 sive practices involving spot or margined, lever-
16 aged, or financed digital commodity trans-
17 actions (including transactions that are offered
18 but not entered into);

19 “(B) diligent supervision of the business of
20 the registered digital commodity broker or dig-
21 ital commodity dealer, respectively; and

22 “(C) such other matters as the Commis-
23 sion deems appropriate.

1 “(2) BUSINESS CONDUCT REQUIREMENTS.—
2 The Commission shall, by rule, prescribe business
3 conduct requirements which—

4 “(A) require disclosure by a registered dig-
5 ital commodity broker and registered digital
6 commodity dealer to any counterparty to the
7 transaction (other than an eligible contract par-
8 ticipant) of—

9 “(i) information about the material
10 risks and characteristics of the digital com-
11 modity;

12 “(ii) information about the material
13 risks and characteristics of the transaction;

14 “(B) establish a duty for such a digital
15 commodity broker and such a digital commodity
16 dealer to communicate in a fair and balanced
17 manner based on principles of fair dealing and
18 good faith;

19 “(C) establish standards governing digital
20 commodity platform marketing and advertising,
21 including testimonials and endorsements; and

22 “(D) establish such other standards and
23 requirements as the Commission may determine
24 are—

25 “(i) in the public interest;

1 “(ii) appropriate for the protection of
2 customers; or

3 “(iii) otherwise in furtherance of the
4 purposes of this Act.

5 “(3) SPECIAL REQUIREMENTS FOR DIGITAL
6 COMMODITY BROKERS OR DEALERS ACTING AS ADVI-
7 SORS.—It shall be unlawful for a registered digital
8 commodity broker or registered digital commodity
9 dealer to—

10 “(A) employ any device, scheme, or artifice
11 to defraud any customer or counterparty;

12 “(B) engage in any transaction, practice,
13 or course of business that operates as a fraud
14 or deceit on any customer or counterparty; or

15 “(C) engage in any act, practice, or course
16 of business that is fraudulent, deceptive, or ma-
17 nipulative.

18 “(i) DUTIES.—

19 “(1) RISK MANAGEMENT PROCEDURES.—Each
20 registered digital commodity broker and registered
21 digital commodity dealer shall establish robust and
22 professional risk management systems adequate for
23 managing the day-to-day business of the digital com-
24 modity broker or digital commodity dealer, respec-
25 tively.

1 “(2) DISCLOSURE OF GENERAL INFORMA-
2 TION.—Each registered digital commodity broker
3 and registered digital commodity dealer shall dis-
4 close to the Commission information concerning—

5 “(A) the terms and conditions of the trans-
6 actions of the digital commodity broker or dig-
7 ital commodity dealer, respectively;

8 “(B) the trading operations, mechanisms,
9 and practices of the digital commodity broker
10 or digital commodity dealer, respectively;

11 “(C) financial integrity protections relating
12 to the activities of the digital commodity broker
13 or digital commodity dealer, respectively; and

14 “(D) other information relevant to trading
15 in digital commodities by the digital commodity
16 broker or digital commodity dealer, respectively.

17 “(3) ABILITY TO OBTAIN INFORMATION.—Each
18 registered digital commodity broker and registered
19 digital commodity dealer shall—

20 “(A) establish and enforce internal systems
21 and procedures to obtain any necessary infor-
22 mation to perform any of the functions de-
23 scribed in this section; and

24 “(B) provide the information to the Com-
25 mission, on request.

1 “(4) CONFLICTS OF INTEREST.—Each reg-
2 istered digital commodity broker and digital com-
3 modity dealer shall implement conflict-of-interest
4 systems and procedures that—

5 “(A) establish structural and institutional
6 safeguards—

7 “(i) to minimize conflicts of interest
8 that might potentially bias the judgment or
9 supervision of the digital commodity broker
10 or digital commodity dealer, respectively,
11 and contravene the principles of fair and
12 equitable trading and the business conduct
13 standards described in this Act, including
14 conflicts arising out of transactions or ar-
15 rangements with affiliates (including affili-
16 ates acting as issuers, market-makers, or
17 custodians), which may include information
18 partitions and the legal separation of dif-
19 ferent digital commodity transaction inter-
20 mediaries; and

21 “(ii) to ensure that the activities of
22 any person within the firm relating to re-
23 search or analysis of the price or market
24 for any digital commodity or acting in a
25 role of providing exchange activities or

1 making determinations as to accepting ex-
2 change customers are separated by appro-
3 priate informational partitions within the
4 firm from the review, pressure, or over-
5 sight of persons whose involvement in prie-
6 ing, trading, exchange, or clearing activi-
7 ties might potentially bias their judgment
8 or supervision and contravene the core
9 principles of open access and the business
10 conduct standards described in this Act;

11 and

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

14 “(5) ANTITRUST CONSIDERATIONS.—Unless
15 necessary or appropriate to achieve the purposes of
16 this Act, a digital commodity broker or digital com-
17 modity dealer shall not—

18 “(A) adopt any process or take any action
19 that results in any unreasonable restraint of
20 trade; or

21 “(B) impose any material anticompetitive
22 burden on trading or clearing.

