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Text of H.R. 3633, the CLARITY Act of 2025 Offered by M. _____ [Showing the text of H.R. 3633, as ordered reported by the Committee on Financial Services and the Committee on Agriculture, with modifications]

A BILL

To provide for a system of regulation of the offer and sale of digital commodities by the Securities and Exchange Commission and the Commodity Futures Trading Commission, and for other purposes.

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.— This Act may be cited as the “ Digital Asset Market Clarity Act of 2025 ” or the “ CLARITY Act of 2025 ”.

(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~~ EXPEDITED

REGISTRATION

Sec. 101.Definitions under the Securities Act of 1933.

Sec. 102.Definitions under the Securities Exchange Act of 1934.

Sec. 103.Definitions under the Commodity Exchange Act.

Sec. 104.Definitions under this Act.

Sec. 105.Rulemakings.

Sec. 106.~~Registration~~ Expedited registration for digital commodity exchanges, brokers, and dealers; provisional status.

Sec. 107.Commodity Exchange Act and securities laws savings provisions.

Sec. 108.Administrative requirements.

Sec. 109.~~International cooperation~~ Treatment of certain non-controlling blockchain developers.

Sec. 110. Application of the Bank Secrecy Act.

Sec. 111. *Rule of construction.*

Sec. 112. Implementation.

TITLE II—OFFERS AND SALES OF DIGITAL COMMODITIES

Sec. 201. Treatment of investment contract assets.

Sec. 202. Exempted primary transactions in digital commodities.

Sec. 203. Treatment of secondary transactions in digital commodities that originally involved investment contracts.

Sec. 204. Requirements for offers and sales of digital commodities by digital commodity related persons and digital commodity affiliated persons.

Sec. 205. Mature blockchain system requirements.

Sec. 206. Effective date.

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

Sec. 301. Treatment of digital commodities and permitted payment stablecoins.

Sec. 302. Anti-fraud authority over permitted payment stablecoins and certain digital commodity transactions.

Sec. 303. Eligibility of alternative trading systems.

Sec. 304. ~~Operation of alternative trading systems~~ *Rulemaking for dual-registered entities.*

Sec. 305. Modernization of recordkeeping requirements.

Sec. 306. Exemptive authority.

Sec. 307. Additional registrations with the Commodity Futures Trading Commission.

Sec. 308. Exempting digital commodities from State securities laws.

Sec. 309. Exclusion for decentralized finance activities.

Sec. 310. Treatment of custody activities by banking institutions.

Sec. 311. *Broker and dealer disclosures regarding the treatment of assets.*

Sec. 312. Digital commodity activities that are financial in nature.

Sec. ~~312.~~ *313. Effective date; administration.*

Sec. ~~313.~~ *314. Studies on foreign adversary participation* *Educational material requirements.*

Sec. 315.

Discretionary Surplus Fund.

TITLE IV—REGISTRATION FOR DIGITAL COMMODITY 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 asset custodians.

Sec. 403. Trading certification and approval for digital commodities.

Sec. 404. Registration of digital commodity exchanges.

Sec. 405. Qualified digital asset custodians.

Sec. 406. Registration and regulation of digital commodity brokers and dealers.

Sec. 407. Registration of associated persons.

Sec. 408. Registration of commodity pool operators and commodity trading advisors.

Sec. 409. Exclusion for decentralized finance activities.

Sec. 410. Resources for implementation and enforcement.

Sec. 411. Requirements related to Digital commodity activities by SEC-registered control persons. entities.

~~Sec. 412.~~

Sec. ~~413.~~ 412. Other tradable assets.

Sec. ~~413.~~ Conflict of interest rulemaking.

Sec. 414. Effective date.

Sec. 415. Sense of Congress.

TITLE V—INNOVATION AND TECHNOLOGY IMPROVEMENTS

Sec. 501. Findings; sense of Congress.

Sec. 502. Strategic Hub for Innovation and
Financial Technology.
Modernization of the Securities and Exchange
Commission mission.

~~Sec. 503.~~

Sec. ~~504.~~ 503. Codification of LabCFTC.

Sec. ~~505.~~ 504. Study on decentralized finance.

Sec. ~~506.~~ 505. Study on non-fungible tokens.

Sec. ~~507.~~ 506. Study on expanding financial literacy amongst digital commodity
holders.

Sec. ~~508.~~ 507. Study on financial market infrastructure improvements.

Sec. ~~508.~~ Study on blockchain in payments.

Sec. 509. Study on illicit use of digital assets.

Sec. 510. ~~Conflict of interest rulemaking~~ GAO study on certain centralized
intermediaries that are primarily located in foreign jurisdictions.

Sec. 511. Studies on foreign adversary participation.

Sec. 512.

Conforming amendments.

TITLE I— DEFINITIONS; RULEMAKING; ~~PROVISIONAL~~ EXPEDITED 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) BLOCKCHAIN.— The term ‘ blockchain ’ means—

“(A) any technology—

“(i) where data is—

“(I) shared across a network to create a distributed ledger of independently verifiable transactions or information among network participants;

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

“(III) propagated among network participants to reach consensus on the state of the distributed ledger and any other functions; and

“(ii) composed of source code that is publicly available; and

“(B) any similar technology to the technology described in subparagraph (A).

“(21) BLOCKCHAIN APPLICATION.— The term ‘ blockchain application ’ means any executable software that is deployed to a blockchain and composed of source code that is publicly available, including a smart contract or any network of smart contracts, or other similar technology.

“(22) BLOCKCHAIN PROTOCOL.— The term ‘ blockchain protocol ’ means ~~the freely and~~ publicly available source code of a blockchain that is executed by the network participants of a blockchain to facilitate its functioning, or other similar technology.

“(23) BLOCKCHAIN SYSTEM.— The term ‘ blockchain system ’ means any blockchain, together with its blockchain protocol or any blockchain application or network of blockchain applications.

“(24) DECENTRALIZED GOVERNANCE SYSTEM.—

“(A) IN GENERAL.— The term ‘ decentralized governance system ’ means, with respect to a blockchain system, any transparent, rules-based system permitting persons to form consensus or reach agreement in the development, provision, publication, ~~management~~ maintenance, or administration of such blockchain system, where participation is not limited to, or under the effective control of, any person or group of persons under common control.

“(B) RELATIONSHIP OF PERSONS TO DECENTRALIZED GOVERNANCE SYSTEMS.— With respect to a decentralized governance system, the decentralized governance system and any persons participating in the decentralized governance system shall be treated as separate persons unless such persons are under common control or acting pursuant to an agreement to act in concert.

“(C) LEGAL ENTITIES FOR DECENTRALIZED GOVERNANCE SYSTEMS.— The term ‘ decentralized governance system ’ shall include a legal entity used to implement the rules-based system described in subparagraph (A), provided that the ~~organizing and governing laws of such legal entity do~~ does not ~~create or require centralized and hierarchical management of such legal entity~~ operate pursuant to centralized management. For the purposes of this subparagraph, the delegation of ministerial or administrative authority at the direction of the participants in a decentralized governance system shall not be construed to be centralized ~~and hierarchical~~ management.

“(25) DIGITAL ASSET.— The term ‘ digital asset ’ means any digital representation of value which is recorded on a cryptographically-secured distributed ledger or other similar technology.

“(26) 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).

“(27) DIGITAL COMMODITY AFFILIATED PERSON.— The term ‘ digital commodity affiliated person ’ —

“(A) means a person (including a digital commodity related person) that, with respect to any digital commodity—

“(A-i) acquires or has any right to acquire 5 percent or more of the total outstanding units of such digital commodity from a digital commodity issuer or an agent or underwriter thereof;

“(B-ii) is a founder of the digital commodity issuer; or

“(C-iii) is an executive ~~director-officer~~, director, trustee, ~~or~~ general partner , or person serving in a similar capacity of the digital commodity issuer or held such role at any point in the previous 12-month period ; and

“(B) does not include a decentralized governance system .

“(28) DIGITAL COMMODITY ISSUER.—

“(A) In general.— With respect to a digital commodity, the term ‘ digital commodity issuer ’ means any person that—

“(A-i) ~~issues or causes to be issued, or proposes, proposes to issues, issue~~ or ~~causes-cause~~ to be issued a unit of such digital commodity to a person; or

“(B-ii) offers or sells a right to a future issuance of a unit of such digital commodity to a person.

“(B) Prohibition on evasion.— It shall be unlawful for any person to knowingly evade classification as a ‘ digital commodity issuer ’ and facilitate an arrangement for the primary purpose of effecting an offer, sale, distribution, or other issuance of a digital commodity, including via any arrangement involving the transfer of intellectual property associated with the blockchain system to which the digital commodity relates.

“(29) DIGITAL COMMODITY RELATED PERSON.—

“(A) IN GENERAL.— With respect to a digital commodity issuer, the term ‘ digital commodity related person ’ ~~means~~—

“(i) means a person —

“(I) that is or was in the previous 6-month period a promoter, senior employee, advisory board member, consultant, advisor, or person serving in a similar capacity; and

“(ii) a person that

or

“(II) that acquires or has any right to ~~acquires~~ acquire 1 percent or more of the total outstanding units of such digital commodity from a digital commodity issuer ~~or an agent or underwriter thereof; and~~

“(ii) does not include a decentralized governance system .

“(B) SENIOR EMPLOYEE DEFINED.— In this paragraph and with respect to a digital commodity issuer, the term ‘ senior employee ’ means any employee materially involved in the management ~~or planning~~ of the digital commodity issuer , including management ~~or of~~ the development of the blockchain system to which the digital commodity relates.

“(30) END USER DISTRIBUTION.—

“(A) In general.— The term ‘ end user distribution ’ means a distribution of a unit of a digital commodity that—

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

“(~~B-ii~~) is distributed in a broad and equitable manner based on conditions capable of being satisfied by any participant in the blockchain system, including, as incentive-based rewards—

“(~~i-I~~) to users of the digital commodity or any blockchain system to which the digital commodity relates;

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

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

~~“(31) Mature blockchain system.— The term ‘mature blockchain system’ means a blockchain system, together with its related digital commodity, that is not controlled by any person or group of persons under common control.~~

~~“(32) PERMITTED PAYMENT STABLECOIN.—~~

~~“(A) IN GENERAL.— The term ‘ permitted payment stablecoin ’ means a digital asset—~~

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

~~“(ii) that is denominated in a national currency;~~

~~“(iii) the issuer of which is subject to the regulatory and supervisory authority of a State or Federal agency;~~

B) Protocol consensus participation.— The term ‘ end user distribution ’ includes the following:

“(i) SELF STAKING.— The distribution of a unit of a digital commodity as a programmatic result of validating or staking activity for a blockchain system’s consensus mechanism, including the staking of a digital commodity and the operation of a node or validator for such activity where the owner of the staked digital commodity and operator of the node or validator are the same person or entity.

“(ii) Self-custodial staking with a third party.— The distribution of a unit of a digital commodity as a programmatic result of validating or staking activity for a blockchain system’s consensus mechanism, including the staking of a digital commodity and the operation of a node or validator for such activity where—

“(~~iv-I~~) the ~~issuer owner~~ of which—

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

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

~~“(v) that is not—~~

~~“(I) a national currency;~~

~~“(II) a security issued by—~~

~~“(aa) an investment company registered under section 8(a) of the Investment Company Act of 1940 (15 U.S.C. 80a-8(a)); or~~

~~“(bb) a person that would be an investment company under the Investment Company Act of 1940 but for paragraphs (1) and (7) of section 3(c) of that Act (15 U.S.C. 80a-3(c));~~

~~“(III) a deposit (as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)), regardless of the technology used to record such deposit; or~~

~~“(IV) an account (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)), regardless~~

the staked digital commodity and operator of the node or validator for such activity are different persons or entities; and

“(II) the operator of the node or validator does not maintain custody or control of the staked digital commodity.

“(iii) CUSTODIAL AND ANCILLARY STAKING SERVICES.— Subject to the rules issued pursuant to subparagraph (C), the provision of custodial or ancillary staking services enabling the owner of a digital commodity to participate in validating or staking activity for a blockchain system’s consensus mechanism that results in the programmatic distribution of a unit of a digital commodity, provided that such custodial or ancillary services are exclusively administrative or ministerial in nature.

“(C) Rulemaking to define the custodial and ancillary staking services.— Not later than 270 days after the date of the enactment of this paragraph, the Commission shall issue rules defining the custodial and ancillary staking services described in subparagraph (B)(iii) that are exclusively administrative or ministerial in nature, consistent with what is necessary or appropriate for the public interest of the technology used to record such account or for the protection of investors.

~~“(B-31) MONETARY VALUE DEFINED.— THE TERM ‘MONETARY VALUE’—~~

~~“(i) MEANS—~~

~~“(I) A NATIONAL CURRENCY;~~

~~“(II) A DEPOSIT (AS DEFINED IN SECTION 3 OF THE FEDERAL DEPOSIT INSURANCE ACT (12 U.S.C. 1813)) THAT IS DENOMINATED IN A NATIONAL CURRENCY; OR~~

~~“(III) AN ACCOUNT (AS DEFINED IN SECTION 101 OF THE FEDERAL CREDIT UNION ACT (12 U.S.C. 1752)); AND~~

~~“(ii) DOES NOT INCLUDE ANY~~

MATURE BLOCKCHAIN SYSTEM.— The term ‘mature blockchain system’ means a blockchain system, together with its related digital commodity, that is not controlled by any person or group of persons under common control.

“(32) Permitted payment stablecoin.— The term ‘permitted payment stablecoin’ means agricultural or other physical commodity a payment stablecoin (as defined in section 1a-2 of the Commodity Exchange Act (7 U.S.C. 1a)).

~~“(33) SECURITIES LAWS.— The term ‘securities laws~~

GENIUS Act) issued by a permitted payment stablecoin issuer.

“(33) Permitted payment stablecoin issuer.— The term ‘ permitted payment stablecoin issuer ’ has the meaning given that term ~~under in~~ section 3(a) 2 of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)) GENIUS Act.”

SEC. 102. DEFINITIONS UNDER THE SECURITIES EXCHANGE ACT OF 1934.

Section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)) is amended—

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

“(82) BANK SECRECY ACT.— The term ‘ Bank Secrecy Act ’ means—

“(A) section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b);

“(B) chapter 2 of title I of Public Law 91–508 (12 U.S.C. 1951 et seq.); and

“(C) subchapter II of chapter 53 of title 31, United States Code.

“(83) ADDITIONAL DIGITAL COMMODITY-RELATED TERMS.—

“(A) SECURITIES ACT OF 1933.— The terms ‘ blockchain system ’, ‘ decentralized governance system ’, ‘ digital asset ’, ‘ digital commodity affiliated person ’, ‘ digital commodity issuer ’, ‘ digital commodity related person ’, ‘ end user distribution ’, ‘ mature blockchain system ’, ‘ permitted payment stablecoin ’, and ‘ permitted payment stablecoin issuer ’ have the meaning given those terms, respectively, under section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)).

