1 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

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

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

Sec. 1. Short title; table of contents.

TITLE I—DEFINITIONS; RULEMAKING; PROVISIONAL REGISTRATION

Sec. 101. Definitions under the Securities Act of 1933.
Sec. 102. Definitions under the Commodity Exchange Act.
Sec. 103. Definitions under this Act.
Sec. 104. Joint rulemakings.
Sec. 105. 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.

TITLE I—DEFINITIONS; RULE-MAKING; PROVISIONAL REGISTRATION

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

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

“(20) AFFILIATED PERSONS.—The term ‘affiliated person’ means—

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

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

“(ii) a person that was described under clause (i) at any point in the previous 3-month period; or
“(B) with respect to any digital asset—

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

“(ii) a person that was described under clause (i) at any point in the previous 3-month period.

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

“(A) where data is—

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

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

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

“(B) composed of source code that is publicly available.
"(22) BLOCKCHAIN NETWORK.—The term 'blockchain network' means any blockchain or blockchain protocol.

"(23) BLOCKCHAIN PROTOCOL.—The term 'blockchain protocol' means any self-executing software deployed to a blockchain composed of source code that is publicly available and accessible, including a smart contract or any network of smart contracts.

"(24) DECENTRALIZED NETWORK.—With respect to a blockchain network to which a digital asset relates, the term 'decentralized network' means the following conditions are met:

"(A) During the previous 12-month period, no person, acting on the person’s own, excluding any decentralized organization—

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

"(ii) had the unilateral authority to restrict or prohibit any person who is not
a related person or an affiliated person from—

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

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

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

“(IV) operating a node, validator, or other form of computational infrastructure with respect to the blockchain network.

“(B) During the previous 12-month period, neither any digital asset issuer nor any affiliated person, excluding any decentralized organization—

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

“(ii) had the unilateral authority to direct the voting of units of such digital asset that represented at any time 20 per-
cent or more of the outstanding voting
power of such digital assets.

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

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

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

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

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

“(25) DECENTRALIZED ORGANIZATION.—

“(A) IN GENERAL.—The term ‘decentral-
ized organization’ means, with respect to a
blockchain network, any organization of persons
using the digital assets related to such
blockchain network to form consensus in the de-
development, publication, management, or administration of such blockchain network, which is controlled by the entirety of persons holding such digital assets and not by any particular person.

“(B) EXCLUSION.—The term ‘decentralized organization’ does not include any organization directly engaged in an activity that requires registration with the Commission or the Commodity Futures Trading Commission other than—

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

“(ii) an activity with respect to which the organization is exempt from such registration.

“(26) DIGITAL ASSET.—

“(A) IN GENERAL.—The term ‘digital asset’ means any fungible digital representation of value that can be exclusively possessed and transferred, person to person, without necessary reliance on an intermediary, and is recorded on a cryptographically secured public distributed ledger.
“(B) RELATIONSHIP TO A BLOCKCHAIN NETWORK.—A digital asset is considered to relate to a blockchain network if the digital asset is intrinsically linked to the blockchain network, including—

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

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

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

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

“(A) means—

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

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

“(iii) any sponsor; and

“(B) does not include—
“(i) any person deploying source code on the instruction of a principal; or

“(ii) any software creating such digital asset.

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

“(A) digital commodities; or

“(B) digital assets that have been registered with the Commission and issued and sold by a digital asset issuer.

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

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

“(A) does not involve an exchange of more than a nominal value of cash, property, or other assets;
“(B) is distributed in a broad, non-discretionary manner based on conditions capable of being satisfied by any participant in the blockchain network, including, as incentive-based rewards—

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

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

“(C) relates to a blockchain network that is a functional network and for which the information described in section 203 of [SHORT TITLE] has been certified and made publicly available.

“(31) FUNCTIONAL NETWORK.—With respect to a blockchain network to which a digital asset relates, the term ‘functional network’ means—

“(A) the network allows network participants to use such digital asset for—

“(i) the transmission and storage of value on the blockchain network;
“(ii) the participation in an application running on the blockchain network; or

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

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

“(32) PAYMENT STABLECOIN.—The term ‘payment stablecoin’—

“(A) means a digital asset—

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

“(ii) the issuer of which—

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

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

“(B) that is not—

“(i) a national currency; or

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

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

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

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

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

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

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

“(B) distributed to a digital asset issuer, a related person, or an affiliated person in an end user distribution; or
“(C) distributed to any other person through a transaction that is not an end user distribution.

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

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

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

“(A) participates in an arrangement for the primary purpose of effecting a sale, end user distribution, or other issuance of such digital assets, including—

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

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

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

or

“(B) undertakes any other activity designed to avoid a classification as a ‘digital asset issuer’ for purposes of this Act.”.

SEC. 102. DEFINITIONS UNDER THE COMMODITY EXCHANGE ACT.

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

(1) in paragraph (40), by striking subparagraph (F) and the following:

“(F) a digital commodity exchange registered under section 5i.”; and

(2) by adding at the end the following:

“(52) DIGITAL COMMODITY.—

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

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

“(ii) a digital asset that is held by any person, other than a digital asset issuer, a related person, or an affiliated person,
after each network to which the digital asset relates is—

“(I) a functional network; and

“(II) certified to be a decentralized network under section 204 of [SHORT TITLE]; or

“(iii) a unit of the digital asset that is held by a related person or an affiliated person for so long as each blockchain network to which the digital asset relates is—

“(I) a functional network; and

“(II) certified to be a decentralized network under section 204 of the [SHORT TITLE].

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

“(53) Digital commodity broker.—

“(A) In general.—The term ‘digital commodity broker’ means any person who, in a digital commodity cash or spot market, is—

“(i) engaged in soliciting or accepting orders for the purchase or sale of a unit of a digital commodity from a customer that is not an eligible contract participant;
“(ii) engaged in soliciting or accepting orders for the purchase or sale of a unit of a digital commodity from a customer on or subject to the rules of a registered entity; or

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

“(B) EXCEPTION.—The term ‘digital commodity broker’ does not include a person solely because the person mines or validates a digital commodity transaction.

“(54) DIGITAL COMMODITY CUSTOMIAN.—The term ‘digital commodity custodian’ means an entity in the business of holding, maintaining, or safeguarding digital commodities.

“(55) DIGITAL COMMODITY DEALER.—

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

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

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

“(II) makes a market in a digital commodity;
(III) regularly enters into digital commodity transactions as an ordinary course of business for its own account; or

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

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

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

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

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

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

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


SEC. 103. DEFINITIONS UNDER THIS ACT.

In this Act:

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

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

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

(4) Definitions under the Securities Exchange Act of 1934.—The terms “broker”, “dealer”, and “self-regulatory organization” have the meaning given those terms, respectively, under section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).

SEC. 104. JOINT RULEMAKINGS.

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

(1) The terms “affiliated person”, “blockchain”, “blockchain network”, “blockchain
(2) The term “digital commodity”, as defined under section 1a of the Commodity Exchange Act.

(b) JOINT RULEMAKING FOR EXCHANGES.—The Commodity Futures Trading Commission and the Securities and Exchange Commission shall, jointly, issue rules to exempt persons dually registered with the Commodity Futures Trading Commission as a digital commodity exchange and with the Securities and Exchange Commission as an alternative trading system from duplicative, conflicting, or unduly burdensome provisions of this Act, the securities laws, and the Commodity Exchange Act and the rules thereunder, to the extent such exemption would foster the development of fair and orderly markets in digital assets, be necessary or appropriate in the public interest, and be consistent with the protection of investors.
SEC. 105. PROVISIONAL REGISTRATION OF CFTC INTERMEDIARIES.

(a) TRANSITION TO FULL REGISTRATION FOR DIGITAL COMMODITY EXCHANGES, BROKERS, AND DEALERS.—

(1) IN GENERAL.—

(A) Provisional registration statement.—Any person may file a provisional registration statement with the Commodity Futures Trading Commission (in this subsection referred to as the “Commission”) as a—

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

(ii) provisional digital commodity broker, for a person intending to register as a digital commodity broker under section 4u of the Commodity Exchange Act;

or

(iii) (iii) provisional digital commodity dealer, for a person intending to register as a digital commodity dealer under section 4u of the Commodity Exchange Act.

(B) FILING.—A person desiring to file a provisional registration statement under sub-
paragraph (A) shall submit to the Commission an application in such form and containing—

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

(ii) the information required by paragraph (2);

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

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

(2) Disclosure of General Information.—

A person filing a provisional registration statement under paragraph (1) shall disclose to the Commission the following:

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

(i) the ownership and management of the person;

(ii) the financial condition of the person;

(iii) affiliated entities engaging in digital asset-related activities;

(iv) potential conflicts of interest; and
(v) other information relevant to the management of the person, as determined by the Commission.

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

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

(ii) risk management procedures; and

(iii) a description of the product listing process.