23 “(j) DESIGNATION OF CHIEF COMPLIANCE OFFI-
24 CER.—

1 “(1) IN GENERAL.—Each registered digital
2 commodity broker and registered digital commodity
3 dealer shall designate an individual to serve as a
4 chief compliance officer.

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

7 “(A) report directly to the board or to the
8 senior officer of the registered digital com-
9 modity broker and registered digital commodity
10 dealer;

11 “(B) review the compliance of the reg-
12 istered digital commodity broker and registered
13 digital commodity dealer with respect to the
14 registered digital commodity broker and reg-
15 istered digital commodity dealer requirements
16 described in this section;

17 “(C) in consultation with the board of di-
18 rectors, a body performing a function similar to
19 the board, or the senior officer of the organiza-
20 tion, resolve any conflicts of interest that may
21 arise;

22 “(D) be responsible for administering each
23 policy and procedure that is required to be es-
24 tablished pursuant to this section;

1 “(E) ensure compliance with this Act (in-
2 cluding regulations), including each rule pre-
3 scribed by the Commission under this section;

4 “(F) establish procedures for the remedi-
5 ation of noncompliance issues identified by the
6 chief compliance officer through any—

7 “(i) compliance office review;

8 “(ii) look-back;

9 “(iii) internal or external audit find-
10 ing;

11 “(iv) self-reported error; or

12 “(v) validated complaint; and

13 “(G) establish and follow appropriate pro-
14 cedures for the handling, management response,
15 remediation, retesting, and closing of non-
16 compliance issues.

17 “(3) ANNUAL REPORTS.—

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

22 “(i) the compliance of the registered
23 digital commodity broker and registered
24 digital commodity dealer with respect to
25 this Act (including regulations); and

1 “(ii) each policy and procedure of the
2 registered digital commodity broker and
3 registered digital commodity dealer of the
4 chief compliance officer (including the code
5 of ethics and conflict of interest policies).

6 “(B) REQUIREMENTS.—The chief compli-
7 ance officer shall ensure that a compliance re-
8 port under subparagraph (A)—

9 “(i) accompanies each appropriate fi-
10 nancial report of the registered digital
11 commodity broker and registered digital
12 commodity dealer that is required to be
13 furnished to the Commission pursuant to
14 this section; and

15 “(ii) includes a certification that,
16 under penalty of law, the compliance re-
17 port is accurate and complete.

18 “(k) SEGREGATION OF DIGITAL COMMODITIES.—

19 “(1) HOLDING OF CUSTOMER ASSETS.—

20 “(A) IN GENERAL.—Each registered dig-
21 ital commodity broker and registered digital
22 commodity dealer shall hold customer money,
23 assets, and property in a manner to minimize
24 the risk of loss to the customer or unreasonable

1 delay in customer access to the money, assets,
2 and property of the customer.

3 “(B) QUALIFIED DIGITAL COMMODITY
4 CUSTODIAN.—Each registered digital com-
5 modity broker and registered digital commodity
6 dealer shall hold in a qualified digital com-
7 modity custodian each unit of a digital com-
8 modity that is—

9 “(i) the property of a customer or
10 counterparty of the digital commodity
11 broker or digital commodity dealer, respec-
12 tively; or

13 “(ii) otherwise so required by the
14 Commission to reasonably protect cus-
15 tomers or promote the public interest.

16 “(2) SEGREGATION OF FUNDS.—

17 “(A) IN GENERAL.—Each registered dig-
18 ital commodity broker and registered digital
19 commodity dealer shall treat and deal with all
20 money, assets, and property that is received by
21 the registered digital commodity broker or reg-
22 istered digital commodity dealer, or accrues to
23 a customer as the result of trading in digital
24 commodities, as belonging to the customer.