“(B) COMMODITY EXCHANGE ACT.— The terms ‘ digital commodity ’, ‘ digital commodity broker ’, ‘ digital commodity dealer ’, ‘ digital commodity exchange ’, ‘ decentralized finance messaging system ’, and ‘ decentralized finance trading protocol ’ have the meaning given those terms, respectively, under section 1a of the Commodity Exchange Act (7 U.S.C. 1a).”

SEC. 103. DEFINITIONS UNDER THE COMMODITY EXCHANGE ACT.

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

- (1) in paragraph (10)—

(A) in subparagraph (A)—

(i) by redesignating clauses (iii) and (iv) as clauses (iv) and (v), respectively; and

(ii) by inserting after clause (ii) the following:

“(iii) digital commodity;”

; and

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

“(B) EXCLUSION.— For purposes of this paragraph, the term ‘ trading in commodity interests ’ shall not include transacting in digital commodities for the purpose of—

“(i) acting as a digital commodity custodian;

“(ii) establishing, maintaining, or managing inventory or payment instruments for commercial purposes; or

“(iii) maintaining or supporting the operation of, or validating transactions on, a blockchain system.”

;

- (2) in paragraph (11)—

(A) in subparagraph (A)(i)—

- (i) by redesignating subclauses (III) and (IV) as subclauses (IV) and (V), respectively; and
- (ii) by inserting after subclause (II) the following:

“(III) digital commodity;”

; and

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

“(B) EXCLUSION.— For purposes of this paragraph, the term ‘ trading in commodity interests ’ shall not include transacting in digital commodities for the purpose of—

“(i) acting as a digital commodity custodian;

“(ii) establishing, maintaining, or managing inventory or payment instruments for commercial purposes; or

“(iii) maintaining or supporting the operation of, or validating transactions on, a blockchain system.”

;

(3) in paragraph (12)(A)(i)—

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

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

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

“(III) a digital commodity;”

;

(4) by redesignating paragraphs (16) through (51) as paragraphs (17) through (52), respectively, and inserting after paragraph (15) the following:

“(16) TERMS RELATED TO DIGITAL COMMODITIES.—

“(A) ASSOCIATED PERSON OF A DIGITAL COMMODITY BROKER.—

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

“(I) the solicitation or acceptance of an order for the purchase or sale of a digital commodity; or

“(II) the supervision of any person engaged in the solicitation or acceptance of an order for the purchase or sale of a digital commodity.

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

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

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

“(I) the solicitation or acceptance of a contract for the purchase or sale of a digital commodity; or

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

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

“(C) BANK SECRECY ACT.— The term ‘ Bank Secrecy Act ’ means—

“(i) section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b);

“(ii) chapter 2 of title I of Public Law 91–508 (12 U.S.C. 1951 et seq.); and

“(iii) subchapter II of chapter 53 of title 31, United States Code.

“(D) DECENTRALIZED FINANCE MESSAGING SYSTEM.—

“(i) IN GENERAL.— The term ‘ decentralized finance messaging system ’ means a software application that provides a user with the ability to create or submit an instruction, communication, or message to a decentralized finance trading protocol for the purpose of executing a transaction by the user.

“(ii) ADDITIONAL REQUIREMENTS.— The term ‘ decentralized finance messaging system ’ does not include any system that provides any person other than the user with control over—

“(I) the funds of the user; or

“(II) the execution of the transaction of the user.

“(E) DECENTRALIZED FINANCE TRADING PROTOCOL.—

“(i) IN GENERAL.— The term ‘ decentralized finance trading protocol ’ means a blockchain system through which multiple participants can execute a financial transaction—

“(I) in accordance with an automated rule or algorithm that is predetermined and non-discretionary; and

“(II) without reliance on any other person to maintain control of the digital assets of the user during any part of the financial transaction.

“(ii) EXCLUSIONS.—

“(I) IN GENERAL.— The term ‘ decentralized finance trading protocol ’ does not include a blockchain system if—

“(aa) a person or group of persons under common control or acting pursuant to an agreement to act in concert has the authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the blockchain system; or

“(bb) the blockchain system does not operate, execute, and enforce its operations and transactions based solely on pre-established, transparent rules encoded directly within the source code of the blockchain system.

“(II) SPECIAL RULE.— For purposes of subclause (I), a decentralized governance system shall not be considered to be a person or a group of persons under common control or acting pursuant to an agreement to act in concert.

“(F) DIGITAL COMMODITY.—

“(i) IN GENERAL.— The term ‘ digital commodity ’ means a digital asset that is intrinsically linked to a blockchain system, and the value of which is derived from or is reasonably expected to be derived from the use of the blockchain system.

“(ii) RELATIONSHIP TO A BLOCKCHAIN SYSTEM.— For purposes of this subparagraph, a digital asset is intrinsically linked to a blockchain system if the digital asset is directly related to the functionality or operation of the blockchain system or to the activities or services for which the blockchain system is created or utilized, including where the digital asset is—

“(I) issued or generated by the programmatic functioning of the blockchain system;

“(II) used to transfer value between participants in the blockchain system;

“(III) used to access the activities or services of the blockchain system;

“(IV) used to participate in the decentralized governance system of the blockchain system;

“(V) used or removed from circulation in whole or in part to pay fees or otherwise verify or validate transactions on the blockchain system;

“(VI) used as payment or incentive to participants in the blockchain system to engage in the activities of the blockchain system, provide services to other participants in the blockchain system, or otherwise participate in the functionality of the blockchain system; or

“(VII) used as payment or incentive to participants in the blockchain system to validate transactions, secure the blockchain system, provide computational services, maintain or distribute information, or otherwise participate in the operations of the blockchain system.

“(iii) EXCLUSION.— The term ‘ digital commodity ’ does not include any of the following:

“(I) SECURITY.—

“(aa) Any security, other than a note, an investment contract, or a certificate of interest or participation in any profit-sharing agreement.

“(bb) A note, an investment contract, or a certificate of interest or participation in any profit-sharing agreement that—

“(AA) represents or gives the holder an ownership interest or other interest in the revenues, profits, obligations, debts, assets, or assets or debts to be acquired of the issuer of the digital asset or another person (other than a decentralized governance system);

“(BB) makes the holder a creditor of the issuer of the digital asset or another person; or

“(CC) represents or gives the holder the right to receive interest or the return of principal from the issuer of the digital asset or another person.

“(II) SECURITY DERIVATIVE.— A digital asset that, based on its terms and other characteristics, is, represents, or is functionally equivalent to an agreement, contract, or transaction that is—

“(aa) a security future, as defined in section 2a of the Securities Act of 1933;

“(bb) a security-based swap, as defined in section 2a of the Securities Act of 1933;

“(cc) a put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), as defined in section 2a of the Securities Act of 1933; or

“(dd) a put, call, straddle, option, or privilege on any security, as defined in section 2a of the Securities Act of 1933.

“(III) PERMITTED PAYMENT STABLECOIN.— A digital asset that is a permitted payment stablecoin.

“(IV) BANKING DEPOSIT.—

“(aa) A deposit (as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)), regardless of the technology used to record the deposit.

“(bb) An account (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)), regardless of the technology used to record the account.

“(V) COMMODITY.— A digital asset that references, represents an interest in, or is functionally equivalent to—

“(aa) an agricultural commodity;

“(bb) an excluded commodity, other than a security; or

“(cc) an exempt commodity, other than the digital commodity itself, as shall be further defined by the Commission.

“(VI) COMMODITY DERIVATIVE.— A digital asset that, based on its terms and other characteristics, is, represents, or is functionally equivalent to an agreement, contract, or transaction that is—

“(aa) a contract of sale of a commodity for future delivery or an option thereon;

“(bb) a security futures product;

“(cc) a swap;

“(dd) an agreement, contract, or transaction described in section 2(c)(2)(C)(i) or section 2(c)(2)(D)(i);

“(ee) a commodity option authorized under section 4c; or

“(ff) a leverage transaction authorized under section 19.

“(VII) POOLED INVESTMENT VEHICLE.—

“(aa) IN GENERAL.— A digital asset not described by subclause (I) that, based on its terms and other characteristics, is, represents, or is functionally equivalent to an interest in—

“(AA) a commodity pool, as defined in this Act; or

“(BB) a pooled investment vehicle.

“(bb) POOLED INVESTMENT VEHICLE DEFINED.— In this subclause, the term ‘ pooled investment vehicle ’ means—

“(AA) any investment company as defined in section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a));

“(BB) any company (as defined in section 2 of such Act (15 U.S.C. 80a–2)) that would be an investment company under section 3(a) of such Act but for the ~~exclusion~~ exclusions provided from that definition by ~~paragraph (1), (7), or (9) of section 3(e) of such Act (15 U.S.C. 80a–3(e)(1), (7), or (9))~~ section 3(c) of such Act, if for purposes of this subclause the company were assumed to be an issuer (as defined in section 2 of such Act); or

“(CC) any entity or person that is not an investment company but holds or will hold assets other than securities.

“(VIII) GOOD, COLLECTIBLE, AND OTHER NON-COMMODITY ASSET.— A digital asset that has value, utility, or significance beyond its mere existence as a digital asset, including the digital equivalent of a tangible or intangible good, such as—

“(aa) a work of art, a musical composition, a literary work, or other intellectual property;

“(bb) collectibles, merchandise, virtual land, and video game assets;

“(cc) affinity, rewards, or loyalty points, including airline miles or credit card points, that are not primarily speculative in nature; or

“(dd) rights, licenses, and tickets.

“(iv) RULE OF CONSTRUCTION.— No presumption shall exist that a digital asset is a security, nor shall a digital asset be excluded from being a digital commodity pursuant to clause (iii)(I), solely due to—

“(I) the digital asset providing voting or economic rights with respect to the blockchain system to which the digital asset relates or the decentralized governance system of the blockchain system to which the digital asset relates;

“(II) the value of the digital asset having the potential to appreciate or depreciate in response to the efforts, operations, or financial performance of the blockchain system to which the digital asset relates or the decentralized governance system of the blockchain system to which the digital asset relates; or

“(III) the value of the digital asset appreciating or depreciating due to the use of the blockchain system to which the digital asset relates or the decentralized governance system of the blockchain system to which the digital asset relates.

“(G) DIGITAL COMMODITY BROKER.—

“(i) IN GENERAL.— The term ‘ digital commodity broker ’ means any person who, as a regular business—

“(I) is engaged in—

“(aa) soliciting or accepting an order from a customer for—

“(AA) the purchase or sale of a digital commodity; or

“(BB) an agreement, contract, or transaction described in section 2(c)(2)(D) (iv); and

“(bb) in conjunction with the activities in item (aa), accepts or maintains control over—

“(AA) the funds of any customer; or

“(BB) the execution of any transaction of a customer;

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

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

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

“(I) solicits or accepts an order described in clause (i)(I)(aa)(AA) from a customer who is an eligible contract participant;

“(II) enters into 1 or more digital commodity transactions that are attributable or solely incidental to making, sending, receiving, or facilitating payments, whether involving a payment service provider or on a peer-to-peer basis; or

“(III) is a bank (as defined under section 3(a) of the Securities Exchange Act of 1934) engaging in certain banking activities with respect to a digital commodity in the same or a similar manner as a bank is excluded from the definition of a broker under such section, as determined by the Commission.

“(iii) FURTHER DEFINITION.— The Commission, by rule or regulation, may exclude from the term ‘ digital commodity broker ’ any person or class of persons if the Commission determines that the rule or regulation will effectuate the purposes of this Act.

“(H) DIGITAL COMMODITY DEALER.—

“(i) IN GENERAL.— The term ‘ digital commodity dealer ’ means any person who, as a regular business—

“(I) is, or offers to be a counterparty to a person for the purchase or sale of a digital commodity as a regular business, and in conjunction with the activities, accepts or maintains control over the funds of any counterparty; or

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

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

“(I) is or offers to be a counterparty to a person who is an eligible contract participant;

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

“(III) enters into a digital commodity transaction on or through a registered digital commodity exchange, with a registered digital commodity broker, or through a decentralized finance trading protocol;

“(IV) 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;

“(V) enters into 1 or more digital commodity transactions that are attributable or solely incidental to making, sending, receiving, or facilitating payments, whether involving a payment service provider or on a peer-to-peer basis; or

“(VI) is a bank (as defined under section 3(a) of the Securities Exchange Act of 1934) engaging in certain banking activities with respect to a digital commodity in the same or a similar manner as a bank is excluded from the definition of a dealer under section 3(a)(5) of such Act, as determined by the Commission.

“(iii) FURTHER DEFINITION.— The Commission, by rule or regulation, may exclude from the term ‘ digital commodity dealer ’ any person or class of persons if the Commission determines that the rule or regulation will effectuate the purposes of this Act.

“(I) 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.

“(J) MIXED DIGITAL ASSET TRANSACTION.— The term ‘ mixed digital asset transaction ’ means a transaction in which a digital commodity is traded for a security.

“(K) TERMS DEFINED UNDER THE SECURITIES ACT OF 1933 .— The terms ‘ blockchain system ’, ‘ decentralized governance system ’, ‘ digital asset ’, ‘ digital commodity issuer ’, ‘ digital commodity affiliated person ’, ‘ digital commodity related person ’, ‘ end user distribution ’, ‘ mature blockchain system ’, ‘ *permitted payment stablecoin* ’, and ‘ permitted payment stablecoin *issuer* ’ have the meaning given those terms, respectively, under section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)).”

; and

(5) in paragraph (41) (as so redesignated by paragraph (4) of this subsection)—

(A) by striking “ and ” at the end of subparagraph (E);

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

(C) by adding at the end the following:

“(G) a digital commodity exchange registered under section 5i.”

(b) CONFORMING AMENDMENTS.—

(1) Each of the following provisions of law is amended by striking “ 1a(18) ” and inserting “ 1a(19) ”:

(A) Section 4s(h)(5)(A)(i) of the Commodity Exchange Act (7 U.S.C. 6s(h)(5)(A)(i)).

(B) Section 5(e) of the Securities Act of 1933 (15 U.S.C. 77e(e)).

(C) Section 6(g)(5)(B) of the Securities Exchange Act of 1934 (15 U.S.C. 78f(g)(5)(B)).

(D) Section 15F(h)(5)(A)(i) of the Securities Exchange Act of 1934 (15 U.S.C. 78o–10(h)(5)(A)(i)).

(2) Section 752 of the Wall Street Transparency and Accountability Act of 2010 (15 U.S.C. 8325) is amended by striking “ 1a(39) ” and inserting “ 1a(40) ”.

(3) Section 4s(f)(1)(D) of the Commodity Exchange Act (7 U.S.C. 6s(f)(1)(D)) is amended by striking “ 1a(47)(A) ” and inserting “ 1a(48)(A) ”.

(4) Each of the following provisions of the Commodity Exchange Act is amended by striking “ 1a(47)(A) (v) ” and inserting “ 1a(48)(A)(v) ”:

(A) Section 4t(b)(1)(C) (7 U.S.C. 6t(b)(1)(C)).

(B) Section 5(d)(23) (7 U.S.C. 7(d)(23)).

(C) Section 5b(k)(3) (7 U.S.C. 7a–1(k)(3)).