(3) REQUIREMENTS.—A person filing a provisional registration statement under paragraph (1) shall certify to the Commission that the person complies, in such manner as the Commission may by rule or order determine, with the following requirements:

(A) BOOKS AND RECORDS.—A person filing a provisional registration statement under paragraph (1) shall—

(i) make such reports as are required by the Commission by rule regarding the transactions, positions, and financial condition of the person;
(ii) keep books and records in such form and manner and for such period as may be prescribed by the Commission; and

(iii) keep the books and records referred to in clause (ii) open to inspection and examination by any representative of the Commission.

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

(i) make disclosures to customers of the person related to offering digital commodities, relevant to—

(I) the experience of the customer; and

(II) the risk tolerance of the customer;

(ii) provide information to customers of the person related to each digital commodity, including—

(I) the history of the digital commodity;

(II) the functionality of the digital commodity;
(III) the operation of the digital commodity; and

(IV) the economics of the digital commodity.

(C) CUSTOMER ASSETS.—

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

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

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

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

(aa) the money, assets, and property of any customer may be commingled with that of any
other customer, if separately accounted for; and

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

(ii) ADDITIONAL RESOURCES.—

(I) IN GENERAL.—This section shall not prevent or be construed to prevent a person filing a provisional registration statement under paragraph (1) from adding to the customer money, assets, and property required to be segregated under clause (i), additional amounts of money, as-
sets, or property from the account of
the person as the person determines
necessary to prevent the account of a
customer from becoming under-seg-
regated.

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

(D) LISTINGS.—

(i) PERMITTED DIGITAL COMMOD-
ITIES.—

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

(aa) IN GENERAL.—Except
as provided in clause (ii), a per-
son filing a provisional registra-
tion statement under paragraph
(1) as a provisional digital com-
modity exchange may list for
trading any digital asset that is
listed for trading on the date
such person filed the provisional
registration statement with the Commission.

(bb) **Exchange Certification for Existing Assets.**—

On filing a provisional registration statement described under item (aa), the exchange shall submit to the Commission and the Securities and Exchange Commission a certification that any digital asset listed on the exchange that was issued before the date of the enactment of this Act—

(AA) is related to a blockchain network that is a functional network and a decentralized network; and

(BB) satisfies the listing standards under section 5i(e)(3) of the Commodity Exchange Act.

(cc) **New Listings.**—A provisional digital commodity exchange may submit to the Com-
mission and the Securities and Exchange Commission for review under item (bb) a certification attesting that any digital asset the exchange seeks to list—

(AA) is related to a blockchain network that is a functional network and a decentralized network; and

(BB) satisfies the listing standards under section 5i(e)(3) of the Commodity Exchange Act.

(II) PERMITTED ACTIVITIES BY BROKERS AND DEALERS.—Except as provided in clause (ii), a provisional digital commodity broker or digital commodity dealer may offer for trading any digital commodity that is—

(aa) offered for trading on the date of the provisional digital commodity broker or digital commodity dealer filed a provisional registration statement with the Commission; or
(bb) offered for trading on a provisional digital commodity exchange.

(ii) DE-LISTING OF DIGITAL ASSETS.—

(I) NOTICE OF NONCOMPLIANCE.—

(aa) IN GENERAL.—After such time as the Commission and the Securities and Exchange Commission finalize the joint rulemaking described under section 104, the Commission and the Securities and Exchange Commission may issue notices to an entity under this section.

(bb) NOTICE FROM THE COMMISSION.—The Commission may provide notice to a provisionally registered digital commodity exchange that a digital asset certified under clause (i)(I)(bb) does not satisfy the listing standards under 5i(c)(3) of the Commodity Exchange Act.
(cc) Notice from the Securities and Exchange Commission.—The Securities and Exchange Commission may provide notice to a provisionally registered digital commodity exchange that a digital asset certified under clause (i)(I)(bb) is not related to a blockchain network that is a functional network and a decentralized network.

(II) De-listing Required.—

(aa) Provisional digital commodity exchange.—A provisional digital commodity exchange shall de-list a digital asset from trading if the provisional digital commodity exchange—

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

(BB) received a notice under subclause (I) with respect to the digital asset.
(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 commodity dealer with a reasonable time to de-list the digital asset.
modity dealer sufficient time to ensure—

(AA) an orderly winddown of trading activities; and

(BB) the prevention of disruptive trading.

(4) Expiration of Provisional Registration.—

(A) In General.—No person may file a provisional registration statement with the Commission after the rules for the registration of digital commodity exchanges or digital commodity brokers or digital commodity dealers are finalized, as appropriate.

(B) Transition to Full Registration.—The Commission shall provide for an orderly transition to full registration for any entity that has filed a provisional registration statement under this subsection.

(C) Revocation of Registration.—The Commission shall revoke a provisional registration statement filed by any person that fails to comply with this section, after providing notice to the person of the failure of the person to
comply and affording the person a reasonable opportunity to correct the noncompliance.

(5) **DEFERMENT OF ENFORCEMENT.**—

(A) **IN GENERAL.**—Any person who has filed a provisional registration statement under this section and is in compliance with this section shall not be subject to an enforcement action by the Commodity Futures Trading Commission or the Securities and Exchange Commission, or any other cause of action, for—

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

(ii) failing to register as a digital commodity exchange, digital commodity broker, or digital commodity dealer.

(B) **FULL REGISTRATION.**—A registered digital commodity exchange, registered digital commodity broker, and registered digital commodity dealer shall not be subject to an enforcement action by the Commodity Futures Trading Commission or the Securities and Exchange Commission, or any other cause of action, while such person was in compliance with this section, for—
(i) listing for trading a digital asset that is not a digital commodity; or

(ii) failing to register as a digital commodity exchange.

SEC. 106. PROVISIONAL REGISTRATION OF SEC INTERMEDIARIES.

(a) Provisional Registration.—

(1) In General.—Any person engaging in, or proposing to engage in, activities of a broker, dealer, or alternative trading system involving digital assets that would be subject to registration with the Securities and Exchange Commission (in this subsection referred to as the “Commission”) may file a provisional registration statement with the Commission, and any relevant self-regulatory organization, as a broker, dealer, or alternative trading system, as appropriate, by providing the Commission and any relevant self-regulatory organization with a statement stating the intention of the person to provisionally register as such under this section.

(2) Inspection and Examination.—Each broker, dealer, or alternative trading system that has filed a provisional registration statement pursuant to this section shall be subject to inspection and examination by the Commission.
(3) **REGISTRATION PRIOR TO FINAL RULES.**—

(A) **IN GENERAL.**—The Commission shall permit any person engaging in, or proposing to engage in, activities of a broker, dealer, or alternative trading system involving digital assets to file a provision registration statement pursuant to this section.

(B) **ENFORCEMENT DEFERRED.**—Beginning on the date of the enactment of this Act and ending on the date the Commission establishes a registration process for purposes of this section, a person engaging in, or proposing to engage in, activities of a broker, dealer, or alternative trading system involving digital assets shall not be subject to an enforcement action by the Commission for a violation of this Act or the securities laws related to a failure to register with the Commission before engaging in such activities.

(4) **EXCEPTION.**—A person may not file a provisional registration statement to be a broker, dealer, or alternative trading system is such person is disqualified under the securities laws or rules issued thereunder from acting as a broker, dealer, or alternative trading system, as applicable.
(5) Treatment Under Customer Protection Rules.—The revisions required under section 304 shall apply to a broker, dealer, or alternative trading system that has provisionally registered pursuant to this section to the same extent as such revisions apply to a registered broker or dealer.

(b) Transition to Full Registration.—

(1) In General.—When finalizing the rules required under this section, the Commission shall provide for an orderly transition to full registration for each broker, dealer, or alternative trading system which has filed a provisional registration statement.

(2) Revocation of Registration.—The Commission shall revoke a provisional registration statement under this section of any broker, dealer, or alternative trading system which fails to comply with this section after notice of such failure to comply and a reasonable opportunity to correct the deficiency.

(c) Deferment of Enforcement.—

(1) In General.—A broker, dealer, or alternative trading system which has filed a provisional registration statement and is in compliance with the requirements of this section shall not be subject to an enforcement action by the Commission for engag-
ing in activities involving digital assets, while the provisional registration statement for the broker, dealer, or alternative trading system is in effect, for—

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

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

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

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

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

**TITLE II—DIGITAL ASSET EXEMPTIONS**

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

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

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

“(8) transactions involving the offer or sale of units of a digital asset by a digital asset issuer, if—
“(A) the aggregate amount of units of the digital asset sold by the digital asset issuer, including any amount sold in reliance on the exemption provided under this paragraph, during the 12-month period preceding the date of such transaction, including the amount sold in such transaction, is not more than $75,000,000;

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

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

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

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

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

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

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

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

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

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

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

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

“(v) is, or has been, subject to any order of the Commission entered pursuant to section 12(j) of the Securities Exchange Act of 1934 during the 5-year period before the filing of the offering statement; and

“(vi) is disqualified pursuant to section 230.262 of title 17, Code of Federal Regulations; and

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

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

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

“(a) Requirements for Digital Asset Issuers.—

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

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

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

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

“(D) A description of the purpose and intended use of the offering proceeds.