25 “(B) COMMINGLING PROHIBITED.—

1 “(i) IN GENERAL.—Except as pro-
2 vided in clause (ii), each registered digital
3 commodity broker and registered digital
4 commodity dealer shall separately account
5 for money, assets, and property of a digital
6 commodity customer, and shall not com-
7 mingle any such money, assets, or property
8 with the funds of the digital commodity
9 broker or digital commodity dealer, respec-
10 tively, or use any such money, assets, or
11 property to margin, secure, or guarantee
12 any trades or accounts of any customer or
13 person other than the person for whom the
14 money, assets, or property are held.

15 “(ii) EXCEPTIONS.—

16 “(I) USE OF FUNDS.—

17 “(aa) IN GENERAL.—A reg-
18 istered digital commodity broker
19 or registered digital commodity
20 dealer may, for convenience, com-
21 mingle and deposit in the same
22 account or accounts with any
23 bank, trust company, derivatives
24 clearing organization, or qualified
25 digital commodity custodian

1 money, assets, and property of
2 customers.

3 “(bb) WITHDRAWAL.—The
4 share of the money, assets, and
5 property described in item (aa)
6 as in the normal course of busi-
7 ness shall be necessary to mar-
8 gin, guarantee, secure, transfer,
9 adjust, or settle a digital com-
10 modity transaction with a reg-
11 istered entity may be withdrawn
12 and applied to such purposes, in-
13 cluding the payment of commis-
14 sions, brokerage, interest, taxes,
15 storage, and other charges, law-
16 fully accruing in connection with
17 the digital commodity trans-
18 action.

19 “(II) COMMISSION ACTION.—In
20 accordance with such terms and con-
21 ditions as the Commission may pre-
22 scribe by rule, regulation, or order,
23 any money, assets, or property of the
24 customers of a registered digital com-
25 modity broker or registered digital

1 commodity dealer may be commingled
2 and deposited in customer accounts
3 with any other money, assets, or prop-
4 erty received by the digital commodity
5 broker or digital commodity dealer,
6 respectively, and required by the Com-
7 mission to be separately accounted for
8 and treated and dealt with as belong-
9 ing to the customer of the digital com-
10 modity broker or digital commodity
11 dealer, respectively.

12 “(3) PERMITTED INVESTMENTS.—Money de-
13 scribed in paragraph (2) may be invested in obliga-
14 tions of the United States, in general obligations of
15 any State or of any political subdivision of a State,
16 in obligations fully guaranteed as to principal and
17 interest by the United States, or in any other invest-
18 ment that the Commission may by rule or regulation
19 allow.

20 “(4) PROHIBITION.—It shall be unlawful for
21 any person, including any derivatives clearing orga-
22 nization or depository institution, that has received
23 any money, securities, or property for deposit in a
24 separate account or accounts as provided in para-
25 graph (2) to hold, dispose of, or use any of the

1 money, assets, or property as belonging to the de-
2 positing registered digital commodity broker, the de-
3 positing registered digital commodity dealer, or any
4 person other than the digital commodity customer of
5 the digital commodity broker or digital commodity
6 dealer, respectively.

7 “(5) CUSTOMER PROTECTION DURING BANK-
8 RUPTCY.—

9 “(A) CUSTOMER PROPERTY.—All money,
10 assets, or property described in paragraph (2)
11 shall be considered customer property for pur-
12 poses of section 761 of title 11, United States
13 Code.

14 “(B) TRANSACTIONS.—A transaction in-
15 volving a unit of a digital commodity occurring
16 with a digital commodity dealer shall be consid-
17 ered a ‘contract for the purchase or sale of a
18 commodity for future delivery, on or subject to
19 the rules of, a contract market or board of
20 trade’ for purposes of the definition of a ‘com-
21 modity contract’ in section 761 of title 11,
22 United States Code.

23 “(C) BROKERS AND DEALERS.—A reg-
24 istered digital commodity dealer and a reg-
25 istered digital commodity broker shall be con-

1 sidered a futures commission merchant for pur-
2 poses of section 761 of title 11, United States
3 Code.

4 “(D) ASSETS REMOVED FROM SEGREGA-
5 TION.—Assets removed from segregation due to
6 a customer election under paragraph (5) shall
7 not be considered customer property for pur-
8 poses of section 761 of title 11, United States
9 Code.

10 “(1) EXEMPTIONS.—In order to promote responsible
11 economic or financial innovation and fair competition, or
12 protect customers, the Commission may (on its own initia-
13 tive or on application of the registered digital commodity
14 broker or registered digital commodity exchange) exempt,
15 unconditionally or on stated terms or conditions, or for
16 stated periods, and retroactively or prospectively, or both,
17 a registered digital commodity broker or registered digital
18 commodity exchange from the requirements of this sec-
19 tion, if the Commission determines that—

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

22 “(B) the exemption will not have a material ad-
23 verse effect on the ability of the Commission or the
24 digital commodity exchange to discharge regulatory
25 or self-regulatory duties under this Act; or

1 “(2) the registered digital commodity broker or
2 registered digital commodity exchange is subject to
3 comparable, comprehensive supervision and regula-
4 tion by the appropriate government authorities in
5 the home country of the registered digital commodity
6 broker or registered digital commodity exchange, re-
7 spectively.”.

