



UNITED STATES HOUSE COMMITTEE ON
FINANCIAL SERVICES
CHAIRMAN FRENCH HILL



HOUSE COMMITTEE ON
AGRICULTURE
CHAIRMAN GT THOMPSON

Digital Asset Market Clarity (CLARITY) Act of 2025

Why Action is Needed on Digital Asset Market Structure Legislation

Congress must enact digital asset market structure legislation to ensure the next wave of financial innovation takes root here in the United States. Current laws for financial markets are not designed to fully accommodate digital assets or blockchain technology. As a result, the ecosystem operates within a fragmented regulatory environment shaped by overlapping, and at times, conflicting approaches from financial regulators. This uncoordinated framework creates uncertainty, stifles innovation, and pushes legitimate projects overseas. Meanwhile, American consumers are increasingly exposed to unregulated firms that lack meaningful oversight and investor protections. **Modernized rules are essential to foster innovation, safeguard markets, and maintain U.S. leadership in the global financial system.**

While much of the world has adopted forward-looking policies, U.S. financial regulators have spent years engaged in regulation-by-enforcement rather than thoughtful engagement with the digital asset industry. Governments in the European Union, the United Kingdom, Singapore, Japan, the United Arab Emirates, and elsewhere have adopted new laws to position their jurisdictions as hubs for the development of digital assets and blockchain technology. Some of the largest developers, firms, and issuers have responded to these incentives by establishing operations outside of the United States. **Legislation is critical to cement lasting certainty and pro-growth, pro-innovation policies in the United States.**

Historically, as novel products and markets have emerged, Congress and federal regulators have adapted existing laws and rules or created new ones to accommodate innovation without compromising market integrity. Accordingly, the House Committees on Financial Services and Agriculture have worked together to craft a digital asset market structure framework that recognizes the unique characteristics of digital assets. **This functional framework provides regulatory clarity, fosters domestic innovation, and ends the jurisdictional turf wars and the enforcement-only approach.**

Background

The uncertain legal classification of digital assets is the primary regulatory challenge facing the digital asset ecosystem. At the core of this issue is whether digital assets are properly treated as securities or commodities under U.S. law. The answer to this question will determine which federal financial markets regulator, the Securities and Exchange Commission (SEC) or the Commodity Futures Trading Commission (CFTC), has regulatory authority over which activities of the digital asset ecosystem and what compliance obligations apply.

If a digital asset is a security, the offer, sale, trading, and custody of the asset would fall under the comprehensive authority of the SEC, which includes oversight of activities such as disclosures, registration of offerings and intermediaries, market surveillance, and enforcement against fraud and manipulation. If a digital asset is considered a commodity, the CFTC has full regulatory

authority over the derivatives trading of that digital commodity (e.g., a bitcoin futures contract) and anti-fraud and anti-manipulation enforcement authority over the spot trading of that digital commodity (e.g., a bitcoin).

Currently, neither the CFTC nor SEC has the authority to register and regulate entities engaged in digital commodity spot transactions. The CFTC only has anti-fraud and anti-manipulation enforcement authority over digital commodity spot markets. The lack of a regulatory framework for non-security digital asset spot transactions is known as the “spot market gap.”

Today, many digital asset firms involved in the offer and sale of digital commodities operate outside of the scope of federal financial regulation. These centralized institutions hold significant amounts of customer funds and exercise control over customer orders and the systems used to execute them. In traditional markets, such activities are subject to registration and oversight to protect customers and promote market integrity for all market participants.

The CLARITY Act’s Classification of Digital Assets

CLARITY provides a classification for digital assets by creating a new, specific definition of a digital commodity based on inherent characteristics of the digital asset. Core to the definition of a digital commodity is that its value is derived from the use of the blockchain network to which the digital commodity relates. This definition excludes certain financial instruments, such as securities, derivatives, payment stablecoins, and other regulated assets. It also excludes tokenized commodities and other digital assets that are neither commodities nor securities, such as digital collectibles or digital representations of real-world goods.

The CLARITY Act’s New Pathway for Capital Raising

Digital asset projects may seek to raise capital by selling digital commodities. While these digital commodities are not themselves securities, they can be offered as part of an “investment contract,” in which case that activity falls under the jurisdiction of the SEC. However, current securities rules are not tailored to facilitate the issuance of digital commodities through capital raising transactions to a broad range of purchasers.