(D) Section 5h(f)(10)(A)(iii) (7 U.S.C. 7b–3(f)(10)(A)(iii)).

(5) Section 21(f)(4)(C) of the Commodity Exchange Act (7 U.S.C. 24a(f)(4)(C)) is amended by striking “ 1a(48) ” and inserting “ 1a(49) ”.

(6) Section 403 of the Legal Certainty for Bank Products Act of 2000 (7 U.S.C. 27a) is amended—

(A) in subsection (a)(2), by striking “ 1a(47)(A)(v) ” and inserting “ 1a(48)(A)(v) ”; and

(B) in each of subsections (b)(1) and (c)(2), by striking “ 1a(47) ” and inserting “ 1a(48) ”.

(7) Section 712 of the Wall Street Transparency and Accountability Act of 2010 (15 U.S.C. 8302) is amended—

(A) in subsection (a)(8), by striking “ 1a(47)(D) ” each place it appears and inserting “ 1a(48)(D) ”; and

(B) in subsection (d)(1), by striking “ 1a(47)(A)(v) ” each place it appears and inserting “ 1a(48)(A)(v) ”.

SEC. 104. DEFINITIONS UNDER THIS ACT.

In this Act:

(1) **DEFINITIONS UNDER THE COMMODITY EXCHANGE ACT.**— The terms “ decentralized finance messaging system ”, “ decentralized finance trading protocol ”, “ digital commodity ”, “ digital commodity broker ”, “ digital commodity dealer ”, “ digital commodity exchange ”, and “ mixed digital asset transaction ” have the meaning given those terms, respectively, under section 1a of the Commodity Exchange Act (7 U.S.C. 1a).

(2) **DEFINITIONS UNDER THE SECURITIES ACT OF 1933.**— The terms “ blockchain ”, “ blockchain system ”, “ blockchain protocol ”, “ decentralized governance system ”, “ digital asset ”, “ digital commodity issuer ”, “ end user distribution ”, “ mature blockchain system ”, “ permitted payment stablecoin ”, and “ ~~securities laws~~ permitted payment stablecoin issuer ” have the meaning given those terms, respectively, under section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)).

(3) **DEFINITIONS UNDER THE SECURITIES EXCHANGE ACT OF 1934.**— The terms “ Bank Secrecy Act ”, “ securities laws ”, 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. 105. 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—

(A) “ blockchain ”, “ blockchain application ”, “ blockchain system ”, “ blockchain protocol ”, “ decentralized governance system ”, “ digital commodity affiliated person ”, “ digital commodity issuer ”, “ digital commodity related person ”, “ end user distribution ”, and “ mature blockchain system ”, as defined under section 2(a) of the Securities Act of 1933;

(B) “ unilateral authority ”, as such term is used in section 42 of the Securities Exchange Act of 1934 and section 1a of the Commodity Exchange Act; and

(C) “ programmatic functioning ”, as such term is used in sections 4C of the Securities Act of 1933, section 42 of the Securities Exchange Act of 1934, and section 1a of the Commodity Exchange Act.

(2) The terms “ digital commodity ”, “ decentralized finance messaging system ”, and “ decentralized finance trading protocol ” as defined under section 1a of the Commodity Exchange Act.

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

(c) PROTECTION OF SELF-CUSTODY.—

(1) IN GENERAL.— A United States individual shall retain the right to—

- (A) maintain a hardware wallet or software wallet for the purpose of facilitating the individual's own lawful custody of digital assets; and
- (B) engage in direct, peer-to-peer transactions in digital assets with another individual or entity for the individual's own lawful purposes using a hardware wallet or software wallet, if—
 - (i) such other individual or entity is not a financial institution (as defined in section 5312 of title 31, United States Code); and
 - (ii) the transactions do not involve any property or interests in property that are blocked pursuant to, or are otherwise prohibited by, United States sanctions.

(2) APPLICATION.— This subsection—

- (A) applies solely to personal use by individuals; and
- (B) does not apply to individuals acting in a custodial or fiduciary capacity for others.

(3) RULE OF CONSTRUCTION.— Nothing in this subsection shall be construed to limit the authority of the Secretary of the Treasury, the Securities and Exchange Commission, the Commodity Futures Trading Commission, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the National Credit Union Administration to carry out any enforcement action or special measure authorized under applicable law, including—

- (A) the Bank Secrecy Act, section 9714 of the Combating Russian Money Laundering Act (31 U.S.C. 5318A note), and section 7213A of the Fentanyl Sanctions Act (21 U.S.C. 2313a); or
- (B) any other law relating to illicit finance, money laundering, terrorism financing, or United States sanctions.

(d) JOINT RULEMAKING, PROCEDURES, OR GUIDANCE FOR DELISTING.— Not later than 180 days after the date of the enactment of this Act, the Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly issue rules, procedures, or guidance (as determined appropriate by the Commissions) regarding the process to delist an asset for trading under section 106 of this Act if the Commissions determine that the listing is inconsistent with the Commodity Exchange Act, the securities laws (including regulations under those laws), or this Act.

(e) JOINT RULES FOR PORTFOLIO MARGINING DETERMINATIONS.—

(1) IN GENERAL.— Not later than 360 days after the date of the enactment of this Act, the Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly issue rules describing the process for persons registered with either such Commission to seek a joint order or determination with respect to margin, customer protection, segregation, or other requirements as necessary to facilitate portfolio margining of securities (including related extensions of credit), security-based swaps, contracts for future delivery, options on a contract for future delivery, swaps, and digital commodities, or any subset thereof, in—

- (A) a securities account carried by a registered broker or dealer or a security-based swap account carried by a registered security-based swap dealer;
- (B) a futures or cleared swap account carried by a registered futures commission merchant;
- (C) a swap account carried by a swap dealer; or
- (D) a digital commodity account carried by a registered digital commodity broker or digital commodity dealer that is also registered in such other capacity as is necessary to also carry the other customer or counterparty positions being held in the account.

(2) PROCESS.— With respect to a joint order or determination described in paragraph (1), the rules required to be issued pursuant to paragraph (1) shall require—

- (A) the joint order or determination to be issued only if the order or determination is in the public interest and provides for the appropriate protection of customers;

(B) applicants to file a standard application, in a form and manner determined by the Securities and Exchange Commission and the Commodity Futures Trading Commission, which shall include the information necessary to make the joint order or determination;

(C) the Securities and Exchange Commission and the Commodity Futures Trading Commission to make a final determination not later than 270 days after the filing of a completed application;

(D) the Securities and Exchange Commission and the Commodity Futures Trading Commission to consider the public interest of the joint order or determination through the solicitation of public comments; and

(E) the Securities and Exchange Commission and the Commodity Futures Trading Commission to consult with other relevant foreign or domestic regulators, including the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, as appropriate.

(f) CAPITAL REQUIREMENTS TO ADDRESS NETTING AGREEMENTS.— No later than 360 days following the date of enactment of this Act, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation shall develop risk-based and leverage capital requirements for insured depository institutions, depository institution holding companies, and nonbank financial companies supervised by the Board of Governors that address netting agreements that provide for termination and close-out netting across multiple types of financial transactions, consistent with subsection (e), in the event of a counterparty's default.

SEC. 106. EXPEDITED REGISTRATION FOR DIGITAL COMMODITY EXCHANGES, BROKERS, AND DEALERS; PROVISIONAL STATUS.

(a) REGISTRATION.—

(1) IN GENERAL.— Unless exempted from registration ~~under section 5k of the Commodity Exchange Act~~, a person shall not act as a digital commodity broker, digital commodity dealer, or digital commodity exchange after the end of the ~~270-90~~-day period beginning on the date ~~of the enactment of this Act~~ process described in paragraph (2) is adopted by the Commodity Futures Trading Commission, unless, as the case may be, the person is registered as a—

(A) digital commodity broker pursuant to section 4u of the Commodity Exchange Act;

(B) digital commodity dealer pursuant to section 4u of the Commodity Exchange Act; or

(C) digital commodity exchange pursuant to section 5i of the Commodity Exchange Act.

(2) EXPEDITED PROCESS.— ~~Not less than~~ Within 270-180 days after the date of the enactment of this Act, the Commodity Futures Trading Commission shall adopt, by rule, regulation, or order, a process for expedited registration of persons ~~in provisional status~~ required to be registered pursuant to ~~subsection paragraph (b 1)~~.

(b) PROVISIONAL STATUS.—

(1) IN GENERAL.— A person who is registered in accordance with subsection (a) of this section shall be in provisional status until—

(A) in the case of a digital commodity broker or dealer, 270 days after the final effective date of the rulemakings required under section 4u of the Commodity Exchange Act; or

(B) in the case of a digital commodity exchange, 270 days after the final effective date of the rulemakings required under section 5i of such Act.

(2) PAYMENT OF FEES.— A person in provisional status shall pay all fees and penalties required under section 410.

(c) OPERATIONS PRIOR TO REGULATIONS.—

(1) REQUIREMENTS.— A person in provisional status shall ~~apply and~~ be subject to the ~~statutory~~ requirements of this section and the Commodity Exchange Act and any rules or regulations promulgated under this section or the Commodity Exchange Act, as applicable.

(2) LISTINGS.—

(A) IN GENERAL.— Except as provided in subparagraph (B), a person in provisional status may continue to offer, solicit, trade, facilitate, execute, clear, report, or otherwise deal in any digital asset offered on or through the facilities of the person before the date of registration under this section, until such time as the joint rulemaking on definitions required under section 105(a) is effective.

(B) DELISTING.— Before the effective date of the joint rulemaking on definitions under section 105(a), person in provisional status shall cease offering, soliciting, trading, facilitating, executing, clearing, reporting, or otherwise dealing in any digital asset required to be delisted pursuant to a joint delisting process established under section 105(d).

(3) EXEMPTIVE AUTHORITY.— In order to promote responsible innovation and fair competition, or protect customers, the Commodity Futures Trading Commission may exempt any persons or class of persons registered pursuant to subsection (a) and in provisional status pursuant to subsection (b) from any requirements of this ~~Act and~~ section or the Commodity Exchange Act or any rules ~~and or~~ regulations promulgated under this ~~Act~~ section or the Commodity Exchange Act, as applicable.

(d) CUSTOMER DISCLOSURE BEFORE REGISTRATION.—

(1) IN GENERAL.— Beginning 30 days after the date of the enactment of this Act, any person acting as a digital commodity exchange, digital commodity broker, or digital commodity dealer shall disclose to the customers of the person so acting, in the disclosure documents, offering documents, and promotional material of the person so acting, in a prominent manner, that the person is not registered with or regulated by the Commodity Futures Trading Commission.

(2) EXPIRATION.— Paragraph (1) of this subsection shall not apply to any person who registers pursuant to subsection (a).

SEC. 107. COMMODITY EXCHANGE ACT AND SECURITIES LAWS SAVINGS PROVISIONS.

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

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

- (A) a contract of sale of a commodity for future delivery or an option on such a contract;
- (B) a swap;
- (C) a security futures product;
- (D) an option authorized under section 4c of such Act;
- (E) an agreement, contract, or transaction described in section 2(c)(2)(C)(i) of such Act; or
- (F) a leverage transaction authorized under section 19 of such Act;

(2) any agreement, contract, or transaction that is subject to the securities laws as—

- (A) a security-based swap;
- (B) a security futures product; or
- (C) an option on or based on the value of a security; or

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

(b) PROHIBITIONS ON SPOT DIGITAL COMMODITY ENTITIES.— Nothing in this Act authorizes, or shall be interpreted to authorize, a digital commodity exchange, digital commodity broker, or digital commodity dealer to engage in any activities involving any transaction, contract, or agreement described in subsection (a)(1), solely by virtue of being registered as a digital commodity exchange, digital commodity broker, or digital commodity dealer.

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

SEC. 108. ADMINISTRATIVE REQUIREMENTS.

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

(1) in paragraph (3)—

- (A) in subparagraph (B), by striking “ or ” at the end;
- (B) in subparagraph (C), by striking the period and inserting “ ; or ”; and
- (C) by adding at the end the following:

“(D) a contract of sale of a digital commodity.”

;

(2) in paragraph (4)—

(A) in subparagraph (A)—

- (i) in clause (ii), by striking “ or ” at the end;
- (ii) in clause (iii), by striking the period and inserting “ ; or ”; and
- (iii) by adding at the end the following:

“(iv) a contract of sale of a digital commodity.”

;

(B) in subparagraph (B)—

- (i) in clause (ii), by striking “ or ” at the end;
- (ii) in clause (iii), by striking the period and inserting “ ; or ”; and
- (iii) by adding at the end the following:

“(iv) a contract of sale of a digital commodity.”

; and

(C) in subparagraph (C)—

- (i) in clause (ii), by striking “ or ” at the end;
- (ii) by striking “ (iii) a swap, provided however, ” and inserting the following:

“(iii) a swap; or

“(iv) a contract of sale of a digital commodity,

provided, however,”

; and

(iii) by striking “ clauses (i), (ii), or (iii) ” and insert “ any of clauses (i) through (iv) ”.

~~SEC. 109. INTERNATIONAL COOPERATION.~~

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

~~(1) shall consult and coordinate with foreign regulatory authorities on the application of consistent international standards with respect to the regulation of digital assets; and~~

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

~~SEC. 109.~~ **10-09. TREATMENT OF CERTAIN NON-CONTROLLING BLOCKCHAIN DEVELOPERS.**

(a) **IN GENERAL.**— Notwithstanding applicable law, a non-controlling blockchain developer or provider of a blockchain service shall not be treated as a money transmitter or as engaged in “ money transmitting ” or, following the date of enactment of this Act, be otherwise subject to any new registration requirement that is substantially similar to the requirement that currently applies to money transmitters, solely on the basis of—

- (1) creating or publishing software to facilitate the creation of, or provision of maintenance services to, a blockchain or blockchain service;
- (2) providing hardware or software to facilitate a customer’s own custody or safekeeping of the customer’s digital assets; or
- (3) providing infrastructure support to maintain a blockchain service.

(b) **RULE OF CONSTRUCTION.**— Nothing in this section shall be construed to affect whether a blockchain developer or provider of a blockchain service is otherwise subject to classification or treatment as a money transmitter, or as engaged in “ money transmitting ”, under applicable State or Federal law, including laws relating to anti-money laundering or countering the financing of terrorism, based on conduct outside the scope of subsection (a). Nothing in this section shall be construed to affect whether a blockchain developer or provider of a blockchain service is otherwise subject to classification or treatment as a financial institution under the Bank Secrecy Act, this Act, or any Act enacted after the date of enactment of this Act.

(c) **EFFECT ON OTHER LAWS.**—

(1) **INTELLECTUAL PROPERTY LAW.**— Nothing in this section shall be construed to limit or expand any law pertaining to intellectual property.

(2) **STATE LAW.**— Nothing in this section shall be construed to prevent any State from enforcing any State law that is consistent with this section. No cause of action may be brought and no liability may be imposed under any State or local law that is inconsistent with this section.