8 **SEC. 407. EXCLUSION FOR ANCILLARY ACTIVITIES.**

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

12 **“SEC. 4v. EXCLUSION FOR ANCILLARY ACTIVITIES.**

13 “(a) IN GENERAL.—Notwithstanding any other pro-
14 vision of this Act, a person shall not be subject to the
15 regulatory requirements of this Act solely based on the
16 person undertaking any ancillary activities.

17 “(b) EXCEPTIONS.—Subsection (a) shall not be con-
18 strued to apply to the anti-manipulation, anti-fraud, or
19 false reporting enforcement authorities of the Commission.

20 “(c) ANCILLARY ACTIVITIES DEFINED.—In this sec-
21 tion, the term ‘ancillary activities’ means any of the fol-
22 lowing activities related to the operation of a blockchain
23 network:

24 “(1) Network transactions compilation, pool op-
25 erating, relating, searching, sequencing, validating,

1 or acting in a similar capacity with respect to a dig-
2 ital commodity transaction.

3 “(2) Providing computational work, or pro-
4 curing, offering or utilizing network bandwidth, or
5 other similar incidental services with respect to a
6 digital commodity transaction.

7 “(3) Providing a user-interface that enables a
8 user to read, and access data about a blockchain
9 network, send messages, or otherwise interact with
10 a blockchain network.

11 “(4) Developing, publishing, constituting, ad-
12 ministering, maintaining, or otherwise distributing a
13 blockchain network.

14 “(5) Developing, publishing, constituting, ad-
15 ministering, maintaining, or otherwise distributing
16 software or systems that create or deploy a hard-
17 ware or software wallet or other system facilitating
18 an individual user’s own personal ability to keep,
19 safeguard, or custody the user’s restricted digital as-
20 sets or related private keys.”

1 “(3) DIRECTOR OF FINHUB.—FinHub shall
2 have a Director who shall be appointed by the Com-
3 mission, from among individuals having experience
4 in both emerging technologies and Federal securities
5 law and serve at the pleasure of the Commission.
6 The Director shall report directly to the Commission
7 and perform such functions and duties as the Com-
8 mission may prescribe.

9 “(4) RESPONSIBILITIES.—FinHub shall—

10 “(A) foster responsible technological inno-
11 vation and fair competition within the Commis-
12 sion, including around financial technology, reg-
13 ulatory technology, and supervisory technology;

14 “(B) provide internal education and train-
15 ing to the Commission regarding financial tech-
16 nology;

17 “(C) advise the Commission regarding fi-
18 nancial technology that would serve the Com-
19 mission’s oversight functions;

20 “(D) analyze technological advancements
21 and the impact of regulatory requirements on
22 financial technology companies;

23 “(E) advise the Commission with respect
24 to rulemakings or other agency or staff action
25 regarding financial technology;

1 “(F) provide businesses working in emerg-
2 ing financial technology fields with information
3 on the Commission, its rules and regulations;
4 and

5 “(G) encourage firms working in emerging
6 technology fields to engage with the Commis-
7 sion and obtain feedback from the Commission
8 on potential regulatory issues.

9 “(5) ACCESS TO DOCUMENTS.—The Commis-
10 sion shall ensure that FinHub has full access to the
11 documents and information of the Commission and
12 any self-regulatory organization, as necessary to
13 carry out the functions of FinHub.

14 “(6) REPORT TO CONGRESS.—

15 “(A) IN GENERAL.—Not later than Octo-
16 ber 31 of each year after 2024, FinHub shall
17 submit to the Committee on Banking, Housing,
18 and Urban Affairs of the Senate and the Com-
19 mittee on Financial Services of the House of
20 Representatives a report on the activities of
21 FinHub during the immediately preceding fiscal
22 year.

23 “(B) CONTENTS.—Each report required
24 under subparagraph (A) shall include—

1 “(i) the total number of persons that
2 met with FinHub;

3 “(ii) the total number of market par-
4 ticipants FinHub met with, including the
5 classification of those participants;

6 “(iii) a summary of general issues dis-
7 cussed during meetings with persons;

8 “(iv) information on steps FinHub
9 has taken to improve Commission services,
10 including responsiveness to the concerns of
11 persons;

12 “(v) recommendations—

13 “(I) with respect to the regula-
14 tions of the Commission and the guid-
15 ance and orders of the Commission;
16 and

17 “(II) for such legislative actions
18 as the FinHub determines appro-
19 priate; and

20 “(vi) any other information, as deter-
21 mined appropriate by the Director of
22 FinHub.