CLARITY seeks to provide a workable pathway for digital asset projects to raise capital by creating a new exemption at the SEC that accounts for the realities and unique characteristics of digital asset projects. The Act builds on the current exemption regime for the offer and sale of securities, which has helped make U.S. capital markets the deepest and most liquid in the world. The bill introduces a new disclosure regime tailored specifically to the risks of digital commodities and imposes certain resale restrictions on project insiders.

Regulation of SEC Intermediaries

Under current federal securities laws, SEC-registrants do not have a workable pathway to offer trading in digital commodities. CLARITY updates federal securities laws by allowing certain SEC registrants to dual register with the CFTC to offer and sell digital commodities to their customers. The bill requires SEC registrants dual-registered with the CFTC to establish and maintain policies and procedures to mitigate conflicts of interest. It further requires the SEC to issue rules exempting registrants dually registered with the SEC and CFTC under the Act from duplicative and conflicting regulatory burdens. The Act also requires the SEC to enter into a memorandum of understanding with the CFTC to ensure non-duplicative supervision and enforcement with respect to dual-registered entities, as well as to engage in appropriate information sharing. This approach provides firms the flexibility to offer digital commodities within a tailored regulatory

framework, while ensuring that their traditional business lines remain subject to appropriate and consistent oversight. In both cases, robust consumer protections will be maintained while meeting demand for a broad range of products and services.

Regulation of CFTC Intermediaries

CLARITY provides the CFTC exclusive regulatory jurisdiction over digital commodity cash or spot markets that occur on or with entities required to be registered with the CFTC — digital commodity exchanges (DCE), digital commodity dealers (DCD), and digital commodity brokers (DCB)—created in this Act. This new authority complements the CFTC’s existing anti-fraud and anti-manipulation enforcement authority over cash or spot market commodity transactions and closes the spot market gap.

A registered DCE would be required to comply with longstanding Commodity Exchange Act (CEA) core principles and comply with CFTC supervision and regulations. These include monitoring trading activity, prohibiting abusive trading practices, establishing minimum capital requirements, and requiring public reporting of trading information, conflicts of interest mitigation, governance standards, and cybersecurity safeguards.

A registered DCB or DCD is also required to comply with longstanding CFTC requirements and become a member of NFA and comply with NFA rules. These include requirements related to: minimum capital, customer disclosures, recordkeeping and reporting, business conduct standards, establishing risk management and conflicts of interest policies, among other requirements.

Importantly, any DCB, DCD, or DCE which holds customer funds is required to apply longstanding CFTC requirements for the segregation of customer funds and become a member of NFA and apply any NFA rules related to the protection of customer funds.

The legislation requires the CFTC to provide an expedited registration process for DCEs, DCDs, or DCBs within 270 days of enactment. Once registered, firms will be subject to the oversight of the CFTC and NFA, as applicable, and all the requirements of the statute. As the rules established under CLARITY for DCEs, DCDs, and DCBs are finalized, they will be applied to registered firms. The CFTC will be permitted to collect fees from registered entities during the time the Act is being implemented. Additionally, the agency is granted expedited hiring authority to hire the specialized staff needed to implement the law. Both of these authorities will aid the CFTC in handling an influx of registrations and building the regulatory regime for digital commodities. After four years, both the authority to collect fees and the authority to engage in expedited registration will sunset.

Innovation and Coordination

The Act codifies the establishment of LabCFTC at the CFTC and establishes a committee known as the Strategic Hub for Innovation and Financial Technology (FinHub) at the SEC. LabCFTC will serve as an information resource on financial technology innovation, enhance the CFTC’s accessibility to fintech innovators, and provide a forum for those seeking to better understand the regulatory framework. FinHub will serve as a resource to the SEC on emerging financial technologies and facilitate communication between the SEC and market participants working in the emerging fintech space.

The Act also requires studies related to the digital asset ecosystem, including studies on:

- foreign adversary participation;
- decentralized finance (DeFi);
- non-fungible tokens (NFTs);
- expanding financial literacy among digital commodity holders;
- financial market infrastructure improvements;
- blockchain in payments; and
- illicit use of digital assets.