(d) **DEFINITIONS.**— In this section:

(1) **BLOCKCHAIN DEVELOPER.**— The term “ blockchain developer ” means any person or business that creates or publishes software to facilitate the creation of, or provide maintenance to, a blockchain or a blockchain service.

(2) **BLOCKCHAIN SERVICE.**— The term “ blockchain service ” means any information, transaction, or computing service or system that provides or enables access to a blockchain network by multiple users, including specifically a service or system that enables users to send, receive, exchange, or store digital assets described by blockchain networks.

(3) **NON-CONTROLLING BLOCKCHAIN DEVELOPER OR PROVIDER OF A BLOCKCHAIN SERVICE.**— The term “ non-controlling blockchain developer or provider of a blockchain service ” means a blockchain developer or provider of a blockchain service that in the regular course of operations, does not have the legal right or the unilateral and independent ability to control, initiate upon demand, or effectuate transactions involving digital assets that users are entitled to, without the approval, consent, or direction of any other third party.

SEC. 110. APPLICATION OF THE BANK SECRECY ACT.

(a) **IN GENERAL.**— Section 5312(c)(1)(A) of title 31, United States Code, is amended—

(1) by inserting “ digital commodity broker, digital commodity dealer, ” after “ futures commission merchant, ”; and

(2) by inserting before the period the following: “ and any digital commodity exchange registered, or required to register, under the Commodity Exchange Act which permits direct customer access ”.

(b) **GAO STUDY.**—

~~(1) IN GENERAL.— THE COMPTROLLER GENERAL OF THE UNITED STATES, IN CONSULTATION WITH THE SECRETARY OF THE TREASURY, SHALL CONDUCT A STUDY TO—~~

~~(A) ASSESS THE RISKS POSED BY CENTRALIZED INTERMEDIARIES THAT ARE PRIMARILY LOCATED IN FOREIGN JURISDICTIONS THAT PROVIDE SERVICES TO U.S. PERSONS WITHOUT REGULATORY REQUIREMENTS THAT ARE SUBSTANTIALLY SIMILAR TO THE REQUIREMENTS OF THE BANK SECRECY ACT~~

BANK SECRECY ACT REQUIREMENTS.—

(1) Regulations.— The Secretary of the Treasury, acting through the Director of the Financial Crimes Enforcement Network, and in consultation with Commodity Futures Trading Commission, shall issue requirements consistent with the requirements of futures commission merchants to apply the Bank Secrecy Act to digital commodity brokers, digital commodity dealers, and digital commodity exchanges that are tailored to the size and complexity of such entities, including by requiring each such entity to—

(A) establish and maintain an anti-money laundering and countering the financing of terrorism program, which shall include—

(i) an appropriate risk assessment;

(ii) the development of internal policies, procedures, and controls;

(iii) the designation of a compliance officer;

(iv) an ongoing employee training program ; and

(B-v) provide any regulatory or legislative recommendations to an independent audit function to test such program;

(B) retain appropriate records of transactions;

(C) monitor address these risks under subparagraph (A);

(2) REPORT.— Not later than 1 year after the date of enactment of this Act, the Comptroller General shall issue a report to Congress containing all findings and determinations

and report suspicious activity, which may include use of appropriate distributed ledger analytics; and

(D) maintain an effective customer identification program to identify and verify account holders and carry out appropriate customer due diligence.

(2) Compliance with sanctions.— A digital commodity broker, digital commodity dealer, or digital commodity exchange shall comply with all laws and regulations related to United States sanctions made in carrying out the study required under paragraph (1) administered by the Office of Foreign Assets Control.

SEC. 111. IMPLEMENTATION.

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

(b) RULES AND REGISTRATION BEFORE FINAL EFFECTIVE DATES.—

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

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

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

(C) register persons under this Act; and

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

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

SEC. 111. RULE OF CONSTRUCTION.

Nothing in this Act, or the amendments made by this Act, shall be construed to limit or prevent the continued application of applicable ethics statutes and regulations administered by the Office of Government Ethics, or the ethics rules of the Senate and the House of Representatives, including section 208 of title 18, United States Code, and sections 2635.702 and 2635.802 of title 5, Code of Federal Regulations. For the avoidance of doubt, existing Office of Government Ethics laws and the ethics rules of the Senate and the House of Representatives prohibit any member of Congress or senior executive branch official from issuing a digital commodity during their time in public service. For the purposes of this section, an employee described in section 202 of title 18, United States Code, shall be deemed an executive branch employee for purposes of complying with section 208 of that title.

SEC. 112. IMPLEMENTATION.

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

(b) **RULES AND REGISTRATION BEFORE FINAL EFFECTIVE DATES.**—

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

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

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

(C) register persons under this Act; and

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

(2) **LIMITATION ON EFFECTIVENESS.**— An action by the Commodity Futures Trading Commission or the Securities and Exchange Commission under paragraph (1) shall not become effective before the effective date otherwise applicable to the action under this Act.

TITLE II— OFFERS AND SALES OF DIGITAL COMMODITIES

SEC. 201. TREATMENT OF INVESTMENT CONTRACT ASSETS.

(a) **SECURITIES ACT OF 1933.**— Section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)), as amended by section 101, is further amended—

(1) in paragraph (1), by adding at the end the following: “ The term ‘ investment contract ’ does not include an investment contract asset. ”; and

(2) by adding at the end the following:

“(36) The term ‘ investment contract asset ’ means a digital commodity—

“(A) that can be exclusively possessed and transferred, person to person, without necessary reliance on an intermediary, and is recorded on a blockchain; and

“(B) sold or otherwise transferred, or intended to be sold or otherwise transferred, pursuant to an investment contract.”

(b) **INVESTMENT ADVISERS ACT OF 1940.**— Section 202(a)(18) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(18)) is amended by adding at the end the following: “ The term ‘ investment contract ’ does not include an investment contract asset (as such term is defined under section 2(a) of the Securities Act of 1933). ”.

(c) **INVESTMENT COMPANY ACT OF 1940.**— Section 2(a)(36) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(36)) is amended by adding at the end the following: “ The term ‘ investment contract ’ does not include an investment contract asset (as such term is defined under section 2(a) of the Securities Act of 1933). ”.

(d) **SECURITIES EXCHANGE ACT OF 1934.**— Section 3(a)(10) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(10)) is amended by adding at the end the following: “ The term ‘ investment contract ’ does not include an investment contract asset (as such term is defined under section 2(a) of the Securities Act of 1933). ”.

(e) **SECURITIES INVESTOR PROTECTION ACT OF 1970.**— Section 16(14) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78lll(14)) is amended by adding at the end the following: “ The term ‘ investment

contract ' does not include an investment contract asset (as such term is defined under section 2(a) of the Securities Act of 1933). ”.

SEC. 202. EXEMPTED PRIMARY TRANSACTIONS IN DIGITAL COMMODITIES.

(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) the offer or sale of an investment contract involving units of a digital commodity by its digital commodity issuer (including all entities controlled by or under common control with the issuer), if—

“(A) the blockchain system to which the digital commodity relates, together with the digital commodity, is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934 or the issuer intends for the blockchain system to which the digital commodity relates to be a mature blockchain system by the later of—

“(i) the date that is four years after the first sale of the investment contract involving a unit of such digital commodity in reliance on the exemption provided under this paragraph, subject to any extensions as may be granted by the Commission; or

“(ii) the date that is four years after the effective date of this paragraph;

“(B) the sum of all cash and other consideration to be received by the digital commodity issuer in reliance on the exemption provided under this paragraph, during the 12-month period preceding the date of such offering, including the amount received in such offering, is not more than ~~\$7.5~~ \$50,000,000 (as such amount is annually adjusted by the Commission to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor);

“(C) after the completion of the transaction, a purchaser does not own more than 10 percent of the total amount of the outstanding units of the digital commodity;

“(D) the transaction does not involve the offer or sale of an investment contract involving units of a digital commodity by its digital commodity issuer that—

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

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

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

“(II) has indicated that the business plan of the company is to merge with or acquire an unidentified company;

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

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

“(E) the issuer meets the requirements of section 4B(b).”

; and

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

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

“(a) COMMISSION JURISDICTION.— For the purposes of this section:

“(1) The Commission shall have jurisdiction and enforcement authority with respect to disclosures described in this section.

“(2) Section 17 shall apply to a statement made in an offering statement, disclosure, or report filed under this section to the same extent as such section 17 applies to a statement made in any other offering statement, disclosure, or report filed under this Act.

“(b) REQUIREMENTS FOR DIGITAL COMMODITY ISSUERS.—

“(1) TERMS AND CONDITIONS.— A digital commodity issuer offering or selling an investment contract involving units of a digital commodity in reliance on section 4(a)(8) shall file with the Commission an offering statement and any related documents, in such form and with such content as prescribed by the Commission, including financial information, a description of the issuer and the operations of the issuer, the financial condition of the issuer, a description of the plan of distribution of any unit of a digital commodity that is to be offered as well as the intended use of the offering proceeds, and a description of the development plan for the blockchain system, and the related digital commodity, to become a mature blockchain system, if such blockchain system is not already certified as a mature blockchain system pursuant to section 42 of the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

“(2) INFORMATION REQUIRED FOR PURCHASERS.— A digital commodity issuer that has filed a statement under paragraph (1) to offer and sell an investment contract involving a unit of a digital commodity in reliance on section 4(a)(8) shall include in such statement the following information:

“(A) MATURITY STATUS.— Whether the blockchain system to which the digital commodity relates has been certified as a mature blockchain system pursuant to section 42 of the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) and, where such blockchain system is not so certified, a statement of the digital commodity issuer’s intent for the blockchain system to which the digital commodity relates to be a mature blockchain system within the time period described in section 4(a)(8)(A).

“(B) SOURCE CODE.— The source code, or a publicly accessible webpage displaying such source code, for any blockchain system to which the digital commodity relates, and whether the source code was sourced from an external third party, whether there are any existing external dependencies, and whether the code underwent a third-party security audit, along with material results of any such audit.

“(C) TRANSACTION HISTORY.— A description of the steps necessary to independently access, search, and verify the transaction history of any blockchain system to which the digital commodity relates, to the extent any such independent access, search, and verification activities are technically feasible with respect to such blockchain system.

“(D) DIGITAL COMMODITY ECONOMICS.— A description of the purpose of any blockchain system to which the digital commodity relates and the operation of any such blockchain system, including

—

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

“(ii) information explaining the technical requirements for holding, accessing, and transferring the digital commodity;

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

“(iv) an explanation of any mechanism for driving value to the digital commodity of such blockchain system; and

“(v) an explanation of governance mechanisms for implementing changes to the blockchain system or forming consensus among holders of units of such digital commodity.

“(E) PLAN OF DEVELOPMENT.— The current state and timeline for the development of any blockchain system to which the digital commodity relates, detailing how and when the blockchain system is intended to be a mature blockchain system, if the blockchain system is not yet certified as a mature blockchain system, and the various roles that exist or are intended to exist in connection with the blockchain system, such as users, service providers, developers, transaction validators, and governance participants, including a discussion of any mechanisms by which control or authority are exerted with respect to the blockchain system or its related digital commodity, and any critical operational dependencies of the blockchain system or its related digital commodity.

“(F) OWNERSHIP DISCLOSURES.—

“(i) IN GENERAL.— A list of all persons who are digital commodity related persons or digital commodity affiliated persons who have been issued a unit of the digital commodity by the digital commodity issuer or have a right to a unit of the digital commodity from the digital commodity issuer.

“(ii) CONFIDENTIALITY.— The Commission shall keep each list described under clause (i) confidential, consistent with what is necessary or appropriate in the public interest or for the protection of investors.

“(G) RISK FACTOR DISCLOSURES.— A description of the material risks surrounding ownership of a unit of a digital commodity.

“(3) ONGOING DISCLOSURE REQUIREMENTS FOR MATURING BLOCKCHAIN SYSTEMS.— Subject to paragraph (5), the issuer of a digital commodity related to a blockchain system that is not yet certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934 that has filed a statement under paragraph (1) to offer and sell an investment contract involving a unit of a digital commodity in reliance on section 4(a)(8) shall file the following with the Commission:

“(A) SEMIANNUAL REPORTS.— Every 6 months, a report containing—

“(i) an updated description of the current state and timeline for the development of the blockchain system to which the digital commodity relates, showing how and when the blockchain is intended to be a mature blockchain system;

“(ii) a description of the efforts of the issuer and digital commodity related persons in developing the blockchain system to which the digital commodity relates; ~~and~~

“(iii) the amount of money raised by the digital commodity issuer in reliance on section 4(a)(8), how much of that money has been spent, and the general categories of activities for which that money has been spent and amounts spent per category ; and

“(iv) financial statements, where applicable .

“(B) CURRENT REPORTS.— A current report reflecting any material changes relevant to the information previously reported to the Commission by the digital commodity issuer, which shall be filed as soon as practicable after the material change occurred, in accordance with such rules as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

“(4) RULEMAKING.— Not later than 360 days after the date of the enactment of this section, the Commission shall prescribe rules on requirements applicable to issuers of digital commodities in reliance on section 4(a)(8).

“(5) TERMINATION OF CERTAIN REPORTING REQUIREMENTS; POST-MATURITY REPORTING REQUIREMENTS.—

“(A) IN GENERAL.— The ongoing reporting requirements under paragraph (3) shall not apply to a digital commodity issuer 180 days after the end of the covered fiscal year, if the information with respect to the digital commodity and the blockchain system to which it relates described

in subparagraphs (A) through (C) of paragraph (2) is made publicly available and the disclosure requirements under subparagraph (C) of this paragraph are satisfied.

“(B) COVERED FISCAL YEAR DEFINED.— In this paragraph, the term ‘ covered fiscal year ’ means, with respect to a digital commodity, the first fiscal year of a digital commodity issuer in which the blockchain system to which such digital commodity relates is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934.

“(C) POST-MATURITY REPORTING REQUIREMENTS.— After the blockchain system to which a digital commodity relates is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934, any digital commodity issuer that has filed a statement under paragraph (1) to offer and sell an investment contract involving a unit of a digital commodity in reliance on section 4(a)(8) and is engaged in material ongoing efforts related to the mature blockchain system shall disclose, in a manner reasonably calculated to inform the public, and at such frequency as the Commission may prescribe, by rule, a description of such efforts, including—

“(i) any participation in a decentralized governance system of such blockchain system;

“(ii) any participation in alterations or proposed alterations to the functionality or operation of such blockchain system;

“(iii) the use or planned use of any funds raised in reliance on section 4(a)(8) or any rulemaking pursuant to section 202(d-c) of the CLARITY Act of 2025 in such efforts;

“(iv) the amount of units of the digital commodity, or rights thereto, owned and controlled by such issuer and any use, sale, trading, or other disposition thereof; and

“(v) any affiliations of such issuer material to the efforts of such issuer.

“(D) Termination of and exemption from post-maturity reporting requirements.— Not later than 270 days after the date of the enactment of this section, the Commission shall issue rules—

“(i) for terminating the disclosure requirements described in subparagraph (C) during the first fiscal year in which the digital commodity issuer does not engage in material ongoing efforts related to the mature blockchain system; and

“(ii) to, as is necessary or appropriate in the public interest or for the protection of investors, exempt a digital commodity issuer from the requirements described in subparagraph (C) where only a de minimis amount of market activity involving the digital commodity of such digital commodity issuer is taking place.