23 “(C) CONFIDENTIALITY.—A report under
24 subparagraph (A) may not contain confidential
25 information.

1 “(7) SYSTEMS OF RECORDS.—

2 “(A) IN GENERAL.—The Commission shall
3 establish a detailed system of records (as de-
4 fined under section 552a of title 5, United
5 States Code) to assist FinHub in commu-
6 nicating with interested parties.

7 “(B) ENTITIES COVERED BY THE SYS-
8 TEM.—Entities covered by the system required
9 under subparagraph (A) include entities or per-
10 sons submitting requests or inquiries and other
11 information to Commission through FinHub.

12 “(C) SECURITY AND STORAGE OF
13 RECORDS.—FinHub shall store—

14 “(i) electronic records—

15 “(I) in the system required under
16 subparagraph (A); or

17 “(II) on the secure network or
18 other electronic medium, such as
19 encrypted hard drives or back-up
20 media, of the Commission; and

21 “(ii) paper records in secure facilities.

22 “(8) EFFECTIVE DATE.—This subsection shall
23 take effect on the date that is 180 days after the
24 date of the enactment of this subsection.”.

1 **SEC. 502. CODIFICATION OF LABCFTC.**

2 (a) IN GENERAL.—Section 18 of the Commodity Ex-
3 change Act (7 U.S.C. 22) is amended by adding at the
4 end the following:

5 “(c) LABCFTC.—

6 “(1) ESTABLISHMENT.—There is established in
7 the Commission LabCFTC.

8 “(2) PURPOSE.—The purposes of LabCFTC
9 are to—

10 “(A) foster responsible financial technology
11 innovation and fair competition for the benefit
12 of the American public;

13 “(B) serve as an information platform to
14 inform the Commission about new financial
15 technology innovation; and

16 “(C) provide outreach to financial tech-
17 nology innovators to discuss their innovations
18 and the regulatory framework established by
19 this Act and the regulations promulgated there-
20 under.

21 “(3) DIRECTOR.—LabCFTC shall have a Direc-
22 tor, who shall be appointed by the Commission and
23 serve at the pleasure of the Commission. Notwith-
24 standing section 2(a)(6)(A), the Director shall re-
25 port directly to the Commission and perform such

1 functions and duties as the Commission may pre-
2 scribe.

3 “(4) DUTIES.—LabCFTC shall—

4 “(A) advise the Commission with respect
5 to rulemakings or other agency or staff action
6 regarding financial technology;

7 “(B) provide internal education and train-
8 ing to the Commission regarding financial tech-
9 nology;

10 “(C) advise the Commission regarding fi-
11 nancial technology that would bolster the Com-
12 mission’s oversight functions;

13 “(D) engage with academia, students, and
14 professionals on financial technology issues,
15 ideas, and technology relevant to activities
16 under this Act;

17 “(E) provide persons working in emerging
18 technology fields with information on the Com-
19 mission, its rules and regulations, and the role
20 of a registered futures association; and

21 “(F) encourage persons working in emerg-
22 ing technology fields to engage with the Com-
23 mission and obtain feedback from the Commis-
24 sion on potential regulatory issues.

1 “(5) ACCESS TO DOCUMENTS.—The Commis-
2 sion shall ensure that LabCFTC has full access to
3 the documents and information of the Commission
4 and any self-regulatory organization, as necessary to
5 carry out the functions of LabCFTC.

6 “(6) REPORT TO CONGRESS.—

7 “(A) IN GENERAL.—Not later than Octo-
8 ber 31 of each year after 2024, LabCFTC shall
9 submit to the Committee on Agriculture of the
10 House of Representatives and the Committee
11 on Agriculture, Nutrition, and Forestry of the
12 Senate a report on its activities.

13 “(B) CONTENTS.—Each report required
14 under paragraph (1) shall include—

15 “(i) the total number of persons that
16 met with LabCFTC;

17 “(ii) a summary of general issues dis-
18 cussed during meetings with the person;

19 “(iii) information on steps LabCFTC
20 has taken to improve Commission services,
21 including responsiveness to the concerns of
22 persons;

23 “(iv) recommendations made to the
24 Commission with respect to the regula-
25 tions, guidance, and orders of the Commis-

1 sion and such legislative actions as may be
2 appropriate; and

3 “(v) any other information determined
4 appropriate by the Director of LabCFTC.