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

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

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

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

“(2) INFORMATION REQUIRED FOR PURCHASERS.—A digital asset issuer shall disclose the information described under section 203 of [SHORT TITLE] on a freely accessible public website.

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

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

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

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

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

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

“(4) TERMINATION OF REPORTING REQUIREMENTS.—

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

“(B) COVERED FISCAL YEAR DEFINED.—In this paragraph, the term ‘covered fiscal year’ means the first fiscal year of an issuer in which the blockchain network to which the digital asset relates is a functional network and certified to be a decentralized network under section 204 of [SHORT TITLE].
“(b) REQUIREMENTS FOR INTERMEDIARIES.—

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

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


“(2) PURCHASER QUALIFICATION.—

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

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

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

“(e) ADDITIONAL PROVISIONS.—

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

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

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

“(2) SOLICITATION OF INTEREST.—

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

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

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

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

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

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

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

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

(b) ADDITIONAL EXEMPTIONS.—

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

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

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

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

(C) in subparagraph (F)—

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

(ii) by striking “or” at the end;

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

(E) by adding at the end the following:

“(H) section 4(a)(8).”.

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

(a) Transactions in certain restricted digital assets.—

(1) In general.—Notwithstanding any other provision of law, subject to paragraph (2), a restricted digital asset may be offered and sold on an alternative trading system by any person other than a digital asset issuer if, at the time of such offer or
sale, the information described in section 203 has
been certified and made publicly available for any
blockchain network to which the restricted digital
asset relates.

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

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

(B) the digital asset maturity date.

(b) DIGITAL COMMODITIES.—

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

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

(A) the holder of the digital commodity
owned the digital commodity while it was a re-
restricted digital asset for 12 months after the later of—

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

(ii) the digital asset maturity date;

and

(B) the digital commodity is offered or sold on or subject to the rules of a digital commodity exchange registered under section 5i of the Commodity Exchange Act.

(3) **Not an Investment Contract.**—For purposes of the securities laws, a transaction in a digital commodity made in compliance with paragraph (1) or (2) shall not be a transaction in an investment contract.

(e) **Sales Restrictions for Affiliated Persons.**—A digital asset may be offered or sold by an affiliated person under subsection (a) or (b) if—

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

(2) the affiliated person promptly, following the placement of an order to sell one percent of the dig-
ital assets then outstanding during any 3-month pe-
period, reports the sale to—

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

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

(d) TREATMENT UNDER THE SECURITIES LAWS.—

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

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

SEC. 203. ENHANCED DISCLOSURE REQUIREMENTS.

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

(1) SOURCE CODE.—The source code for any
blockchain network to which the digital asset relates.
(2) TRANSACTION HISTORY.—A description of the steps necessary to independently access, search, and verify the transaction history of any blockchain network to which the digital asset relates.

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

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

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

(C) an explanation of governance mechanisms for implementing changes to the blockchain network or forming consensus among holders of such digital assets; and
(D) sufficient information for a third party to create a tool for verifying the transaction history of the digital asset.

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

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

(6) **Risk Factor Disclosures.**—Where appropriate, provide under the caption “Risk Factors” a description of the material risks surrounding ownership of a unit of a digital asset. This discussion shall be organized logically with relevant headings and each risk factor shall be set forth under a subcaption that adequately describes the risk.

(b) **Certification.**—With respect to a digital asset and any blockchain network to which the digital asset relates, the information required to be made available under this section has been certified if the digital asset issuer,
an affiliated person, or a decentralized organization (or, if no digital asset issuer, affiliated person, or decentralized organization are identifiable, an alternative trading system or digital commodity exchange) certifies on a quarterly basis to the Securities and Exchange Commission and Commodity Futures Trading Commission that the information is true and correct.

SEC. 204. CERTIFICATION OF CERTAIN DIGITAL ASSETS.

(a) Certification.—Any person may certify to the Securities and Exchange Commission (in this subsection referred to as the “Commission”) that the blockchain network to which a digital asset relates is a decentralized network.

(b) Filing Requirements.—A certification described under subsection (a) shall be filed with the Commission, and include—

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

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

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

(d) Certification Review.—

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

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

(B) any novel or complex issues which require additional time to consider.

(2) Public notice.—The Commission shall make the following available to the public and provide a copy to the Commodity Futures Trading Commission:

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

(B) Each stay of the Commission under this section, and the reasons therefore.
(C) Any response from a person making a certification under subsection (a) to a stay of the certification by the Commission.

(e) Stay of Certification.—

(1) In general.—A notification by the Commission pursuant to subsection (d)(1) shall stay the certification once for up to an additional 90 days from the date of the notification.

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

(f) Disposition of Certification.—

(1) In general.—A certification made under subsection (a) shall—

(A) become effective—

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

(ii) at the expiration of the certification review period; and
(B) not become effective upon the publication of a notification from the Commission to the person who made the certification that the Commission has rebutted the certification.

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

(g) Reconsideration.—

(1) In general.—Any certification of a blockchain network that becomes effective pursuant to subsection (f) shall be eligible to be reconsidered by the Commission one year after the date on which the certification becomes effective and each year thereafter.

(2) Reconsideration process.—To reconsider a certification under (f), the Commission shall—

(A) publish a notice announcing the reconsideration 120 days before the anniversary of the initial certification;

(B) provide a 30 day comment period, beginning 90 days before the anniversary of the initial certification; and
(C) after the end of the 30-day comment required under subparagraph (B) and no later than 30 days prior to the anniversary of the initial certification, publish either—

(i) a rebuttal of the certification; or

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

(3) Detailed analysis required.—The Commission shall include, with each publication of a notification of rebuttal described under paragraph (2)(C)(i), a detailed analysis of the factors on which the decision was based.

(h) Appeal of rebuttal.—If the Commission rebuts a certification under this section, either initially or in a reconsideration under subsection (g), the person making such certification may appeal the decision of the Commission to a court of competent jurisdiction.
TITLE III—REGISTRATION FOR DIGITAL ASSET INTERMEDIARIES AT THE SECURITIES AND EXCHANGE COMMISSION

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

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


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

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

(3) by redesignating the second paragraph (80) (relating to funding portals) as paragraph (81); and
(4) by adding at the end the following:

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

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

(1) in paragraph (2), by striking “receiving deposits or exercising fiduciary powers” and inserting “receiving deposits, exercising fiduciary powers, or offering custody and safekeeping services,”;

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

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

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

“(32) DIGITAL ASSET-RELATED TERMS.—The terms ‘digital commodity’ and ‘payment stablecoin’ have the meaning given those terms, respectively, under section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)).”.
(d) INVESTMENT COMPANY ACT OF 1940.—Section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–2) is amended—

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

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

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

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

SEC. 302. ANTIFRAUD AUTHORITY OVER PAYMENT STABLECOINS.


(1) by designating the undesignated matter at the end of that section as paragraph (3) of subsection (e); and

(2) in subsection (e)(3), as so designated—
(A) by striking “Rules promulgated under subsection (b)” and inserting “Subsection (b) and rules promulgated thereunder”;

(B) by inserting “and shall apply to payment stablecoins with respect to those circumstances in which the payment stablecoins are brokered, traded, or custodied by a broker or dealer or through an alternative trading system to the same extent as they apply to securities” after “to the same extent as they apply to securities” each place it occurs; and

(C) by inserting before the period at the end the following: “provided, that the Commission shall have no authority under subsection (b) or rules promulgated thereunder with respect to payment stablecoins (including the design, structure, or operation of such payment stablecoins) except with respect to circumstances in which the payment stablecoins are brokered, traded, or custodied by a broker or dealer or through an alternative trading system”.

SEC. 303. ELIGIBILITY OF ALTERNATIVE TRADING SYSTEMS.

(a) In General.—Section 5 of the Securities Exchange Act of 1934 (15 U.S.C. 78e) is amended—

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

“(a) In General.—It”; and

(2) by adding at the end the following:

“(b) Digital Asset Protections.—

“(1) In General.—The Commission may not preclude a trading platform from operating pursuant to a covered exemption on the basis that the assets traded or to be traded on such platform are digital assets.

“(2) Covered Exemption.—In this subsection, the term ‘covered exemption’ means an exemption with respect to—

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

and

“(B) any other rule of the Commission relating to the definition of ‘exchange’.”.

(b) Rulemaking.—

(1) In General.—Not later than 270 days after the date of the enactment of this Act, the Securities and Exchange Commission shall revise the covered regulations to—
(A) exempt an alternative trading system permitting the trading of only securities, covered assets, or both from registration as a national securities exchange under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f); and

(B) permit disintermediated trading between holders of covered assets and real-time settlement through custody of the covered assets, consistent with what is necessary or appropriate in the public interest or for the protection of investors.