“(E) RULE OF CONSTRUCTION.— Nothing in subparagraph (C) may be construed to make any digital commodity described in such subparagraph a security.

“(c) REQUIREMENTS FOR INTERMEDIARIES.— A person acting as an intermediary in connection with the offer or sale of an investment contract involving units of a digital commodity in reliance on section 4(a)(8) shall—

“(1) register with the Commission as a broker or dealer; and

“(2) be a member of a national securities association registered under section 15A of the Securities Exchange Act of 1934 (15 U.S.C. 78o–3).

“(d) 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).

“(e) FAILURE TO MATURE.—

“(1) IN GENERAL.— Not later than 270 days after the date of the enactment of this section, the Commission shall issue rules applying such additional obligations and disclosures for the digital commodity issuers, digital commodity related persons, and digital commodity affiliated persons of a blockchain system described under subsection (b)(1) that does not become a mature blockchain system within the time period described in section 4(a)(8)(A) as are necessary or appropriate in the

public interest or for the protection of investors. Such obligations and disclosures shall include the following:

“(A) DISCLOSURES.— Disclosures regarding the following:

“(i) FAILURE TO MATURE.— ~~The material~~ A detailed explanation of the reasons ~~reason~~ that the blockchain system has not become a mature blockchain system within the time period described in section 4(a)(8)(A).

“(ii) DEVELOPMENT PLANS.— The future plans of development of the blockchain system, including information required under subsection (b)(3).

“(iii) RISK FACTOR DISCLOSURES.— The material risks surrounding ownership of a unit of a digital commodity that relates to a blockchain system described under subsection (b)(1) that has not become a mature blockchain system within the time period described in section 4(a)(8)(A).

“(B) OBLIGATIONS.— Transaction reporting and beneficial ownership disclosure obligations applicable to digital commodity related persons and digital commodity affiliated persons of such blockchain system.

“(2) QUALIFICATION REQUIRED.— The Commission may not permit any additional ~~raising of capital~~ reliance on an exempt offering for the offer or sale of an investment contract involving a unit of a digital commodity by the issuer of ~~a the~~ digital commodity related to a blockchain system described under subsection (a)(1) that has not become a mature blockchain system within the time period described in section 4(a)(8)(A) unless the Commission has qualified any offering statement related to such ~~additional raising of capital~~ exempt offering.”

(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~~ subparagraph (B), by striking “ section 4(4) ” and inserting “ section 4(a)(4) ”;

(B) in ~~section~~ subparagraph (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) ”; and

(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).”

(c) ~~PRIOR ISSUERS.—~~

~~(1) REPORTING EXCEPTION.— WITH RESPECT TO A DIGITAL COMMODITY, THE DIGITAL COMMODITY ISSUER SHALL NOT BE REQUIRED TO FILE THE REPORTS OTHERWISE REQUIRED~~

USE OF OTHER EXEMPTIONS.—

(1) Rule of construction.— Except as provided in this subsection, nothing in this section or the amendments made by this section may be construed as prohibiting the offer or sale of an investment contract involving units of a digital commodity in reliance on an exemption from registration under the Securities Act of 1933, including as provided under section 3, 4(a), or 19 of the Securities Act of 1933, other than that provided under section 4B(b-4(a))(3-8) of the Securities Act of 1933 .

~~(or, with respect to a digital commodity not issued in reliance on~~ 2) Rulemakings.—

(A) The Securities and Exchange Commission may issue rules—

(i) to permit the issuer of a digital commodity related to a blockchain system described under section 4(a)(8)(A) of the Securities Act of 1933, a comparable set of reports specified by the Securities and Exchange Commission), if the digital commodity issuer—

(A) last offered

1933 that has not become a mature blockchain system within the time period described in section 4(a)(8)(A) of such Act, or the issuer of a digital commodity described in subparagraph (B)(iii), to utilize an exempt offering to offer or sold sell an investment contract involving a unit of the digital commodity prior to January 1, 2020; or

(B) both—

(i) last offered or sold an

commodity, if the Commission qualifies any offering statement related to such exempt offering; and

(ii) for the offer and sale of investment contract contracts involving a unit units of the a digital commodity between January 1, 2020, and by issuers that are not organized June 1, 2025; and

(ii) is no longer engaged in material ongoing efforts related to the blockchain system to which the digital commodity relates

under the laws of a State, a territory of the United States, or the District of Columbia .

(2-B) Reporting application date for certain prior issuers.— With respect to a digital commodity, if the digital commodity issuer is engaged in material ongoing efforts related to the blockchain system to which the Not later than 270 days after the date of the enactment of this section, the Securities and Exchange Commission shall issue the following rules:

(i) A rule requiring a digital commodity relates and issuer that last offered and or sold an investment contract involving a unit units of the a digital commodity between January 1, 2020, and in reliance on an exemption from registration under the Securities Act of 1933, including as provided June 1, 2025, the digital commodity issuer shall file with the Commission a comparable set under section 3, 4(a), or 19 of the Securities Act of 1933, prior to the date of enactment of this Act, to file a comparable set of disclosures to those described under section 4B of the Securities Act of 1933 as the Commission determines appropriate based of reports to the reports described under, as applicable, section 4B(b)(3) or 4B(b)(5)(C) on the exemption, the maturity of the blockchain system to which such digital commodity relates, and any material ongoing efforts of such digital commodity issuer (provided that for blockchains certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1933, 1934, where required by the Commission, not later than one year after the effective date of this section:

(d) USE OF OTHER EXEMPTIONS.—

(1) RULE OF CONSTRUCTION.— Nothing in this section or the amendments made by this section may be construed as prohibiting

such disclosures shall be comparable to those under section 4B(b)(5)(C)), not later than the later of—

(I) one year after the effective date of this section; or

(II) the date of any secondary market sale of such digital commodity made in reliance on section 203.

(ii) A rule requiring a digital commodity issuer the that offer offers or sale of sells an investment contract involving units of a digital commodity in reliance on an exemption from registration under the Securities Act of 1933, including as provided under section 3, 4(a), or 19 of the Securities Act of 1933 , other than that provided under section 4(a)(8) of the Securities Act of 1933.

(2) RULEMAKING.— The Securities and Exchange Commission may issue rules—

(A) to permit the issuer of a digital commodity related to a blockchain system described under section 4B(b)(1) of the Securities Act of 1933 that has not become a mature blockchain system within the time period described in section 4(a)(8)(A) of such Act to raise capital pursuant to an exempt offering, if

1933, on or after the date of enactment of this Act, to file a comparable set of disclosures to those described under section 4B of the Securities Act of 1933 as the Commission determines appropriate based on the exemption, the maturity of the blockchain system to which such digital commodity relates, and any material ongoing efforts of such digital commodity issuer, prior to the date of any secondary market sale of such digital commodity made in reliance on section 203.

(iii) With respect to a digital commodity where the digital commodity issuer is required to file disclosures under clause (i) or (ii) and where the blockchain system to which the digital commodity relates is not certified as a mature blockchain system pursuant to section 42 of the Securities Exchange Act of 1934 after the 4-year period beginning on the date that the first such disclosure is filed—

(I) a rule prohibiting the offer or sale of an investment contract involving units of the digital commodity unless the Commission has ~~qualifies~~ qualified any offering statement related to such raising of capital; and

(B) for the offer and sale of investment contracts involving units of

offer or sale, where such offer or sale is permitted pursuant to subparagraph (A)(i); and

(II) a rule requiring the digital commodity issuer to make disclosures comparable to those described in 4B(e)(1)(A) of the Securities Act of 1933.

(iv) A rule permitting a successor to a digital commodity by issuers that are not organized under the laws of a State, a territory of the United States, or the District of Columbia—~~issuer, or such other appropriate person as designated by the Commission, to make the disclosures required under clause (i), where such issuer does not make the required disclosures.~~

SEC. 203. TREATMENT OF SECONDARY TRANSACTIONS IN DIGITAL COMMODITIES THAT ORIGINALLY INVOLVED INVESTMENT CONTRACTS:

(a) **SECONDARY MARKET TREATMENT.**—Notwithstanding any other provision of law, the offer or sale of a digital commodity that originally involved an investment contract by a person other than the issuer of such digital commodity, or an agent or underwriter thereof, shall be deemed not to be an offer or sale of the investment contract originally involving the digital commodity between the issuer of the investment contract involving the digital commodity, or an agent or underwriter thereof, and the purchaser of such digital commodity under—

- (1) the Securities Act of 1933 (15 U.S.C. 77a et seq.);
- (2) the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.);
- (3) the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.);
- (4) the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.);
- (5) the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.); and
- (6) any applicable provisions of State law.

(b) **END USER DISTRIBUTIONS NOT AN OFFER OR SALE OF A SECURITY.**—An end user distribution does not involve the offer or sale of a security.

(c) **AGENT DEFINED.**—In this section and with respect to a digital commodity issuer, the term “agent” means any person directly or indirectly controlled by the issuer or under direct or indirect common control with the issuer.

SEC. 203. TREATMENT OF SECONDARY TRANSACTIONS IN DIGITAL COMMODITIES THAT ORIGINALLY INVOLVED INVESTMENT CONTRACTS.

(a) **SECONDARY MARKET TREATMENT.**— Notwithstanding any other provision of law, the offer or sale of a digital commodity that originally involved an investment contract by a person other than the issuer of such digital commodity, or an agent or underwriter thereof, shall be deemed not to be an offer or sale of such investment contract between the issuer of the investment contract involving the digital commodity, or an agent or underwriter thereof, and the purchaser of such digital commodity under—

- (1) the Securities Act of 1933 (15 U.S.C. 77a et seq.);
- (2) the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.);
- (3) the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.);
- (4) the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.);
- (5) the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.); and
- (6) any applicable provisions of State law.

(b) **END USER DISTRIBUTIONS NOT AN OFFER OR SALE OF A SECURITY.**— An end user distribution does not involve the offer or sale of a security.

(c) **AGENT DEFINED.**— In this section and with respect to a digital commodity issuer, the term “ agent ” means any person directly or indirectly controlled by the issuer or under direct or indirect common control with the issuer.

SEC. 204. REQUIREMENTS FOR OFFERS AND SALES OF DIGITAL COMMODITIES BY DIGITAL COMMODITY RELATED PERSONS AND DIGITAL COMMODITY AFFILIATED PERSONS.

The Securities Act of 1933 (15 U.S.C. 77a et seq.), as amended by section 202, is further amended by inserting after section 4B the following:

“SEC. 4C. REQUIREMENTS FOR OFFERS AND SALES OF DIGITAL COMMODITIES BY DIGITAL COMMODITY RELATED PERSONS AND DIGITAL COMMODITY AFFILIATED PERSONS.

“(a) **IN GENERAL.**— It shall be a violation of this Act for a digital commodity affiliated person or a digital commodity related person to offer or sell a digital commodity acquired directly from its issuer, or an agent or underwriter thereof, pursuant to an investment contract in reliance on section 4(a)(8) or another exemption under this Act, other than as provided in this section.

“(b) **COMMISSION JURISDICTION.**—

“(1) Where a digital commodity affiliated person or a digital commodity related person offers or sells a digital commodity acquired directly from its issuer, or an agent or underwriter thereof, pursuant to an investment contract in reliance on section 4(a)(8), or another exemption under this Act, other than as provided in this section, such digital commodity affiliated person or digital commodity related person shall be considered an issuer of such investment contract.

“(2) For the purposes of this section, the Commission shall have jurisdiction and enforcement authority with respect to an offer or sale of a digital commodity described in subsection (a).

“(c) **RESTRICTIONS ON DIGITAL COMMODITY RELATED PERSONS AND DIGITAL COMMODITY AFFILIATED PERSONS.**—

“(1) **PRIOR TO BEING A MATURE BLOCKCHAIN SYSTEM.**— Prior to the blockchain system to which a digital commodity relates being certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934, units of the digital commodity acquired by a digital commodity related person or digital commodity affiliated person directly from its issuer, ~~or an agent or underwriter thereof, thereof~~ pursuant to an investment contract in reliance on section 4(a)(8), or another exemption under this Act, may be offered or sold by such digital commodity related person or digital commodity affiliated person if—

“(A) reports with respect to such digital commodity, where required under section 4B(b)(3) (or, with respect to a digital commodity not issued in reliance on section 4(a)(8), a comparable set of reports where required by the Commission) have been filed with the Commission;

“(B) the digital commodity related person or digital commodity affiliated person has held the units for not less than 12 months ~~from the date the units were delivered~~; and

“(C) the aggregate amount of the units of the digital commodity offered or sold by the digital commodity related person or digital commodity affiliated person is—

“(i) in any 12-month period, ~~not or shorter period as the Commission may prescribe, not less than 5 percent or~~ greater than ~~15-20~~ percent of the total units of the digital commodity acquired directly from its issuer ~~(or an agent or underwriter thereof)~~ by the digital commodity related person or digital commodity affiliated ~~person; and~~

~~“(ii) not~~

~~person, as determined by the Commission pursuant to paragraph (3); and~~

~~“(ii) an amount, as determined by the Commission pursuant to paragraph (3), not less than 30 percent or~~ greater than 50 percent of the total units of the digital commodity acquired directly from its issuer ~~(or an agent or underwriter thereof)~~ by the digital commodity related person or digital commodity affiliated person.

“(2) AFTER BECOMING A MATURE BLOCKCHAIN SYSTEM.— After the blockchain system to which a digital commodity relates is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934, units of the digital commodity acquired by a digital commodity related person or digital commodity affiliated person directly from its issuer, ~~(or the issuer’s an agent or underwriter, underwriter thereof)~~ pursuant to an investment contract in reliance on section 4(a)(8) or another exemption under this Act, may be—

“(A) offered or sold by a digital commodity related person; or

“(B) offered or sold by a digital commodity affiliated person if—

“(i) information described in section 4B(b)(5)(C), where required (or, with respect to a digital commodity not issued in reliance on section 4(a)(8), a comparable set of information, where required) is publicly available;

“(ii) the digital commodity affiliated person has held the units for not less than the earlier of—

~~“(I) 12 months from the date the units were delivered; or~~

“(II) 3 months following the date on which the blockchain system is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934; and

“(iii) the aggregate amount of the units of the digital commodity offered or sold by the digital commodity affiliated person in any 12-month period ~~does not exceed the greater of—~~

~~“(I) 8 percent of the total outstanding amount of the digital commodity; or~~

~~“(II) 25 percent of the total units of the digital commodity acquired directly from its issuer by the digital commodity affiliated person.~~

~~“(d) USE OF A DIGITAL COMMODITY IN THE~~

~~is an amount, as determined by the Commission pursuant to paragraph (3), not less than 5 percent or greater than 10 percent of the total outstanding amount of the digital commodity.~~

“(3) Rulemakings required.— Not later than 270 days after the date of the enactment of this section, consistent with protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation, and to foster the development of mature blockchain systems, the Commission, by rule, after notice and comment—

“(A) shall set the percentage amounts described in paragraphs (1)(C)(i), (1)(C)(ii), and (2)(B)(iii); and

“(B) may provide an exemption from the limitation described in paragraph (1)(C)(ii), if the Commission requires any offer or sale pursuant to such exemption of a digital commodity related to a blockchain system that has failed to become a mature blockchain system under this Act or any rule ~~Programmatic Functioning of the Blockchain System~~ promulgated hereunder to be accompanied by the disclosures required under, as applicable, section 4B(e)(1)(A) or section 202(c)(2)(B)(iii)(II) of the CLARITY Act of 2025.