5 “(C) CONFIDENTIALITY.—A report under
6 paragraph (A) shall abide by the confidentiality
7 requirements in section 8.

8 “(7) SYSTEMS OF RECORDS.—

9 “(A) IN GENERAL.—The Commission shall
10 establish a detailed system of records (as de-
11 fined in section 552a of title 5, United States
12 Code) to assist the Office in communicating
13 with interested parties.

14 “(B) ENTITIES COVERED BY THE SYS-
15 TEM.—The entities covered by the system of
16 records shall include entities submitting re-
17 quests or inquiries and other information to the
18 Commission through the Office. Proprietary in-
19 formation provided to the Office by entities or
20 persons shall be subject to the disclosure re-
21 strictions provided in section 8 of the Com-
22 modity Exchange Act.

23 “(C) SECURITY AND STORAGE OF
24 RECORDS.—The system of records shall store
25 records electronically or on paper in secure fa-

1 ilities, and shall store electronic records on the
2 secure network of the Commission and on other
3 electronic media, such as encrypted hard drives
4 and back-up media, as needed.”.

5 (b) CONFORMING AMENDMENTS.—Section
6 2(a)(6)(A) of such Act (7 U.S.C. 2(a)(6)(A)) is amend-
7 ed—

8 (1) by striking “paragraph and in” and insert-
9 ing “paragraph,”; and

10 (2) by inserting “and section 18(c)(3),” before
11 “the executive”.

12 (c) EFFECTIVE DATE.—The Commodity Futures
13 Trading Commission shall implement the amendments
14 made by this section (including complying with section
15 18(c)(7) of the Commodity Exchange Act) within 180
16 days after the date of the enactment of this Act.

17 **SEC. 503. CFTC-SEC JOINT ADVISORY COMMITTEE ON DIG-**
18 **ITAL ASSETS.**

19 (a) ESTABLISHMENT.—The Commodity Futures
20 Trading Commission and the Securities and Exchange
21 Commission (in this section referred to as the “Commis-
22 sions”) shall jointly establish the Joint Advisory Com-
23 mittee on Digital Assets (in this section referred to as the
24 “Committee”).

25 (b) PURPOSE.—

1 (1) IN GENERAL.—The Committee shall—

2 (A) provide the Commissions with advice
3 on the rules, regulations, and policies of the
4 Commissions related to digital assets;

5 (B) further the regulatory harmonization
6 of digital asset policy between the Commissions;

7 (C) examine and disseminate methods for
8 describing, measuring, and quantifying digital
9 asset—

10 (i) decentralization;

11 (ii) functionality;

12 (iii) information asymmetries; and

13 (iv) transaction and network security;

14 and

15 (D) discuss the implementation by the
16 Commissions of this Act and the amendments
17 made by this Act.

18 (2) REVIEW BY AGENCIES.—Each Commission
19 shall—

20 (A) review the findings and recommenda-
21 tions of the Committee;

22 (B) each time the Committee submits a
23 finding or recommendation to a Commission,
24 promptly issue a public statement—

1 (i) assessing the finding or rec-
2 ommendation of the Committee;

3 (ii) disclosing the action or decision
4 not to take action made by the Commis-
5 sion in response to a finding or rec-
6 ommendation; and

7 (iii) the reasons for the action or deci-
8 sion not to take action; and

9 (C) each time the Committee submits a
10 finding or recommendation to a Commission,
11 provide the Committee with a formal response
12 to the finding or recommendation not later than
13 3 months after the date of the submission of
14 the finding or recommendation.

15 (c) MEMBERSHIP AND LEADERSHIP.—

16 (1) NON-FEDERAL MEMBERS.—

17 (A) IN GENERAL.—The Commissions shall
18 appoint at least 20 nongovernmental stake-
19 holders with a wide diversity of opinion and
20 who represent a broad spectrum of interests
21 representing the digital asset ecosystem, equally
22 divided between the Commissions, to serve as
23 members of the Committee. The appointees
24 shall include—

25 (i) digital asset issuers;

1 (ii) persons registered with the Com-
2 missions and engaged in digital asset re-
3 lated activities;

4 (iii) individuals engaged in academic
5 research relating to digital assets; and

6 (iv) digital asset users.

7 (B) MEMBERS NOT COMMISSION EMPLOY-
8 EES.—Members appointed under subparagraph
9 (A) shall not be deemed to be employees or
10 agents of a Commission solely by reason of
11 membership on the Committee.