(2) DEFINITIONS.—In this subsection—

(A) COVERED ASSETS.—The term “covered assets” means restricted digital assets, digital commodities, and payment stablecoins.


SEC. 304. CUSTOMER PROTECTION RULE MODERNIZATION.

Not later than 270 days after the date of enactment of this Act, the Securities and Exchange Commission shall revise section 240.15c3–3 of title 17, Code of Federal Regulations, to provide that a registered broker or dealer shall
be considered to have control of digital assets, in addition to such other methods as the Securities and Exchange Commission may permit, if—

(1) the broker or dealer holds such digital asset at a bank (as defined in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a))){-}

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

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

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

(2) the broker or dealer establishes, maintains, and enforces written policies, procedures, and controls reasonably designed to demonstrate that the broker has control over the digital asset it holds in custody to protect against the theft, loss, or unau-
authorized use of the private keys necessary to access
and transfer such digital assets.

SEC. 305. MODERNIZATION OF RECORDKEEPING REQUIRE-
MENTS.

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

(b) Revision of Rules.—Not later than 180 days
after the date of enactment of this Act, the Securities and
Exchange Commission shall issue and revise rules—

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

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

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

(a) Study Required.—Not later than 180 days
after the date of the enactment of this Act, the Securities
and Exchange Commission shall complete a study with respect to the modernization of specified regulations under title 17, Code of Federal Regulations to apply to digital assets.

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

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

(1) regulation NMS under part 242 of title 17, Code of Federal Regulations;

(2) regulation SCI under part 242 of such title;

(3) section 240.15c3–5 of such title; and

(4) section 240.15c2–11 of such title.

SEC. 307. TREATMENT OF CERTAIN DIGITAL ASSETS IN CONNECTION WITH FEDERALLY REGULATED INTERMEDIARIES.

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

“(5) EXEMPTION FOR CERTAIN DIGITAL ASSETS IN CONNECTION WITH FEDERALLY REGULATED INTERMEDIARIES.—A digital asset is a covered secu-
rity with respect to a transaction that is exempt
from registration under this Act when—

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

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

SEC. 308. DUAL REGISTRATION.

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

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

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

SEC. 309. EXCLUSION FOR ANCILLARY ACTIVITIES.
et seq.) is amended by inserting after section 15G the fol-
lowing:

“SEC. 15H. EXCLUSION FOR ANCILLARY ACTIVITIES.
“(a) IN GENERAL.—Notwithstanding any other pro-
vision of this Act, a person shall not be subject to the
regulatory requirements of this Act solely based on the
person undertaking any ancillary activities.
“(b) EXCEPTIONS.—Subsection (a) shall not be con-
strued to apply to the anti-manipulation and anti-fraud
authorities of the Commission.
“(c) ANCILLARY ACTIVITIES DEFINED.—In this sec-
tion, the term ‘ancillary activities’ means any of the fol-
lowing activities related to the operation of a blockchain
network:
“(1) Network transactions compilation, pool op-
erating, relating, searching, sequencing, validating,
or acting in a similar capacity with respect to a re-
stricted digital asset.
“(2) Providing computational work, or procuring, offering or utilizing network bandwidth, or other similar incidental services with respect to a restricted digital asset.

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

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

“(5) Developing, publishing, constituting, administering, maintaining, or otherwise distributing software or systems that create or deploy a hardware or software wallet or other system facilitating an individual user’s own personal ability to keep, safeguard, or custody the user’s restricted digital assets or related private keys.”.
TITLE IV—REGISTRATION FOR DIGITAL ASSET INTERMEDIARIES AT THE COMMODITY FUTURES TRADING COMMISSION

SEC. 401. COMMISSION JURISDICTION OVER DIGITAL COMMODITY TRANSACTIONS.

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

(1) in subparagraph (D)(ii)—

(A) in subclause (III), in the matter that precedes item (aa), by inserting “of a commodity, other than a digital commodity,” before “that”; and

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

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

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

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

“(AA) directly;

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

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

and

(2) by adding at the end the following:

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

“(i) IN GENERAL.—Subject to sections 6d and
12(e), the Commission shall have exclusive jurisdi-
ction with respect to any account, agreement, con-
tract, or transaction involving a contract of sale of
a digital commodity in interstate commerce, includ-
ing in a digital commodity cash or spot market, that
is offered, solicited, traded, facilitated, executed,
cleared, reported, or otherwise dealt in—
“(I) on or subject to the rules of a registered entity or an entity that is required to be registered as a registered entity; or

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

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

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

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

“(II) any agreement, contract, or transaction described in subparagraph (C)(i) or (D)(i);

“(III) any commodity option authorized under section 4c; or
“(IV) any leverage transaction authorized under section 19.

“(G) AGREEMENTS, CONTRACTS, AND TRANSACTIONS IN STABLECOINS.—

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

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

“(II) a registered entity or other entity registered with the Commission shall not offer, offer to enter into, enter into, execute, confirm the execution of, or conduct any office or business for the purpose of soliciting, accepting any order for, or otherwise dealing in, any transaction in, or in connection with, a payment stablecoin.

“(ii) PERMITTED PAYMENT STABLECOIN TRANSACTIONS.—

“(I) A registered entity and any other entity registered with the Commission may transact, offer, offer to enter into, enter into, execute, confirm the execution of, solicit, or accept any order for a payment stablecoin, as provided in subclauses (II) and (III).
“(II) The requirements of this Act shall apply to, and the Commission shall have juris-
diction over, an agreement, contract, or trans-
action with or for a payment stablecoin that is offered, offered to enter into, entered into, exe-
cuted, confirmed the execution of, solicited, or accepted—

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

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

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

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

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

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

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

(1) in subsection (a)(2)—

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

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

(2) in subsection (f)(3)(A)(i), by striking “any bank or trust company” and inserting “any bank, trust company, or qualified digital commodity custodian”.

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

Section 5c of the Commodity Exchange Act (7 U.S.C. 7a–2) is amended—
(1) in subsection (a), by striking “5(d) and 5b(e)(2)” and inserting “5(d), 5b(e)(2), and 5i(e)”;

(2) in subsection (b)—

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

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

(3) in subsection (c)—

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

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

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

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

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

“(d) CERTIFICATIONS FOR DIGITAL COMMODITY TRADING.—

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

“(2) CONTENTS OF THE CERTIFICATION.—

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

“(i) an analysis of how the digital commodity meets the requirements of section 5i(e)(3);

“(ii) information about the digital commodity regarding—

“(I) its purpose and use;

“(II) its unit creation or release process;
“(III) its consensus mechanism;
“(IV) its governance structure;
“(V) its participation and distribution; and
“(VI) its current and proposed functionality; and
“(iii) any other information, analysis, or documentation the Commission may, by rule, require.

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

“(3) MODIFICATIONS.—
“(A) IN GENERAL.—An eligible entity shall modify a certification made under paragraph (1) to—
“(i) account for significant changes in nature, operation, or functionality of the digital commodity; or
“(ii) permit trading in units of a digital commodity which were once restricted digital assets.
“(B) RECERTIFICATION.—Modifications required by this subsection shall be subject to the same disapproval and review process as a new certification under paragraphs (4) and (5), unless the Commission or such registered futures association (or committee thereof) to which the Commission has, by rule or order, delegated such authority finds that the digital asset no longer meets the requirements of this subsection (including regulations thereunder).

“(4) DISAPPROVAL.—

“(A) IN GENERAL.—The written certification described in paragraph (1) shall become effective unless the Commission or such registered futures association (or committee thereof) to which the Commission has, by rule or order, delegated such authority, finds that the digital asset does not meet the requirements of this Act (including regulations thereunder).

“(B) ANALYSIS REQUIRED.—The Commission shall include, with any findings referred to in subparagraph (A), a detailed analysis of the factors on which the decision was based.

“(5) REVIEW.—
“(A) IN GENERAL.—The written certification described in paragraph (1) shall become effective, pursuant to the certification by the eligible entity and notice of the certification to the public (in a manner determined by the Commission) on the date that is—

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

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

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

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

“(ii) once, for an additional 30 business days, through written notice to the digital commodity exchange from the Commission or such registered futures association (or committee thereof) to which the Commission has, by rule or order, delegated such authority, that includes a description of any deficiencies with the certification, including any—

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

“(II) missing information or inadequate explanations; or

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

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

SEC. 404. REGISTRATION OF DIGITAL COMMODITY EXCHANGES.

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

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

“(a) In general.—

“(1) Registration.—

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

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

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

“(i) permits no more than a de mini-

mis amount of trading activity; or

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

“(2) ADDITIONAL REGISTRATIONS.—

“(A) WITH THE COMMISSION.—

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

“(II) a swap execution facility; or

“(III) a digital commodity broker.

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

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

“(II) provide for portfolio margining.

“(B) WITH THE SECURITIES AND EXCHANGE COMMISSION.—A registered digital commodity exchange may register with the Securities and Exchange Commission as an alter-
native trading system to list or trade contracts of sale for digital assets deemed securities.