“(d) RULES OF CONSTRUCTION.— For purposes of this section, the use of a digital commodity in the programmatic functioning of the blockchain system to which it relates is not an offer or sale of a digital commodity.

“(e) MANIPULATIVE AND DECEPTIVE DEVICES; REPORTING.—

“(1) IN GENERAL.— It shall be unlawful for any digital commodity issuer, digital commodity related person, or digital commodity affiliated person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, to use or employ, in connection with the purchase or sale of any digital commodity, any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

“(2) AFFIRMATIVE DEFENSE.— Not later than 270 days after the date of the enactment of this section, the Commission shall issue rules to implement paragraph (1), including by providing any affirmative defenses to an enforcement action thereunder as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

“(3) REPORTING.— Not later than 270 days after the date of the enactment of this section, the Commission shall issue rules to prescribe such transaction reporting and beneficial ownership disclosure obligations applicable to digital commodity related persons and digital commodity affiliated persons, as necessary or appropriate in the public interest or for the protection of investors.

“(4) DIFFERENTIATION BETWEEN PERSONS.— In issuing rules required under paragraphs (2) and (3), the Commission shall differentiate between digital commodity related persons and digital commodity affiliated persons as necessary or appropriate in the public interest or for the protection of investors.

“(f) RULES FOR PREVIOUSLY-ISSUED DIGITAL COMMODITIES.—

“(1)

CERTAIN UNITS RECEIVED ~~RECEIVED~~ PRIOR ~~PRIOR~~ TO JANUARY 1, 2020.— IF A ~~ENACTMENT.~~— A unit of a digital commodity was received by a digital commodity related person or digital commodity affiliated person prior to January 1, 2020, the unit of the digital commodity may be offered or sold by the digital commodity related person or digital commodity affiliated person without condition.

“(2) CERTAIN UNITS RELATED TO A NON-MATURE BLOCKCHAIN SYSTEM.— If a

from the digital commodity issuer prior to the date of the enactment of this section through an offer or sale of an investment contract involving unit units of a digital commodity was received by a digital commodity related person or digital commodity affiliated person between January 1, 2020, and June 1, 2025, and the blockchain system to which the digital commodity relates is not certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934, the unit of the digital asset in reliance on an exemption from registration under this Act, including as provided under section 3, 4(a), or 19, may be offered or sold by a digital commodity related person or digital commodity affiliated person if—

“(A) reports with respect to such digital commodity comparable to the reports described under section 4B(b)(3), where required by the Commission, have been filed with the Commission;

“(B) the digital commodity related person or digital commodity affiliated person meets any requirements pursuant to subsection (c)(3); and

“(C) the digital commodity related person or digital commodity affiliated person has held the units for not less than 12 months from the date the units were delivered.

“(3) CERTAIN UNITS

the digital commodity issuer is no longer engaged in material ongoing efforts related to a mature the blockchain system.— If a unit of a digital commodity was received by a digital commodity related person or digital commodity affiliated person between January 1, 2020, and June 1, 2025, system to which the digital commodity relates and the blockchain system to which the digital commodity relates is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934, it may be offered or sold by a digital commodity related person or digital commodity affiliated person if—

“(A) information described in

1934; or

“(2) the appropriate disclosures required under section 4B(b-202(c)(5-2)(C-B) or comparable thereto, where required by the Commission, is publicly available; and

“(B) the digital commodity related person or digital

of the CLARITY Act of 2025 have been made with the Commission.

“(g) RULEMAKING ON FURTHER USAGE OF DIGITAL COMMODITY AFFILIATED PERSON HAS HELD THE UNITS FOR NOT LESS THAN 12 MONTHS FROM THE DATE THE UNITS WERE DELIVERED.

“(G) RULEMAKING ON FURTHER USAGE OF DIGITAL COMMODITIES.— NOT LATER THAN 270 DAYS AFTER THE DATE OF ENACTMENT OF THIS SECTION, THE COMMISSION MAY ISSUE

COMMODITIES.— *The Commission, consistent with protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation, as well as fostering the development of mature blockchain systems, may, by rules to rule, exempt , unconditionally or on stated terms or conditions, a digital commodity related person or a digital commodity affiliated person , or any class thereof, from the requirements of this section for the offer or sale of a digital commodity , in order to foster the development of mature blockchain systems and fair and orderly markets including for the purposes of promoting market liquidity .”*

SEC. 205. MATURE BLOCKCHAIN SYSTEM REQUIREMENTS.

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

“SEC. 42. MATURE BLOCKCHAIN SYSTEMS.

“(a) CERTIFICATION OF BLOCKCHAIN SYSTEMS.—

“(1) CERTIFICATION.— ~~For purposes of sections 4(a)(8), 4B, and 4C of the Securities Act of 1933 any~~ A digital commodity issuer, digital commodity related person, digital commodity affiliated person, or decentralized governance system of the blockchain ~~system may certify to the Securities and Exchange system, or a registered digital commodity exchange, or any other appropriate person as designated by the Commission, may certify to the~~ Commission that the blockchain system to which a digital commodity relates is a mature blockchain system.

“(2) FILING REQUIREMENTS.— A certification described under paragraph (1) shall be filed with the Commission, and include such information that is reasonably necessary to establish that the blockchain system is not controlled by any person or group of persons under common control, which may include information regarding—

“(A) the operation of the blockchain system;

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

“(C) how the market value of the digital commodity is substantially derived from the programmatic functioning of such blockchain system;

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

“(E) the current roles, if any, of the digital commodity issuer, digital commodity affiliated persons, and digital commodity related persons where such roles are material to the development or operation of such blockchain system or the decentralized governance system of such blockchain system.

“(3) REBUTTABLE PRESUMPTION.— The Commission may rebut a certification described under paragraph (1) with respect to a blockchain system if the Commission, within 60 days of receiving such certification, determines that the blockchain system is not a mature blockchain system.

“(4) CERTIFICATION REVIEW.—

“(A) IN GENERAL.— Any blockchain system that relates to a digital commodity for which a certification has been made under paragraph (1) shall be considered a mature blockchain system 60 days after the date on which the Commission receives a certification under paragraph (1), unless

the Commission notifies the person who made the certification within such time that the Commission is staying the certification due to—

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

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

“(B) PUBLIC NOTICE.— The Commission shall make the following available to the public and provide a copy to the Commodity Futures Trading Commission:

“(i) Each certification received under paragraph (1).

“(ii) Each stay of the Commission under this subsection, and the reasons therefor.

“(iii) Any response from a person making a certification under paragraph (1) to a stay of the certification by the Commission.

“(C) CONSOLIDATION.— The Commission may consolidate and treat as one submission multiple certifications made under paragraph (1) for the same blockchain system which relates to a digital commodity which are received during the review period provided under this paragraph.

“(5) STAY OF CERTIFICATION.—

“(A) IN GENERAL.— A notification by the Commission pursuant to paragraph (4)(A) shall stay the certification once for up to an additional 120 days from the date of the notification.

“(B) PUBLIC COMMENT PERIOD.— Before the end of the 60-day period described under paragraph (4)(A), the Commission may begin a public comment period of at least 30 days in conjunction with a stay under this subsection.

“(6) DISPOSITION OF CERTIFICATION.— A certification made under paragraph (1) 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.

“(7) RECERTIFICATION.— With respect to a blockchain system for which a certification has been rebutted under this subsection, no person may make a certification under paragraph (1) with respect to such blockchain system during the 90-day period beginning on the date of such rebuttal.

“(8) APPEAL OF REBUTTAL.—

“(A) IN GENERAL.— If a certification is rebutted under this section, the person making such certification may appeal the decision to the United States Court of Appeals for the District of Columbia, not later than 60 days after the notice of rebuttal is made.

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

“(b) MATURITY CRITERIA.—

“(1) SENSE OF CONGRESS.— It is the sense of the Congress that protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation necessitates establishing clear criteria for blockchain systems to be deemed mature, as well as enabling the Commission to develop, without prejudice to any such criteria codified in statute, alternative criteria by which blockchain systems may be considered not to be controlled by any person or group of persons under common control in order to accommodate changes in markets and technology.

“(2) IN GENERAL.— The Commission may issue rules identifying conditions by which a blockchain system, together with its related digital commodity, shall be considered a mature blockchain system, consistent with the protection of investors, maintenance of fair, orderly, and efficient markets, and the facilitation of capital formation.

“(3) RULES OF CONSTRUCTION.—

“(A) Nothing in this subsection may be construed to permit the Commission to impose additional criteria to the criteria in subsection (c) for certifying that a blockchain system is a mature blockchain system pursuant to subsection (c).

“(B) Nothing in this subsection or subsection (c) may be construed to limit the Commission’s ability to identify alternative conditions and criteria by which a blockchain system may be considered a mature blockchain system.

“(c) DEEMED MATURE.—

“(1) IN GENERAL.— Notwithstanding subsection (b), for the purposes of subsection (a), a digital commodity issuer, digital commodity related person, digital commodity affiliated person, or decentralized governance system of the blockchain system may establish that a blockchain system, together with its related digital commodity, is not controlled by any person or group of persons under common control, if the blockchain system, together with its related digital asset, meets the requirements described in paragraph (2) or (3).

“(2) CRITERIA FOR ANY BLOCKCHAIN SYSTEM.— The requirements described in this paragraph are the following:

“(A) SYSTEM VALUE.—

“(i) MARKET VALUE.— The digital commodity has a value that is substantially derived from the adoption, use, and functioning of the blockchain system.

“(ii) DEVELOPMENT OF VALUE MECHANISM SUBSTANTIALLY COMPLETED.— Where the digital commodity issuer has made public a development plan describing how the digital commodity’s value is reasonably expected to be derived from the programmatic functioning of the blockchain system, the development of such mechanisms has been substantially completed.

“(B) FUNCTIONAL SYSTEM.— The blockchain system allows network participants to engage in the activities the blockchain system is intended to provide, including—

“(i) using, transmitting, or storing value, or otherwise executing transactions, on the blockchain system;

“(ii) deploying, executing, or accessing software or services, or otherwise offering or participating in services, deployed on or integrated with the blockchain system;

“(iii) participating in the consensus mechanism, transaction validation process, or decentralized governance system of the blockchain system; or

“(iv) operating any client, node, validator, ~~sequencer,~~ or other form of computational infrastructure with respect to the blockchain system.

“(C) OPEN AND INTEROPERABLE SYSTEM.— The blockchain system—

“(i) is composed of source code that is open source; and

“(ii) does not restrict or prohibit based on the exercise of unilateral authority any person, other than a digital commodity issuer, digital commodity related person, or ~~a~~ digital commodity affiliated person from engaging in the activities the blockchain system is intended to provide, including the activities described in subparagraph (B).

“(D) PROGRAMMATIC SYSTEM.— The blockchain system operates, executes, and enforces its operations and transactions based solely on pre-established, transparent rules encoded directly within the source code of the blockchain system.

“(E) SYSTEM GOVERNANCE.— No person or group of persons under common control—

“(i) has the unilateral authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the blockchain system or its related digital commodity; or

“(ii) has the unilateral authority to direct the voting, in the aggregate, of 20 percent or more of the outstanding voting power of such blockchain system by means of a related

digital commodity, nodes or validators, a decentralized governance system, or otherwise, in a blockchain system which can be altered by a voting system.

“(F) IMPARTIAL SYSTEM.— No person or group of persons under common control possesses a unique permission or privilege ~~to alter the~~ *with respect to* functionality, operation, or rules of consensus or agreement of the blockchain system or its related digital commodity, unless such alteration—

“(i) addresses errors, regular maintenance, or cybersecurity risks of the blockchain system that affect the programmatic functioning of the blockchain system; and

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

“(G) DISTRIBUTED OWNERSHIP.— No digital commodity issuer, digital commodity related person, or digital commodity affiliated person beneficially owns, in the aggregate, 20 percent or more of the total amount of units of the digital commodity.

“(3) OPTIONAL CRITERIA FOR PREEXISTING BLOCKCHAIN SYSTEMS.— The requirements described in this paragraph are that the blockchain system—

“(A) was created prior to the date of enactment of this section;

“(B) met the requirements of subparagraphs (A) through (F) of paragraph (2) prior to ~~January 1, 2020~~ *the date of enactment of this section*; and

“(C) at least 50 percent of the units of the digital commodity related to the blockchain system are held by persons other than the digital commodity issuer, a digital commodity related person, or a digital commodity affiliated person.

“(d) DECENTRALIZED GOVERNANCE SYSTEM.—

“(1) For the purposes of this section, a decentralized governance system is not a ‘ person ’ or a ‘ group of persons under common control ’.

“(2) A blockchain system, together with its digital commodity, shall not be precluded from being considered a mature blockchain system solely based on a functional, administrative, clerical, or ministerial action of a decentralized governance system, including any such action taken by a person acting on behalf of and at the direction of the decentralized governance system, as determined by the Commission and consistent with the protection of investors, maintenance of fair, orderly, and efficient markets, and the facilitation of capital formation.

“(e) RULEMAKING.— Not more than 270 days after the date of enactment of this section, the Commission shall issue rules to carry out this section.”

SEC. 206. EFFECTIVE DATE.

Unless otherwise provided in this title, this title and the amendments made by this title shall take effect 360 days after the date of enactment of this Act, except that, to the extent a provision of this title requires a rulemaking, the provision shall take effect on the later of—

(1) 360 days after the date of enactment of this Act; or

(2) 60 days after the publication in the Federal Register of the final rule implementing the provision.

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

SEC. 301. TREATMENT OF DIGITAL COMMODITIES AND PERMITTED PAYMENT STABLECOINS.

(a) SECURITIES ACT OF 1933.— Section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1)) ~~is~~, as amended by adding the GENIUS Act, is amended by striking at the end final sentence and inserting the following: “ The term does not include a digital commodity or permitted payment stablecoin. ”.

(b) SECURITIES EXCHANGE ACT OF 1934.— Section 3(a)(10) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)) ~~is~~, as amended by adding at the end the GENIUS Act, is amended by striking the final sentence and inserting the following: “ The term does not include a digital commodity or permitted payment stablecoin. ”.