12 (2) CO-DESIGNATED FEDERAL OFFICERS.—

13 (A) NUMBER; APPOINTMENT.—There shall
14 be 2 co-designated Federal officers of the Com-
15 mittee, as follows:

16 (i) The Director of LabCFTC of the
17 Commodity Futures Trading Commission.

18 (ii) The Director of the Strategic Hub
19 for Innovation and Financial Technology.

20 (B) DUTIES.—The duties required by
21 chapter 10 of title 5, United States Code, to be
22 carried out by a designated Federal officer with
23 respect to the Committee shall be shared by the
24 co-designated Federal officers of the Com-
25 mittee.

1 (3) COMMITTEE LEADERSHIP.—

2 (A) COMPOSITION; ELECTION.—The Com-
3 mittee members shall elect, from among the
4 Committee members—

5 (i) a chair;

6 (ii) a vice chair;

7 (iii) a secretary; and

8 (iv) an assistant secretary.

9 (B) TERM OF OFFICE.—Each member
10 elected under subparagraph (A) in a 2-year pe-
11 riod referred to in section 1013(b)(2) of title 5,
12 United States Code, shall serve in the capacity
13 for which the member was so elected, until the
14 end of the 2-year period.

15 (d) NO COMPENSATION FOR COMMITTEE MEM-
16 BERS.—

17 (1) NON-FEDERAL MEMBERS.—All Committee
18 members appointed under subsection (d)(1) shall—

19 (A) serve without compensation; and

20 (B) while away from the home or regular
21 place of business of the member in the perform-
22 ance of services for the Committee, be allowed
23 travel expenses, including per diem in lieu of
24 subsistence, in the same manner as persons em-
25 ployed intermittently in the Government service

1 are allowed expenses under section 5703(b) of
2 title 5, United States Code.

3 (2) NO COMPENSATION FOR CO-DESIGNATED
4 FEDERAL OFFICERS.—The co-designated Federal of-
5 ficers shall serve without compensation in addition
6 to that received for their services as officers or em-
7 ployees of the United States.

8 (e) FREQUENCY OF MEETINGS.—The Committee
9 shall meet—

10 (1) not less frequently than twice annually; and

11 (2) at such other times as either Agency may
12 request.

13 (f) DURATION.—Section 1013(a)(2) of title 5, United
14 States Code, shall not apply to the Committee.

15 (g) TIME LIMITS.—The Commissions shall—

16 (1) adopt a joint charter for the Committee
17 within 90 days after the date of the enactment of
18 this section;

19 (2) appoint members to the Committee within
20 120 days after such date of enactment; and

21 (3) hold the initial meeting of the Committee
22 within 180 days after such date of enactment.

23 (h) FUNDING.—The Commissions may jointly fund
24 the Committee.

1 **SEC. 504. MODERNIZATION OF THE SECURITIES AND EX-**
2 **CHANGE COMMISSION MISSION.**

3 (a) SECURITIES ACT OF 1933.—Section 2(b) of the
4 Securities Act of 1933 (15 U.S.C. 77(b)) is amended—

5 (1) in the heading, by inserting “INNOVATION,”
6 after “EFFICIENCY,”; and

7 (2) by inserting “innovation,” after “effi-
8 ciency,”.

9 (b) SECURITIES EXCHANGE ACT OF 1934.—Section
10 3(f) of the Securities Exchange Act of 1934 (15 U.S.C.
11 78(c)) is amended—

12 (1) in the heading, by inserting “INNOVATION,”
13 after “EFFICIENCY,”; and

14 (2) by inserting “innovation,” after “effi-
15 ciency,”.

16 (c) INVESTMENT ADVISERS ACT OF 1940.—Section
17 2(c) of the Investment Advisers Act of 1940 (15 U.S.C.
18 80a-2) is amended—

19 (1) in the heading, by inserting “INNOVATION,”
20 after “EFFICIENCY,”; and

21 (2) by inserting “innovation,” after “effi-
22 ciency,”.