“(C) WITH A REGISTERED FUTURES ASSOCIATION.—

“(i) IN GENERAL.—A registered digital commodity exchange shall also be a member of a registered futures association and comply with rules related to such activity, if the registered digital commodity exchange—

“(I) accepts customer funds required to be segregated under subsection (d); or

“(II) maintains an account for the trading of digital commodities directly with any person who is not an eligible contract participant under subsection (e).

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

“(D) Registration required.—A person required to be registered as a digital commodity exchange under this section shall register with the Commission as such regardless of whether the person is registered as such with another State or Federal regulator.

“(b) Trading.—

“(1) Prohibition on certain trading practices.—

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

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

“(2) Prohibition on certain trading activities.—A registered digital commodity exchange shall not—
“(A) offer any contract of sale of a commodity for future delivery, option, or swap for trading without also being registered as a designated contract market or swap execution facility;

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

“(C) act as any counterparty to any margined, leveraged, or financed transaction under section 2(c)(2)(C) without also being registered in a capacity determined by the Commission by rule or regulation.

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

“(4) RULES FOR CERTAIN DIGITAL ASSET SALES.—The digital commodity exchange shall have in place such rules as may be necessary to reasonably ensure the orderly sale of any unit of a digital commodity sold by a related person or an affiliated person.
“(c) Core Principles for Digital Commodity Exchanges.—

“(1) Compliance with Core Principles.—

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

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

“(ii) any requirement that the Commission may impose by rule or regulation pursuant to section 8a(5).

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

“(2) Compliance with Rules.—A digital commodity exchange shall—
“(A) establish and enforce compliance with any rule of the digital commodity exchange, including—

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

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

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

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

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

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

“(3) LISTING STANDARDS FOR DIGITAL COMMODITIES.—
“(A) IN GENERAL.—A digital commodity exchange shall permit trading in only a digital commodity that is not readily susceptible to manipulation.

“(B) PUBLIC INFORMATION REQUIREMENTS.—

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

“(ii) REQUIRED INFORMATION.—With respect to a digital commodity and each blockchain network to which the digital commodity relates for which the digital commodity exchange will make the digital asset available to the customers of the digital commodity exchange, the information required in this clause is as follows:

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

“(II) TRANSACTION HISTORY.—A narrative description of the steps necessary to independently access, search,
and verify the transaction history of any blockchain 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
destroying digital assets on the blockchain network;

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

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

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

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

“(ii) whether it is reasonably unlikely that the transaction history can be fraudulently altered by any person or group of persons acting collectively;
“(iii) whether the operating structure and system of the digital commodity is secure from cybersecurity threats;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“(C) have the capacity to carry out such international information-sharing agreements as the Commission may require.
“(7) EMERGENCY AUTHORITY.—A digital commodity exchange shall adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the Commission or a registered entity, as is necessary and appropriate, including the authority to facilitate the liquidation or transfer of open positions in any digital commodity or to suspend or curtail trading in a digital commodity.

“(8) TIMELY PUBLICATION OF TRADING INFORMATION.—

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

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

“(9) RECORDKEEPING AND REPORTING.—

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

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

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

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

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

“(i) the Board;

“(ii) the Securities and Exchange
Commission;

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

“(v) the Financial Stability Oversight Council;

“(vi) the Department of Justice; and

“(vii) any other person that the Commission determines to be appropriate, including—

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

“(II) foreign central banks; and

“(III) foreign ministries.

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

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

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

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

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

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

“(A) establish structural and institutional safeguards—

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

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

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

“(12) FINANCIAL RESOURCES.—

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

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

“(13) GOVERNANCE FITNESS STANDARDS.—

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

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

“(i) directors; and

“(ii) any individual or entity with direct access to, or control of, customer assets.

“(14) SYSTEM SAFEGUARDS.—A digital commodity exchange shall—

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

“(i) are reliable and secure; and

“(ii) have adequate scalable capacity;

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

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

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

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

“(i) order processing and trade matching;

“(ii) price reporting;

“(iii) market surveillance; and

“(iv) maintenance of a comprehensive and accurate audit trail.

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

“(A) SEGREGATION OF FUNDS.—

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

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

“(B) EXCEPTIONS.—

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

“(II) WITHDRAWAL.—Notwithstanding subparagraph (A), such share of the money, assets, and property described in item (aa) as in the normal course of business shall be necessary to margin, guarantee, secure, transfer, adjust, or settle a contract of sale of a digital commodity with a registered entity may be withdrawn and applied to such purposes, including the payment of commissions, brokerage, interest, taxes, storage, and other charges, lawfully accruing in connection with the contract of sale of a digital commodity.
“(ii) COMMISSION ACTION.—Notwithstanding subparagraph (A), in accordance with such terms and conditions as the Commission may prescribe by rule, regulation, or order, any money, assets, or property of the customers of a digital commodity exchange described in subparagraph (A) may be commingled and deposited in customer accounts with any other money, assets, or property received by the digital commodity exchange and required by the Commission to be separately accounted for and treated and dealt with as belonging to the customer of the digital commodity exchange.

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

ion may prescribe.

“(3) CUSTOMER PROTECTION DURING BANK-

RUPTCY.—

“(A) CUSTOMER PROPERTY.—All assets

held on behalf of a customer by a digital com-

modity exchange, and all money, assets, and

property of any customer received by a digital

commodity exchange registered under section 5i

of this Act for trading or custody, or to facili-
tate, margin, guarantee, or secure contracts of

sale of a digital commodity (including money,

assets, or property accruing to the customer as

the result of the transactions), shall be consid-
ered customer property for purposes of section

761 of title 11, United States Code.

“(B) TRANSACTIONS.—A transaction in-
volving a unit of a digital commodity occurring

on or subject to the rules of a digital com-

modity exchange shall be considered a ‘contract

for the purchase or sale of a commodity for fu-

ture delivery, on or subject to the rules of, a

contract market or board of trade’ for the pur-

poses of the definition of a ‘commodity con-
tract’ in section 761 of title 11, United States Code.

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

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

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

“(B) for any other person, including any depository, other digital commodity exchange, or digital commodity custodian that has received any customer money, assets, or property for deposit, to hold, dispose of, or use any such money, assets, or property as belonging to the depositing digital commodity exchange or any person other than the customers of the digital commodity exchange.

“(e) CUSTOMER PROTECTION.—For each registered digital commodity exchange that maintains an account for the trading of digital commodities directly with a person
who is not an eligible contract participant, the Commission shall require the digital commodity exchange to register as a digital commodity broker, solely to solicit orders for the digital commodity exchange, directly from any person who is not an eligible contract participant.

“(f) DESIGNATION OF CHIEF COMPLIANCE OFFICER.—

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

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

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

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

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

“(D) establish and administer the policies and procedures required to be established pursuant to this section;
“(E) ensure compliance with this Act and the rules and regulations issued under this Act, including rules prescribed by the Commission pursuant to this section; and

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

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

“(4) ANNUAL REPORTS.—

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

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

“(ii) the policies and procedures, including the code of ethics and conflict of
interest policies, of the digital commodity exchange.

“(B) REQUIREMENTS.—The chief compliance officer shall—

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

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

“(g) APPOINTMENT OF TRUSTEE.—

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

“(A) the court may take exclusive jurisdiction over the digital commodity exchange and the records and assets of the digital commodity exchange, wherever located; and

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

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

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

“(2) required to be held by the digital commodity exchange under subsection (c)(12) of this section; or
“(3) otherwise so required by the Commission to reasonably protect customers or promote the public interest.

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

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

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

“(2) the digital commodity exchange is subject to comparable, comprehensive supervision and regulation by the appropriate government authorities in the home country of the exchange.

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

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

SEC. 405. QUALIFIED DIGITAL COMMODITY CUSTODIANS.

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

“SEC. 5j. QUALIFIED DIGITAL COMMODITY CUSTODIANS.

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

“(1) the digital commodity custodian is—

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

“(B) subject to the supervision of a State
bank supervisor (within the meaning of section
3 of the Federal Deposit Insurance Act), unless
the Commission finds the digital commodity
custodian is not subject to adequate supervision
and appropriate regulation; or

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

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

“(b) Rulemaking Authority.—For purposes of
subsection (a), the Commission, by rule or order, shall de-
define ‘adequate supervision’ and ‘appropriate regulation’ as
any regulatory regime which meets such minimum stand-
ards for supervision and regulation as the Commission de-
termines are reasonably necessary to protect the property
of customers of a registered digital commodity exchange,
including minimum standards relating to—

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

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

SEC. 406. REGISTRATION AND REGULATION OF DIGITAL COMMODITY BROKERS AND DEALERS.

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

“SEC. 4u. REGISTRATION AND REGULATION OF DIGITAL COMMODITY BROKERS AND DEALERS.