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

(1) in paragraph (18), ~~by adding at the end~~ as amended by the GENIUS Act, by striking the final sentence and inserting the following: “ The term does not include a digital commodity or permitted payment stablecoin. ”;

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

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

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

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

(1) in paragraph (36), ~~by adding at the end~~ as amended by the GENIUS Act, by striking the final sentence and inserting the following: “ The term does not include a digital commodity or permitted payment stablecoin. ”; and

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

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

(e) SECURITIES INVESTOR PROTECTION ACT OF 1970.— Section 16 ~~(14)~~ of the Securities Investor Protection Act of 1970 (15 U.S.C. 78lll) is amended—

(1) in paragraph (14)) is, as amended by adding the GENIUS Act, by striking at the end final sentence and inserting the following: “ The term does not include a digital commodity or permitted payment stablecoin, as such terms are defined, respectively, under section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)) ” ; and

(2) by adding at the end the following:

“(15) TREATMENT OF PERMITTED PAYMENT STABLECOINS.— A permitted payment stablecoin, as defined in section 2(a) of the Securities Act of 1933, shall not qualify as ‘ cash ’ and a claim for a permitted payment stablecoin shall not qualify as a ‘ claim for cash ’.”

SEC. 302. ANTI-FRAUD AUTHORITY OVER PERMITTED PAYMENT STABLECOINS AND CERTAIN DIGITAL COMMODITY TRANSACTIONS.

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

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

(2) by ~~designating the undesignated matter at the end of that section as subsection (d)~~ inserting after subsection (c) the following:

“(d) To use or employ, in connection with the purchase or sale of any permitted payment stablecoin or digital commodity, by or through, as applicable, a broker, dealer, national securities exchange, or an

alternative trading system, any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.”

; and

(3) by adding at the end the following: ~~“(e) (1) “~~Rules promulgated under subsection (b) that prohibit fraud, manipulation, or insider trading (but not rules imposing or specifying reporting or recordkeeping requirements, procedures, or standards as prophylactic measures against fraud, manipulation, or insider trading), and judicial precedents decided under subsection (b) and rules promulgated thereunder that prohibit fraud, manipulation, or insider trading, shall apply with respect to permitted payment stablecoin and digital commodity transactions engaged in by *or through* a broker or dealer or through an alternative trading system or, as applicable, a national securities exchange to the same extent as they apply to securities transactions.

~~“(2)~~

Judicial precedents decided under section 17(a) of the Securities Act of 1933 and sections 9, 15, 16, 20, and 21A of this title, and judicial precedents decided under applicable rules promulgated under such sections, shall apply to permitted payment stablecoins and digital commodities with respect to those circumstances in which the permitted payment stablecoins and digital commodities are *as applicable*, brokered, traded, or custodied by *or through* a broker or dealer or through an alternative trading system or ~~as applicable~~, a national securities exchange to the same extent as they apply to securities. ~~”>”~~.

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

“SEC. 6A. TREATMENT OF TRANSACTIONS IN PERMITTED PAYMENT STABLECOINS.

“(a) AUTHORITY TO BROKER, TRADE, AND CUSTODY PERMITTED PAYMENT STABLECOINS.— Permitted payment stablecoins may be brokered, traded, or custodied by a ~~broker~~, *broker or* dealer or through an alternative trading system or national securities exchange.

“(b) COMMISSION JURISDICTION.— The Commission shall only have jurisdiction over a transaction in a permitted payment stablecoin with respect to those circumstances in which a permitted payment stablecoin is brokered, traded, or custodied—

“(1) by a broker or dealer;

“(2) through a national securities exchange; or

“(3) through an alternative trading system.

“(c) LIMITATION.— Subsection (b) shall only apply to a transaction described in subsection (b) for the purposes of regulating the offer, execution, solicitation, or acceptance of a permitted payment stablecoin in those circumstances in which the permitted payment stablecoin is brokered, traded, or custodied—

“(1) by a broker or dealer;

“(2) through a national securities exchange; or

“(3) through an alternative trading system.

~~“(d) RULE OF CONSTRUCTION.— Nothing in this section may be construed to prohibit permitted payment stablecoins from being custodied by any person or entity that is not a broker, dealer, alternative trading system, or national securities exchange.~~

”

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 COMMODITY PROTECTIONS.—

“(1) IN GENERAL.— The Commission may not preclude a trading platform from operating pursuant to a covered exemption to exchange registration under section 6 of this title on the basis that the assets traded or to be traded on such platform include—

“(A) digital commodities or permitted payment stablecoins; and

“(B) securities.

“(2) COVERED EXEMPTION.— In this subsection, the term ‘ covered exemption ’ means an exemption—

“(A) described in subsection (a)(2); or

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

(b) SECURITIES EXCHANGE ACT OF 1934.— Section 3(a)(2) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(2)) is amended by adding at the end the following: “ An ~~Neither an~~ alternative trading system primarily ~~predominantly~~ facilitating the trading of digital commodities, permitted payment stablecoins, or both, is not ~~relative to its securities traded, nor a digital commodity exchange, is~~ a ‘ facility ’ of an exchange. ”.

(c) RULE OF CONSTRUCTION.— Nothing in this section, the amendments made by this section, or section 304 may be construed to—

(1) prohibit a national securities exchange from owning or operating any other type of alternative trading system; or

(2) create a presumption that any other type of alternative trading system owned or operated by a national securities exchange is a facility of that exchange.

SEC. 304. OPERATION OF ALTERNATIVE TRADING SYSTEMS.

(a) ~~COMMISSION AUTHORITY.— The Securities and Exchange Commission shall have jurisdiction over digital commodity activities and transactions engaged in by—~~

~~(1) a registered broker or registered dealer exempt from registration with the Commodity Futures Trading Commission pursuant to section 5k of the Commodity Exchange Act; and~~

~~(2) a national securities exchange.~~

(b) ~~RULEMAKING AUTHORITY.— The Securities and Exchange Commission shall have authority to issue rules governing any digital commodity activities and transactions engaged in by a broker, dealer, or national securities exchange registered with the Securities and Exchange Commission and exempt from registration with the Commodity Futures Trading Commission pursuant to section 5k of the Commodity Exchange Act, consistent with this section and what is necessary or appropriate in the public interest or for the protection of investors.~~

(c) ~~NATIONAL SECURITIES EXCHANGES.— 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 permit a national securities exchange or affiliate thereof to operate an alternative trading system that permits the trading of digital commodities, permitted payment stablecoins, or both by registered brokers or registered dealers that are exempt from registration with the Commodity Futures Trading Commission pursuant section 5k of the Commodity Exchange Act, consistent with this section and what is necessary or appropriate in the public interest or for the protection of investors.~~

(d) ~~REGISTERED BROKERS AND REGISTERED DEALERS.— 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 permit a registered broker or registered dealer that is exempt from registration with the Commodity Futures Trading Commission pursuant to section 5k of the Commodity Exchange Act to operate an alternative trading system that permits the trading of digital commodities, permitted payment stablecoins, or both, consistent with this section and what is necessary or appropriate in the public interest or for the protection of investors.~~

~~(c) PERMITTED TRADING.—~~

~~(1) IN GENERAL.— An alternative trading system operated pursuant to this section and the regulations promulgated hereunder shall be permitted to trade upon notice to the Securities and Exchange Commission in a manner prescribed by the Securities and Exchange Commission any digital commodity that has been listed by a digital commodity exchange in compliance with section 5i(e)(3) of the Commodity Exchange Act.~~

~~(2) COMMISSION AUTHORITY.— Digital commodity transactions offered on an alternative trading system operating pursuant to this section shall be subject to the jurisdiction of the Securities and Exchange Commission. The Securities and Exchange Commission shall have authority to promulgate rules governing such digital commodity transactions of alternative trading systems~~

RULEMAKING FOR DUAL-REGISTERED ENTITIES.

(a) CONFLICT OF INTEREST POLICIES AND PROCEDURES.— Each person or entity dual-registered with the Commodity Futures Trading Commission as permitted under section 15(p) of the Securities Exchange Act of 1934 shall establish, maintain, and, as applicable, enforce and comply with written policies and procedures reasonably designed to mitigate any conflicts of interest, including with respect to transactions or arrangements with affiliates registered with the Securities and Exchange Commission, taking into consideration the nature of the business of such person or entity.

(b) EXEMPTION FROM DUPLICATIVE,

~~CONSISTENT WITH THIS SECTION AND WHAT IS NECESSARY OR APPROPRIATE IN THE PUBLIC INTEREST OR FOR THE~~

CONFLICTING, OR UNDULY BURDENSOME~~PROTECTION OF INVESTORS:~~

~~(3) SUSPENSION OF TRADING.— THE SECURITIES AND EXCHANGE COMMISSION MAY SUSPEND THE TRADING OF A DIGITAL COMMODITY BY AN ALTERNATIVE TRADING SYSTEM OPERATING PURSUANT TO THIS SECTION AS IS NECESSARY OR APPROPRIATE IN THE PUBLIC INTEREST AND IS CONSISTENT WITH THE PROTECTION OF INVESTORS:~~

~~(f) ORDER DISPLAY AND EXECUTION REPORTING.— NOT LATER THAN 270 DAYS AFTER THE DATE OF THE ENACTMENT OF THIS ACT, THE SECURITIES AND EXCHANGE COMMISSION SHALL ISSUE AND REVISE RULES, AS NECESSARY OR APPROPRIATE IN THE PUBLIC INTEREST OR FOR THE PROTECTION OF INVESTORS, REGARDING WHETHER ALTERNATIVE TRADING SYSTEMS OPERATING PURSUANT TO SUBSECTIONS (c) AND (d) HAVE AN OBLIGATION TO PROVIDE THE PRICES AND SIZES OF ORDERS DISPLAYED TO MORE THAN ONE PERSON IN SUCH ALTERNATIVE TRADING SYSTEM OF DIGITAL COMMODITIES TO SELF-REGULATORY ORGANIZATIONS WITH MEMBERS WHO TRADE IN DIGITAL COMMODITIES OR PERMITTED PAYMENT STABLECOINS:~~

~~(g) PRINCIPLES OF TRADE.— NOT LATER THAN 270 DAYS AFTER THE DATE OF THE ENACTMENT OF THIS ACT,~~

PROVISIONS.— The Securities and Exchange Commission shall prescribe rules for a person or entity with multiple registrations, where at least one such registration includes any dual registration permitted under section 15(p) of the Securities and Exchange Commission shall issue and revise rules, as necessary or appropriate in the public interest or for the protection of investors, to—

~~(1) apply the rules and standards promulgated pursuant to paragraph (2) to the appropriate market participants, including—~~

~~(A) national securities exchanges operating an alternative trading system described in subsection (c); and~~

~~(B) registered brokers and registered dealers operating or subscribing to an alternative trading system described in subsection (d); and~~

~~(2) apply, as appropriate to the market participants described in subparagraph (1) and customers thereof rules and standards to—~~

~~(A) prevent fraudulent and manipulative acts and practices;~~

~~(B) foster cooperation and coordination with persons engaged in regulating, settling, processing information with respect to, and facilitating transactions in digital commodities or permitted payment~~

stablecoins traded, as applicable, on or by any alternative trading system operating pursuant to subsection (c) or (d), or any registered broker or registered dealer;

(C) remove impediments to and perfect the mechanism of a free and open market in digital commodities or permitted payment stablecoins traded, as applicable, on or by any alternative trading system operating pursuant to subsection (c) or (d), or any registered broker or registered dealer;

(D) in general, protect investors and the public interest; and

(E) prohibit any unfair discrimination between—

(i) customers;

(ii) any market participants described in subparagraphs (A) and (B) of paragraph (1); or

(iii) issuers of digital commodities

Act of 1934, to exempt the person or entity from duplicative, conflicting, or unduly burdensome provisions of the Securities Exchange Act of 1934 and rules thereunder, to the extent such an exemption would protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

(~~h-c~~) IMPLEMENTING ORGANIZATIONS.— The Securities and Exchange Commission shall require any registered national securities association that has as a member a registered broker or registered dealer that operates an alternative trading system pursuant to subsection (d) or otherwise transacts in digital commodities or permitted payment stablecoins to adopt such rules *is registered with the Commodity Futures Trading Commission as a digital commodity broker or digital commodity dealer* as may be necessary to further compliance with this section, including subsection (g)(2), protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

(i) RULE OF CONSTRUCTION.— The enumeration of any category of rules or regulations in this section shall not be construed to limit the authority of the Securities and Exchange Commission to promulgate such rules as may be necessary or appropriate to implement this section and the purposes of this Act, including over—

(1) system capacity, integrity, and security;

(2) examinations, inspections, and investigations;

(3) trade reporting; or

(4) written procedures for the confidential treatment of trading information

permitted under section 15(p)(1) of the Securities Exchange Act of 1934 or otherwise transacts in permitted payment stablecoins to revise such rules as may be necessary to further the purposes of and compliance with this section.

(~~j-d~~) MEMORANDUM OF UNDERSTANDING.— ~~Consistent with section 5k of the Commodity Exchange Act and to carry out this Act, the~~ *The* Securities and Exchange Commission shall enter into a memorandum of understanding with the Commodity Futures Trading Commission to ensure—

(1) requirements imposed on registered brokers or registered dealers operating an alternative trading system pursuant to subsection (c) or otherwise transacting in digital commodities or permitted payment stablecoins are consistent with the substantive requirements under section 4u of the Commodity Exchange Act;

(2) requirements imposed on alternative trading systems operating pursuant to subsection (c) or (d) are not inconsistent with core principles of and are consistent with the other substantive requirements

non-duplicative supervision and enforcement with respect to registrants of the Securities and Exchange Commission dual-registered with the Commodity Futures Trading Commission as permitted under section 5i-15(p) of the Commodity Securities Exchange Act of 1934; and

(~~3-2~~) non-duplicative supervision and enforcement with respect to registrants of the Securities and Exchange Commission notice registered with the Commodity Futures Trading Commission.

(k) COVERED REGULATIONS DEFINED.— In this section, the term “covered regulations” means sections 242.300, 242.301, 242.302, 242.303, 242.304, and 242.1000 through 242.1007 of title 17, Code of Federal Regulations

appropriate information sharing between the Commissions to further the purposes of and compliance with this section, the Securities Exchange Act of 1934, and the Commodity Exchange Act.

(~~He~~) RULE OF CONSTRUCTION.— Nothing in this section shall be construed to limit the anti-fraud, anti-manipulation, or false reporting enforcement authorities of the Commodity Futures Trading Commission with respect to a contract of sale of a commodity and persons effecting such contracts.

SEC. 305. MODERNIZATION OF RECORDKEEPING REQUIREMENTS.

(a) IN GENERAL.— For purposes of books and records requirements for brokers, dealers, ~~and transfer agents, national securities~~ exchanges under the Securities and Exchange Act of 1934 (15 U.S.C. 78a et seq.), ~~investment advisers under the Investment Advisers Act of 1940 (15 U.S.C. 80b-1 et seq.), and investment companies under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.),~~ a person may ~~consider~~ *consistent with any rules promulgated under subsection (b), utilize* records from a blockchain system.

(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 such rules as may be necessary to implement this section.

SEC. 306. EXEMPTIVE AUTHORITY.

Section 28 of the Securities Act of 1933 (15 U.S.C. 77z-3) is amended by striking “ by rule or regulation ” and inserting “ by rule, regulation, or order ”.