23 **SEC. 505. STUDY ON DECENTRALIZED FINANCE.**

24 (a) IN GENERAL.—The Securities and Exchange
25 Commission and the Commodity Futures Trading Com-

1 mission shall jointly carry out a study on decentralized
2 finance that analyzes—

3 (1) the nature, size, role, and use of decentral-
4 ized finance protocols;

5 (2) the operation of smart contracts that com-
6 prise decentralized finance protocols;

7 (3) the interoperability of smart contracts and
8 blockchain technology;

9 (4) the interoperability of smart contracts and
10 software-based systems, such as websites and soft-
11 ware wallets;

12 (5) the software-based governance systems
13 through which decentralized finance may be adminis-
14 tered or operated, including—

15 (A) whether the systems enhance or de-
16 tract from—

17 (i) the decentralization of the decen-
18 tralized finance; and

19 (ii) the inherent risks of the systems;

20 and

21 (B) any procedures or requirements that
22 would mitigate the risks identified in subpara-
23 graph (A)(ii);

24 (6) the benefits of decentralized finance, includ-
25 ing—

1 (A) operational resilience and interoper-
2 ability of blockchain-based systems;

3 (B) market competition and innovation;

4 (C) transaction efficiency; and

5 (D) transparency and traceability of trans-
6 actions; and

7 (7) the risks of decentralized finance, includ-
8 ing—

9 (A) pseudonymity of users and trans-
10 actions;

11 (B) lack of intermediaries; and

12 (C) cybersecurity vulnerabilities;

13 (8) the extent to which decentralized finance
14 has integrated with the traditional financial markets
15 and any potential risks to stability of such markets
16 from the integration;

17 (9) how the levels of illicit activity in decentral-
18 ized finance compare with the levels of illicit activity
19 in traditional financial markets; and

20 (10) how decentralized finance may increase the
21 accessibility of cross-border transactions.

22 (b) REPORT.—Not later than 1 year after the date
23 of enactment of this Act, the Securities and Exchange
24 Commission and the Commodity Futures Trading Com-
25 mission shall jointly submit to the relevant congressional

1 committees a report that includes the results of the study
2 required by subsection (a).

3 (c) GAO STUDY.—The Comptroller General of the
4 United States shall—

5 (1) carry out a study on decentralized finance
6 that analyzes the information described under para-
7 graphs (1) through (10) of subsection (a); and

8 (2) not later than 1 year after the date of en-
9 actment of this Act, submit to the relevant congres-
10 sional committees a report that includes the results
11 of the study required by paragraph (1).

12 (d) DEFINITIONS.—In this section:

13 (1) DECENTRALIZED FINANCE.—The term “de-
14 centralized finance” means a system of software ap-
15 plications that—

16 (A) are created through smart contracts
17 deployed to permissionless blockchain tech-
18 nology; and

19 (B) allow users to engage in financial
20 transactions in a self-directed manner so that a
21 third-party intermediary does not effectuate the
22 transactions or take custody of digital assets of
23 a user during any part of the transactions.

1 (2) RELEVANT CONGRESSIONAL COMMIT-
2 TEES.—The term “relevant congressional commit-
3 tees” means—

4 (A) the Committees on Financial Services
5 and Agriculture of the House of Representa-
6 tives; and

7 (B) the Committees on Banking, Housing,
8 and Urban Affairs and Agriculture, Nutrition,
9 and Forestry of the Senate.

10 **SEC. 506. STUDY ON NON-FUNGIBLE DIGITAL ASSETS.**

11 (a) The Secretary of Commerce shall, in consultation
12 with the Office of Science and Technology Policy, the Se-
13 curities and Exchange Commission, and the Commodity
14 Futures Trading Commission carry out a study of non-
15 fungible digital assets that analyzes—

16 (1) the nature, size, role, purpose, and use of
17 non-fungible digital assets;

18 (2) the similarities and differences between non-
19 fungible digital assets and other digital assets, in-
20 cluding digital commodities and payments
21 stablecoins, and how the markets for those digital
22 assets intersect with each other;

23 (3) how non-fungible digital assets are minted
24 by issuers and subsequently administered to pur-
25 chasers;

1 (4) how non-fungible digital assets are stored
2 after being purchased by a consumer;

3 (5) the interoperability of non-fungible digital
4 assets between different blockchain networks;

5 (6) the scalability of different non-fungible dig-
6 ital asset marketplaces;

7 (7) the benefits of non-fungible digital assets,
8 including verifiable digital ownership;

9 (8) the risks of non-fungible tokens, including—

10 (A) intellectual property rights;

11 (B) cybersecurity risks; and

12 (C) market risks;

13 (9) whether and how non-fungible digital assets
14 have integrated with traditional marketplaces, in-
15 cluding those for music, real estate, gaming, events,
16 and travel;

17 (10) any potential risks to such traditional mar-
18 kets from such integration; and

19 (11) the levels and types of illicit activity in
20 non-fungible digital asset markets.

21 (b) REPORT.—Not later than 1 year after the date
22 of the enactment of this Act, the Secretary of Commerce,
23 shall make publicly available a report that includes the re-
24 sults of the study required by subsection (a).