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

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

“(2) CONTENTS.—

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

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

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

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

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

“(e) ADDITIONAL REGISTRATIONS.—

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

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

“(3) WITH A REGISTERED FUTURES ASSOCI-
ATION REGISTRATION.—Any person required to be
registered as a digital commodity broker or digital
commodity dealer under this section shall register as
such with a registered futures association.

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

“(d) RULEMAKING.—

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

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

“(e) CAPITAL REQUIREMENTS.—

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

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

“(B) fulfill the customer obligations of the digital commodity broker or digital commodity
dealer, respectively, for any margined, lever-
aged, or financed transactions.

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

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

“(A) IN GENERAL.—Each futures commis-
sion merchant, introducing broker, broker, and
dealer shall maintain sufficient capital to com-
ply with the stricter of any applicable capital
requirements to which the futures commission
merchant, introducing broker, broker, or dealer,
respectively, is subject under this Act or the Se-
et seq.).

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

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

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

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

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

“(g) DAILY TRADING RECORDS.—

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

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

“(3) COUNTERPARTY RECORDS.—Each registered digital commodity broker and registered digital commodity dealer shall maintain daily trading records for each customer or counterparty in a man-
ner and form that is identifiable with each digital commodity transaction.

“(4) AUDIT TRAIL.—Each registered digital commodity broker and registered digital commodity dealer shall maintain a complete audit trail for conducting comprehensive and accurate trade reconstructions.

“(h) BUSINESS CONDUCT STANDARDS.—

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

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

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

“(C) such other matters as the Commission deems appropriate.
“(2) BUSINESS CONDUCT REQUIREMENTS.—

The Commission shall, by rule, prescribe business conduct requirements which—

“(A) require disclosure by a registered digital commodity broker and registered digital commodity dealer to any counterparty to the transaction (other than an eligible contract participant) of—

“(i) information about the material risks and characteristics of the digital commodity;

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

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

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

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

“(i) in the public interest;
“(ii) appropriate for the protection of customers; or

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

“(3) SPECIAL REQUIREMENTS FOR DIGITAL COMMODITY BROKERS OR DEALERS ACTING AS ADVISORS.—It shall be unlawful for a registered digital commodity broker or registered digital commodity dealer to—

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

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

“(C) engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative.

“(i) DUTIES.—

“(1) RISK MANAGEMENT PROCEDURES.—Each registered digital commodity broker and registered digital commodity dealer shall establish robust and professional risk management systems adequate for managing the day-to-day business of the digital commodity broker or digital commodity dealer, respectively.
“(2) Disclosure of General Information.—Each registered digital commodity broker and registered digital commodity dealer shall disclose to the Commission information concerning—

“(A) the terms and conditions of the transactions of the digital commodity broker or digital commodity dealer, respectively;

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

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

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

“(3) Ability to Obtain Information.—Each registered digital commodity broker and registered digital commodity dealer shall—

“(A) establish and enforce internal systems and procedures to obtain any necessary information to perform any of the functions described in this section; and

“(B) provide the information to the Commission, on request.


“(4) CONFLICTS OF INTEREST.—Each registered digital commodity broker and digital commodity dealer shall implement conflict-of-interest systems and procedures that—

“(A) establish structural and institutional safeguards—

“(i) to minimize conflicts of interest that might potentially bias the judgment or supervision of the digital commodity broker or digital commodity dealer, respectively, and contravene the principles of fair and equitable trading and the business conduct standards described in this Act, including conflicts arising out of transactions or arrangements with affiliates (including affiliates acting as issuers, market-makers, or custodians), which may include information partitions and the legal separation of different digital commodity transaction intermediaries; and

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

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

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

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

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

“(j) DESIGNATION OF CHIEF COMPLIANCE OFFICER.—
“(1) IN GENERAL.—Each registered digital commodity broker and registered digital commodity dealer shall designate an individual to serve as a chief compliance officer.

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

“(A) report directly to the board or to the senior officer of the registered digital commodity broker and registered digital commodity dealer;

“(B) review the compliance of the registered digital commodity broker and registered digital commodity dealer with respect to the registered digital commodity broker and registered digital commodity dealer requirements described in this section;

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

“(D) be responsible for administering each policy and procedure that is required to be established pursuant to this section;
“(E) ensure compliance with this Act (including regulations), including each rule prescribed by the Commission under this section;

“(F) establish procedures for the remediation of noncompliance issues identified by the chief compliance officer through any—

“(i) compliance office review;

“(ii) look-back;

“(iii) internal or external audit finding;

“(iv) self-reported error; or

“(v) validated complaint; and

“(G) establish and follow appropriate procedures for the handling, management response, remediation, retesting, and closing of non-compliance issues.

“(3) ANNUAL REPORTS.—

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

“(i) the compliance of the registered digital commodity broker and registered digital commodity dealer with respect to this Act (including regulations); and
“(ii) each policy and procedure of the registered digital commodity broker and registered digital commodity dealer of the chief compliance officer (including the code of ethics and conflict of interest policies).

“(B) REQUIREMENTS.—The chief compliance officer shall ensure that a compliance report under subparagraph (A)—

“(i) accompanies each appropriate financial report of the registered digital commodity broker and registered digital commodity dealer that is required to be furnished to the Commission pursuant to this section; and

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

“(k) SEGREGATION OF DIGITAL COMMODITIES.—

“(1) HOLDING OF CUSTOMER ASSETS.—

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

“(B) QUALIFIED DIGITAL COMMODITY CUSTODIAN.—Each registered digital commodity broker and registered digital commodity dealer shall hold in a qualified digital commodity custodian each unit of a digital commodity that is—

“(i) the property of a customer or counterparty of the digital commodity broker or digital commodity dealer, respectively; or

“(ii) otherwise so required by the Commission to reasonably protect customers or promote the public interest.

“(2) SEGREGATION OF FUNDS.—

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

“(B) COMLINGLING PROHIBITED.—
“(i) IN GENERAL.—Except as provided in clause (ii), each registered digital commodity broker and registered digital commodity dealer shall separately account for money, assets, and property of a digital commodity customer, and shall not commingle any such money, assets, or property with the funds of the digital commodity broker or digital commodity dealer, respectively, or use any such money, assets, or property to margin, secure, or guarantee any trades or accounts of any customer or person other than the person for whom the money, assets, or property are held.

“(ii) EXCEPTIONS.—

“(I) USE OF FUNDS.—

“(aa) IN GENERAL.—A registered digital commodity broker or registered digital commodity dealer may, for convenience, commingle and deposit in the same account or accounts with any bank, trust company, derivatives clearing organization, or qualified digital commodity custodian
money, assets, and property of customers.

“(bb) Withdrawal.—The share of the money, assets, and property described in item (aa) as in the normal course of business shall be necessary to margin, guarantee, secure, transfer, adjust, or settle a digital commodity transaction with a registered entity may be withdrawn and applied to such purposes, including the payment of commissions, brokerage, interest, taxes, storage, and other charges, lawfully accruing in connection with the digital commodity transaction.

“(II) Commission action.—In accordance with such terms and conditions as the Commission may prescribe by rule, regulation, or order, any money, assets, or property of the customers of a registered digital commodity broker or registered digital
commodity dealer may be commingled and deposited in customer accounts with any other money, assets, or property received by the digital commodity broker or digital commodity dealer, respectively, and required by the Commission to be separately accounted for and treated and dealt with as belonging to the customer of the digital commodity broker or digital commodity dealer, respectively.

“(3) PERMITTED INVESTMENTS.—Money described in paragraph (2) may be invested in obligations of the United States, in general obligations of any State or of any political subdivision of a State, in obligations fully guaranteed as to principal and interest by the United States, or in any other investment that the Commission may by rule or regulation allow.

“(4) PROHIBITION.—It shall be unlawful for any person, including any derivatives clearing organization or depository institution, that has received any money, securities, or property for deposit in a separate account or accounts as provided in paragraph (2) to hold, dispose of, or use any of the
money, assets, or property as belonging to the de-
positing registered digital commodity broker, the de-
positing registered digital commodity dealer, or any
person other than the digital commodity customer of
the digital commodity broker or digital commodity
dealer, respectively.

“(5) CUSTOMER PROTECTION DURING BANK-
RUPTCY.—

“(A) CUSTOMER PROPERTY.—All money,
assets, or property described in paragraph (2)
shall be considered customer property for pur-
poses of section 761 of title 11, United States
Code.

“(B) TRANSACTIONS.—A transaction in-
volving a unit of a digital commodity occurring
with a digital commodity dealer shall be consid-
ered a ‘contract for the purchase or sale of a
commodity for future delivery, on or subject to
the rules of, a contract market or board of
trade’ for purposes of the definition of a ‘com-
mmodity contract’ in section 761 of title 11,
United States Code.

“(C) BROKERS AND DEALERS.—A reg-
istered digital commodity dealer and a reg-
istered digital commodity broker shall be con-
considered a futures commission merchant for purposes of section 761 of title 11, United States Code.

“(D) Assets removed from segregation.—Assets removed from segregation due to a customer election under paragraph (5) shall not be considered customer property for purposes of section 761 of title 11, United States Code.

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

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

“(B) the exemption will not have a material adverse effect on the ability of the Commission or the digital commodity exchange to discharge regulatory or self-regulatory duties under this Act; or
“(2) the registered digital commodity broker or
registered digital commodity exchange is subject to
comparable, comprehensive supervision and regula-
tion by the appropriate government authorities in
the home country of the registered digital commodity
broker or registered digital commodity exchange, re-
spectively.”.

SEC. 407. EXCLUSION FOR ANCILLARY ACTIVITIES.

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

“SEC. 4v. EXCLUSION FOR ANCILLARY ACTIVITIES.

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

“(b) EXCEPTIONS.—Subsection (a) shall not be con-
strued to apply to the anti-manipulation, anti-fraud, or
false reporting enforcement authorities of the Commission.

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

“(1) Network transactions compilation, pool op-
erating, relating, searching, sequencing, validating,
or acting in a similar capacity with respect to a digital commodity transaction.

“(2) Providing computational work, or procuring, offering or utilizing network bandwidth, or other similar incidental services with respect to a digital commodity transaction.

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

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

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

SEC. 501. CODIFICATION OF THE SEC STRATEGIC HUB FOR INNOVATION AND FINANCIAL TECHNOLOGY.

Section 4 of the Securities Exchange Act of 1934 (15 U.S.C. 78d) is amended by adding at the end the following:

“(1) STRATEGIC HUB FOR INNOVATION AND FINANCIAL TECHNOLOGY.—

“(1) Office established.—There is established within the Commission the Strategic Hub for Innovation and Financial Technology (referred to in this section as the ‘FinHub’).

“(2) Purposes.—The purposes of FinHub are as follows:

“(A) To assist in shaping the approach of the Commission to technological advancements in the financial industry.

“(B) To examine FinTech innovations within capital markets, market participants, and investors.

“(C) To coordinate the response of the Commission to emerging technologies in financial, regulatory, and supervisory systems.
“(3) DIRECTOR OF FINHUB.—FinHub shall have a Director who shall be appointed by the Commission, from among individuals having experience in both emerging technologies and Federal securities law and serve at the pleasure of the Commission. The Director shall report directly to the Commission and perform such functions and duties as the Commission may prescribe.

“(4) RESPONSIBILITIES.—FinHub shall—

“(A) foster responsible technological innovation and fair competition within the Commission, including around financial technology, regulatory technology, and supervisory technology;

“(B) provide internal education and training to the Commission regarding financial technology;

“(C) advise the Commission regarding financial technology that would serve the Commission’s oversight functions;

“(D) analyze technological advancements and the impact of regulatory requirements on financial technology companies;

“(E) advise the Commission with respect to rulemakings or other agency or staff action regarding financial technology;
“(F) provide businesses working in emerging financial technology fields with information on the Commission, its rules and regulations; and

“(G) encourage firms working in emerging technology fields to engage with the Commission and obtain feedback from the Commission on potential regulatory issues.

“(5) ACCESS TO DOCUMENTS.—The Commission shall ensure that FinHub has full access to the documents and information of the Commission and any self-regulatory organization, as necessary to carry out the functions of FinHub.

“(6) REPORT TO CONGRESS.—

“(A) IN GENERAL.—Not later than October 31 of each year after 2024, FinHub shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report on the activities of FinHub during the immediately preceding fiscal year.

“(B) CONTENTS.—Each report required under subparagraph (A) shall include—
“(i) the total number of persons that
met with FinHub;

“(ii) the total number of market par-
ticipants FinHub met with, including the
classification of those participants;

“(iii) a summary of general issues dis-
cussed during meetings with persons;

“(iv) information on steps FinHub
has taken to improve Commission services,
including responsiveness to the concerns of
persons;

“(v) recommendations—

“(I) with respect to the regula-
tions of the Commission and the guid-
ance and orders of the Commission;

and

“(II) for such legislative actions
as the FinHub determines appro-
priate; and

“(vi) any other information, as deter-
mimed appropriate by the Director of
FinHub.

“(C) CONFIDENTIALITY.—A report under
subparagraph (A) may not contain confidential
information.
“(7) SYSTEMS OF RECORDS.—

“(A) IN GENERAL.—The Commission shall establish a detailed system of records (as defined under section 552a of title 5, United States Code) to assist FinHub in communicating with interested parties.

“(B) ENTITIES COVERED BY THE SYSTEM.—Entities covered by the system required under subparagraph (A) include entities or persons submitting requests or inquiries and other information to Commission through FinHub.

“(C) SECURITY AND STORAGE OF RECORDS.—FinHub shall store—

“(i) electronic records—

“(I) in the system required under subparagraph (A); or

“(II) on the secure network or other electronic medium, such as encrypted hard drives or back-up media, of the Commission; and

“(ii) paper records in secure facilities.

“(8) EFFECTIVE DATE.—This subsection shall take effect on the date that is 180 days after the date of the enactment of this subsection.”.
1 SEC. 502. CODIFICATION OF LABCFTC.

(a) IN GENERAL.—Section 18 of the Commodity Exchange Act (7 U.S.C. 22) is amended by adding at the end the following:

“(c) LABCFTC.—

“(1) ESTABLISHMENT.—There is established in the Commission LabCFTC.

“(2) PURPOSE.—The purposes of LabCFTC are to—

“(A) foster responsible financial technology innovation and fair competition for the benefit of the American public;

“(B) serve as an information platform to inform the Commission about new financial technology innovation; and

“(C) provide outreach to financial technology innovators to discuss their innovations and the regulatory framework established by this Act and the regulations promulgated thereunder.

“(3) DIRECTOR.—LabCFTC shall have a Director, who shall be appointed by the Commission and serve at the pleasure of the Commission. Notwithstanding section 2(a)(6)(A), the Director shall report directly to the Commission and perform such
functions and duties as the Commission may pre-
scribe.

“(4) DUTIES.—LabCFTC shall—

“(A) advise the Commission with respect

to rulemakings or other agency or staff action

regarding financial technology;

“(B) provide internal education and train-
ing to the Commission regarding financial tech-

nology;

“(C) advise the Commission regarding fi-
nancial technology that would bolster the Com-
mission’s oversight functions;

“(D) engage with academia, students, and

professionals on financial technology issues,
ideas, and technology relevant to activities
under this Act;

“(E) provide persons working in emerging

technology fields with information on the Com-
mmission, its rules and regulations, and the role

of a registered futures association; and

“(F) encourage persons working in emerg-
ing technology fields to engage with the Com-
mision and obtain feedback from the Commis-
sion on potential regulatory issues.
“(5) ACCESS TO DOCUMENTS.—The Commission shall ensure that LabCFTC has full access to the documents and information of the Commission and any self-regulatory organization, as necessary to carry out the functions of LabCFTC.

“(6) REPORT TO CONGRESS.—

“(A) IN GENERAL.—Not later than October 31 of each year after 2024, LabCFTC shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report on its activities.

“(B) CONTENTS.—Each report required under paragraph (1) shall include—

“(i) the total number of persons that met with LabCFTC;

“(ii) a summary of general issues discussed during meetings with the person;

“(iii) information on steps LabCFTC has taken to improve Commission services, including responsiveness to the concerns of persons;

“(iv) recommendations made to the Commission with respect to the regulations, guidance, and orders of the Commis-
sion and such legislative actions as may be appropriate; and

“(v) any other information determined appropriate by the Director of LabCFTC.

“(C) CONFIDENTIALITY.—A report under paragraph (A) shall abide by the confidentiality requirements in section 8.

“(7) SYSTEMS OF RECORDS.—

“(A) IN GENERAL.—The Commission shall establish a detailed system of records (as defined in section 552a of title 5, United States Code) to assist the Office in communicating with interested parties.

“(B) ENTITIES COVERED BY THE SYSTEM.—The entities covered by the system of records shall include entities submitting requests or inquiries and other information to the Commission through the Office. Proprietary information provided to the Office by entities or persons shall be subject to the disclosure restrictions provided in section 8 of the Commodity Exchange Act.

“(C) SECURITY AND STORAGE OF RECORDS.—The system of records shall store records electronically or on paper in secure fa-
cilities, and shall store electronic records on the
secure network of the Commission and on other
electronic media, such as encrypted hard drives
and back-up media, as needed.”.

(b) Conforming Amendments.—Section
2(a)(6)(A) of such Act (7 U.S.C. 2(a)(6)(A)) is amend-
ed—

(1) by striking “paragraph and in” and insert-
ing “paragraph,”; and

(2) by inserting “and section 18(c)(3),” before
“the executive”.

(c) Effective Date.—The Commodity Futures
Trading Commission shall implement the amendments
made by this section (including complying with section
18(c)(7) of the Commodity Exchange Act) within 180
days after the date of the enactment of this Act.

SEC. 503. CFTC-SEC JOINT ADVISORY COMMITTEE ON DIG-
ITAL ASSETS.

(a) Establishment.—The Commodity Futures
Trading Commission and the Securities and Exchange
Commission (in this section referred to as the “Commis-
sions”) shall jointly establish the Joint Advisory Com-
mittee on Digital Assets (in this section referred to as the
“Committee”).

(b) Purpose.—
152

(1) IN GENERAL.—The Committee shall—

(A) provide the Commissions with advice on the rules, regulations, and policies of the Commissions related to digital assets;

(B) further the regulatory harmonization of digital asset policy between the Commissions;

(C) examine and disseminate methods for describing, measuring, and quantifying digital asset—

   (i) decentralization;

   (ii) functionality;

   (iii) information asymmetries; and

   (iv) transaction and network security;

and

(D) discuss the implementation by the Commissions of this Act and the amendments made by this Act.

(2) REVIEW BY AGENCIES.—Each Commission shall—

(A) review the findings and recommendations of the Committee;

(B) each time the Committee submits a finding or recommendation to a Commission, promptly issue a public statement—
(i) assessing the finding or recommendation of the Committee;

(ii) disclosing the action or decision not to take action made by the Commission in response to a finding or recommendation; and

(iii) the reasons for the action or decision not to take action; and

(C) each time the Committee submits a finding or recommendation to a Commission, provide the Committee with a formal response to the finding or recommendation not later than 3 months after the date of the submission of the finding or recommendation.

(e) Membership and Leadership.—

(1) Non-Federal Members.—

(A) In General.—The Commissions shall appoint at least 20 nongovernmental stakeholders with a wide diversity of opinion and who represent a broad spectrum of interests representing the digital asset ecosystem, equally divided between the Commissions, to serve as members of the Committee. The appointees shall include—

(i) digital asset issuers;
(ii) persons registered with the Commissions and engaged in digital asset related activities;

(iii) individuals engaged in academic research relating to digital assets; and

(iv) digital asset users.

(B) MEMBERS NOT COMMISSION EMPLOYEES.—Members appointed under subparagraph (A) shall not be deemed to be employees or agents of a Commission solely by reason of membership on the Committee.

(2) CO-DESIGNATED FEDERAL OFFICERS.—

(A) NUMBER; APPOINTMENT.—There shall be 2 co-designated Federal officers of the Committee, as follows:

(i) The Director of LabCFTC of the Commodity Futures Trading Commission.

(ii) The Director of the Strategic Hub for Innovation and Financial Technology.

(B) DUTIES.—The duties required by chapter 10 of title 5, United States Code, to be carried out by a designated Federal officer with respect to the Committee shall be shared by the co-designated Federal officers of the Committee.
(3) COMMITTEE LEADERSHIP.—

(A) COMPOSITION; ELECTION.—The Committee members shall elect, from among the Committee members—

(i) a chair;

(ii) a vice chair;

(iii) a secretary; and

(iv) an assistant secretary.

(B) TERM OF OFFICE.—Each member elected under subparagraph (A) in a 2-year period referred to in section 1013(b)(2) of title 5, United States Code, shall serve in the capacity for which the member was so elected, until the end of the 2-year period.

(d) NO COMPENSATION FOR COMMITTEE MEMBERS.—

(1) NON-FEDERAL MEMBERS.—All Committee members appointed under subsection (d)(1) shall—

(A) serve without compensation; and

(B) while away from the home or regular place of business of the member in the performance of services for the Committee, be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service.
are allowed expenses under section 5703(b) of title 5, United States Code.

(2) NO COMPENSATION FOR CO-DESIGNATED FEDERAL OFFICERS.—The co-designated Federal officers shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(e) FREQUENCY OF MEETINGS.—The Committee shall meet—

(1) not less frequently than twice annually; and

(2) at such other times as either Agency may request.

(f) DURATION.—Section 1013(a)(2) of title 5, United States Code, shall not apply to the Committee.

(g) TIME LIMITS.—The Commissions shall—

(1) adopt a joint charter for the Committee within 90 days after the date of the enactment of this section;

(2) appoint members to the Committee within 120 days after such date of enactment; and

(3) hold the initial meeting of the Committee within 180 days after such date of enactment.

(h) FUNDING.—The Commissions may jointly fund the Committee.
SEC. 504. MODERNIZATION OF THE SECURITIES AND EX-
CHANGE COMMISSION MISSION.

(a) Securities Act of 1933.—Section 2(b) of the Securities Act of 1933 (15 U.S.C. 77(b)) is amended—

(1) in the heading, by inserting “INNOVATION,” after “EFFICIENCY,”; and

(2) by inserting “innovation,” after “efficiency,”.


(1) in the heading, by inserting “INNOVATION,” after “EFFICIENCY,”; and

(2) by inserting “innovation,” after “efficiency,”.

(c) Investment Advisers Act of 1940.—Section 2(c) of the Investment Advisers Act of 1940 (15 U.S.C. 80a–2) is amended—

(1) in the heading, by inserting “INNOVATION,” after “EFFICIENCY,”; and

(2) by inserting “innovation,” after “efficiency,”.

SEC. 505. STUDY ON DECENTRALIZED FINANCE.

(a) In General.—The Securities and Exchange Commission and the Commodity Futures Trading Com-
mission shall jointly carry out a study on decentralized finance that analyzes—

1. the nature, size, role, and use of decentralized finance protocols;
2. the operation of smart contracts that comprise decentralized finance protocols;
3. the interoperability of smart contracts and blockchain technology;
4. the interoperability of smart contracts and software-based systems, such as websites and software wallets;
5. the software-based governance systems through which decentralized finance may be administered or operated, including—
   (A) whether the systems enhance or detract from—
      (i) the decentralization of the decentralized finance; and
      (ii) the inherent risks of the systems;
   and
   (B) any procedures or requirements that would mitigate the risks identified in subparagraph (A)(ii);
6. the benefits of decentralized finance, including—
(A) operational resilience and interoperability of blockchain-based systems;

(B) market competition and innovation;

(C) transaction efficiency; and

(D) transparency and traceability of transactions; and

(7) the risks of decentralized finance, including—

(A) pseudonymity of users and transactions;

(B) lack of intermediaries; and

(C) cybersecurity vulnerabilities;

(8) the extent to which decentralized finance has integrated with the traditional financial markets and any potential risks to stability of such markets from the integration;

(9) how the levels of illicit activity in decentralized finance compare with the levels of illicit activity in traditional financial markets; and

(10) how decentralized finance may increase the accessibility of cross-border transactions.

(b) REPORT.—Not later than 1 year after the date of enactment of this Act, the Securities and Exchange Commission and the Commodity Futures Trading Commission shall jointly submit to the relevant congressional
committees a report that includes the results of the study required by subsection (a).

(c) GAO STUDY.—The Comptroller General of the United States shall—

(1) carry out a study on decentralized finance that analyzes the information described under paragraphs (1) through (10) of subsection (a); and

(2) not later than 1 year after the date of enactment of this Act, submit to the relevant congressional committees a report that includes the results of the study required by paragraph (1).

(d) DEFINITIONS.—In this section:

(1) DECENTRALIZED FINANCE.—The term “decentralized finance” means a system of software applications that—

(A) are created through smart contracts deployed to permissionless blockchain technology; and

(B) allow users to engage in financial transactions in a self-directed manner so that a third-party intermediary does not effectuate the transactions or take custody of digital assets of a user during any part of the transactions.
(2) Relevant congressional committees.—The term “relevant congressional committees” means—

(A) the Committees on Financial Services and Agriculture of the House of Representatives; and

(B) the Committees on Banking, Housing, and Urban Affairs and Agriculture, Nutrition, and Forestry of the Senate.

SEC. 506. STUDY ON NON-FUNGIBLE DIGITAL ASSETS.

(a) The Secretary of Commerce shall, in consultation with the Office of Science and Technology Policy, the Securities and Exchange Commission, and the Commodity Futures Trading Commission carry out a study of non-fungible digital assets that analyzes—

(1) the nature, size, role, purpose, and use of non-fungible digital assets;

(2) the similarities and differences between non-fungible digital assets and other digital assets, including digital commodities and payments stablecoins, and how the markets for those digital assets intersect with each other;

(3) how non-fungible digital assets are minted by issuers and subsequently administered to purchasers;
(4) how non-fungible digital assets are stored after being purchased by a consumer;

(5) the interoperability of non-fungible digital assets between different blockchain networks;

(6) the scalability of different non-fungible digital asset marketplaces;

(7) the benefits of non-fungible digital assets, including verifiable digital ownership;

(8) the risks of non-fungible tokens, including—

(A) intellectual property rights;

(B) cybersecurity risks; and

(C) market risks;

(9) whether and how non-fungible digital assets have integrated with traditional marketplaces, including those for music, real estate, gaming, events, and travel;

(10) any potential risks to such traditional markets from such integration; and

(11) the levels and types of illicit activity in non-fungible digital asset markets.

(b) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Commerce, shall make publicly available a report that includes the results of the study required by subsection (a).