SEC. 307. ADDITIONAL REGISTRATIONS WITH THE COMMODITY FUTURES TRADING COMMISSION.

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

“(p) ADDITIONAL REGISTRATIONS WITH THE COMMODITY FUTURES TRADING COMMISSION.—

“(1) Registered brokers and dealers.— A registered broker or registered dealer shall be permitted to maintain a registration with the Commodity Futures Trading Commission as a digital commodity broker or digital commodity ~~dealer, to list or trade contracts of dealer.~~

“(2) NATIONAL SECURITIES EXCHANGES.— A national securities exchange or affiliate thereof shall be permitted to maintain a registration with the Commodity Futures Trading Commission as a digital commodity exchange.

“(3) ALTERNATIVE TRADING SYSTEMS.— An alternative trading system, and the operator thereof, shall be permitted to maintain a registration with the Commodity Futures Trading Commission as a digital commodity exchange.

*“(4) Notice of application.— Any person or entity described in paragraph (1) through (3) shall provide to the Securities and Exchange Commission, at such time and in such form and manner as the Securities and Exchange Commission ~~s shall~~ *shall* for digital commodities all prescribe, notice of any application to register with the Commodity Futures Trading Commission as a digital commodity broker, digital commodity dealer, or digital commodity exchange.”*

SEC. 308. EXEMPTING DIGITAL COMMODITIES FROM STATE SECURITIES LAWS.

(a) Covered Security.— 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 IN CONNECTION WITH DIGITAL COMMODITIES.— A digital commodity shall be treated as a covered security.”

(b) RULE OF CONSTRUCTION.— Nothing in this section, section 202, or the amendments made by such sections may be construed to limit the existing authority described in section 18(c)(1) of the Securities Act of 1933 (15 U.S.C. 77r(c)(1)) of a securities commission (or any agency or office performing like functions) of any State with respect to a covered security or any security.

SEC. 309. EXCLUSION FOR DECENTRALIZED FINANCE ACTIVITIES.

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

“SEC. 15H. DECENTRALIZED FINANCE ACTIVITIES NOT SUBJECT TO THIS ACT.

“(a) IN GENERAL.— Notwithstanding any other provision of this Act, a person shall not be subject to this Act and the regulations promulgated under this Act based on the person directly or indirectly engaging in any of the following activities, whether singly or in combination, in relation to the operation of a blockchain system or in relation to a decentralized finance trading protocol:

“(1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity.

“(2) Providing computational work, operating a node or oracle service, or procuring, offering, or utilizing network bandwidth, or providing other similar incidental services.

“(3) Providing a user-interface that enables a user to read and access data about a blockchain system.

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

“(5) Developing, publishing, constituting, administering, maintaining, or otherwise distributing a decentralized finance messaging system, or operating or participating in a liquidity pool, for the purpose of executing a contract of sale of a digital commodity.

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

“(b) EXCEPTIONS.— Subsection (a) shall not apply to the anti-fraud and anti-manipulation authorities of the Commission.”

SEC. 309. EXCLUSION FOR DECENTRALIZED FINANCE ACTIVITIES.

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

“SEC. 15H. DECENTRALIZED FINANCE ACTIVITIES NOT SUBJECT TO THIS ACT.

“(a) IN GENERAL.— Notwithstanding any other provision of this Act, a person shall not be subject to this Act and the regulations promulgated under this Act based on the person directly or indirectly engaging in any of the following activities, whether singly or in combination, in relation to the operation of a blockchain system or in relation to a decentralized finance trading protocol:

“(1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity.

“(2) Providing computational work, operating a node or oracle service, or procuring, offering, or utilizing network bandwidth, or providing other similar incidental services.

“(3) Providing a user-interface that enables a user to read and access data about a blockchain system.

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

“(5) Developing, publishing, constituting, administering, maintaining, or otherwise distributing a decentralized finance messaging system, or operating or participating in a liquidity pool, for the purpose of executing a spot contract for the purchase or sale of a digital commodity in relation to a decentralized finance trading protocol.

“(6) Developing, publishing, constituting, administering, maintaining, or otherwise distributing software or systems that create or deploy hardware or software, including wallets or other systems, facilitating an

individual user's own personal ability to keep, safeguard, or custody the user's digital assets or related private keys.

“(b) EXCEPTIONS.— Subsection (a) shall not apply to the anti-fraud and anti-manipulation authorities of the Commission.”

SEC. 310. TREATMENT OF CUSTODY ACTIVITIES BY BANKING INSTITUTIONS.

(a) TREATMENT OF CUSTODY ACTIVITIES.— The appropriate Federal banking agency, the National Credit Union Administration (in the case of a credit union), and the Securities and Exchange Commission may not require a depository institution, national bank, Federal credit union, State credit union, trust company, broker, or dealer, or any affiliate thereof (the “entity”)—

(1) to include assets held in custody that are not ~~owned by~~ accounted for as assets of the entity as a liability on the financial statement or balance sheet of the entity, including digital commodity or permitted payment stablecoin custody or safekeeping services; and

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

(A) the appropriate Federal banking agency;

(B) the National Credit Union Administration (in the case of a credit union);

(C) a State bank supervisor;

(D) a State credit union supervisor (as defined in section 6003 of the Anti-Money Laundering Act of 2020 (31 U.S.C. 5311 note)); or

(E) the Securities and Exchange Commission (in the case of a broker or dealer) ~~; and~~

~~(3) to recognize a liability for any obligations related to activities or services performed with respect to digital commodities that the entity does not own if that liability would exceed the expense recognized in the income statement as a result of the corresponding obligation~~

(b) DEFINITIONS.— In this section:

(1) BANKING TERMS.— The terms “ appropriate Federal banking agency ”, “ depository institution ”, “ national bank ”, and “ State bank supervisor ” have the meaning given those terms, respectively, under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(2) CREDIT UNION TERMS.— The terms “ Federal credit union ” and “ State credit union ” have the meaning given those terms, respectively, under section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

SEC. 311. DIGITAL COMMODITY ACTIVITIES THAT ARE FINANCIAL IN NATURE.

~~Section 4(k)(4) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)(4)) is amended—~~

~~(1) in subparagraph (A), by striking “ or securities ” and inserting “ , securities, or digital commodities ”; and~~

~~(2) in subparagraph (E), by inserting “ or digital commodities ” before the period at the end.~~

SEC. 311. BROKER AND DEALER DISCLOSURES REGARDING THE TREATMENT OF ASSETS.

(a) IN GENERAL.— Not later than 270 days after the date of the enactment of this Act, the Securities and Exchange Commission shall issue rules requiring written disclosures regarding the treatment of customer assets in the event of an insolvency, resolution, or liquidation proceeding to be provided by a registered broker or dealer to an investor before a digital commodity, a permitted payment stablecoin, or an investment contract involving a unit of a digital commodity is received, acquired, or held by the broker or dealer for the account of the investor, which shall include, as necessary or appropriate for the protection of investors—

(1) a description of the manner in which any digital commodity, permitted payment stablecoin, or investment contract involving a unit of a digital commodity received, acquired, or held by the broker

or dealer for the account of such investor would be treated in an insolvency, resolution, or liquidation proceeding with respect to the broker or dealer under—

(A) title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 et seq.);

(B) the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.); or

(C) as applicable, chapter 7 or chapter 11 of title 11, United States Code; and

(2) how the treatment described in paragraph (1) differs from the treatment of securities and cash received, acquired, or held by the broker or dealer for the account of such investor in the event of an insolvency, resolution, or liquidation proceeding with respect to the broker or dealer under each law described under subparagraph (A) through (C) of paragraph (1).

~~SEC. 312. EFFECTIVE DATE; ADMINISTRATION.~~

~~Except as otherwise provided under this title, this title and the amendments made by this title shall take effect 360 days after the date of enactment of this Act, except that, to the extent a provision of this title requires a rulemaking, the provision shall take effect on the later of—~~

~~(1) 360 days after the date of enactment of this Act; or~~

~~(2) 60 days after the publication in the Federal Register of the final rule implementing the provision.~~

SEC. 312. DIGITAL COMMODITY ACTIVITIES THAT ARE FINANCIAL IN NATURE.

(a) DIGITAL COMMODITY ACTIVITIES THAT ARE FINANCIAL IN NATURE.— Section 4(k)(4) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)(4)) is amended—

(1) in subparagraph (A), by striking “ or securities ” and inserting “ , securities, or digital commodities ”; and

(2) in subparagraph (E), by inserting “ or digital commodities ” before the period at the end.

(b) NATIONAL BANK ACTIVITY.—

(1) IN GENERAL.— A national bank may use a digital asset or blockchain system to perform, provide, or deliver any activity, function, product, or service that the national bank is otherwise authorized by law to perform, provide, or deliver.

(2) RULE OF CONSTRUCTION.— Nothing in this subsection may be construed to exempt a national bank’s performance, provision, or delivery of an activity, function, product, or service from a requirement that would apply if the activity were not performed, provided, or delivered using a digital asset or blockchain system.

(c) INSURED STATE BANKS AND SUBSIDIARIES OF INSURED STATE BANKS.— For purposes of sections 24(a) and 24(d) of the Federal Deposit Insurance Act (12 U.S.C. 1831a(a) and (d)), all of the activities authorized for a national bank under subsection (b) that are principal activities shall be permissible for an insured State bank and subsidiary of an insured State bank.

[[Section moved]]

SEC. 313. EFFECTIVE DATE; ADMINISTRATION.

Except as otherwise provided under this title, this title and the amendments made by this title shall take effect 360 days after the date of enactment of this Act, except that, to the extent a provision of this title requires a rulemaking, the provision shall take effect on the later of—

(1) 360 days after the date of enactment of this Act; or

(2) 60 days after the publication in the Federal Register of the final rule implementing the provision.

SEC. 314. EDUCATIONAL MATERIAL REQUIREMENTS.

The Securities and Exchange Commission, in consultation with the Commodity Futures Trading Commission, shall require any registered entity that facilitates the trading of digital commodities or investment

contracts involving units of a digital commodity to provide clear and accessible educational materials to the public, including—

- (1) an overview of how blockchain technology functions;
- (2) a description of common risks associated with digital commodities;
- (3) a description of the differences between digital commodity markets and traditional financial markets;
- (4) information on reporting requirements related to digital commodity transactions or investment contracts involving units of a digital commodity; and
- (5) guidance on recognizing fraudulent schemes and instructions for reporting suspected fraud.

SEC. 315. DISCRETIONARY SURPLUS FUND.

(a) IN GENERAL.— The dollar amount specified under section 7(a)(3)(A) of the Federal Reserve Act (12 U.S.C. 289(a)(3)(A)) is reduced by \$15,000,000.

(b) EFFECTIVE DATE.— The amendment made by subsection (a) shall take effect on September 30, 2035.

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

SEC. 401. COMMISSION JURISDICTION OVER DIGITAL COMMODITY TRANSACTIONS.

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

“(J) Except as expressly provided in this Act, nothing in the CLARITY Act of 2025 shall affect or apply to, or be interpreted to affect or apply to—

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

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

“(II) a swap;

“(III) a security futures product;

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

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

“(VI) a leverage transaction authorized under section 19; or

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

(b) LIMITATION ON AUTHORITY OVER PERMITTED PAYMENT STABLECOINS.— Section 2(c)(1) of the Commodity Exchange Act (7 U.S.C. 2(c)(1)) is amended—

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

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

(3) by adding at the end the following:

“(H) permitted payment stablecoins.”

(c) COMMISSION JURISDICTION OVER FINANCING AGREEMENTS.— Section 2(c)(2) **(D)** of the Commodity Exchange Act (7 U.S.C. 2(c)(2) **(D)**) is amended—

(1) ~~in subparagraph (D)—~~

(A)

in clause (ii)(I), by inserting after “ paragraph (1) ” the following: “ (other than an agreement, contract, or transaction in a permitted payment stablecoin) ”; and

(B-2) by redesignating clause (iv) as clause (v) and inserting after clause (iii) the following:

“(iv) AGREEMENTS FOR MARGIN FINANCING.— Notwithstanding clause (iii), a digital commodity broker may, subject to the requirements of section 4u(c)(2), offer to or enter into an agreement for margin financing with a customer for the purchase or sale of a digital commodity, provided any purchase or sale made pursuant to the agreement shall result in the delivery of the digital commodity into or from an account carried for the customer *by the digital commodity broker*, as determined by the Commission by rule or regulation, based on commercial spot market practices.”

; and

(2)

!

(d) Commission Authority Over Certain Digital Commodity and Stablecoin Spot Transactions.— Section 2(c)(2) of the Commodity Exchange Act (7 U.S.C. 2(c)(2)) is amended by adding at the end the following:

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

“(i) IN GENERAL.— Subject to sections 6d and 12(e), the Commission shall have exclusive jurisdiction with respect to any account, agreement, contract, or transaction involving a contract of sale of a digital commodity *or tradable asset (as defined in section 4x)* in interstate commerce, including in a digital commodity *or tradable asset (as so defined)* 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—

“(I) custodial or depository activities for a 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); or

“(II) an offer or sale of an investment contract involving a digital commodity or of a securities offer or sale involving a digital commodity.

“(iii) MIXED DIGITAL ASSET TRANSACTIONS.—

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

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

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

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

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

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

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

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

(~~d-e~~) CONFORMING ~~AMENDMENT~~ ~~AMENDMENTS~~.— ~~Section 2(a)(1)(A) of such Act~~ *The Commodity Exchange Act is amended—*

(1) in section 1a(9) (7 U.S.C. 1a(9)), as amended by the GENIUS Act, by striking the second sentence; and

(2) in section 2(a)(1)(A) (7 U.S.C. 2(a)(1)(A)) ~~is amended~~, in the 1st sentence, by inserting “subparagraphs (F) and (G) of subsection (c)(2) of this section or” before “section 19”.

SEC. 402. REQUIRING FUTURES COMMISSION MERCHANTS TO USE QUALIFIED DIGITAL ASSET 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 asset custodian, as applicable, ”; and

(B) by inserting “ : *Provided further*, That any such property that is a digital asset shall be held in a qualified digital asset 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 asset custodian ”.

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

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

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

(2) in subsection (b)—

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

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

(3) in subsection (c)—

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

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

(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 submit a written certification to the Commission that the digital commodity meets the requirements of this Act (including the regulations prescribed under this Act).

“(2) CONTENTS OF THE CERTIFICATION.—

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

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

“(3) MODIFICATIONS.—

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

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

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

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

“(4) DISAPPROVAL.—

“(A) IN GENERAL.— The written certification described in paragraph (1) shall become effective unless the Commission finds that the listing of the digital commodity is inconsistent with the requirements of this Act or the rules and regulations prescribed under this Act.

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

“(C) PUBLIC FINDINGS.— The Commission shall make public any disapproval decision, and any related findings and analysis, made under this paragraph.

“(5) REVIEW.—

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

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

“(ii) 1 business day 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 Commission; and

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

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

“(II) missing information or inadequate explanations; or

“(III) potential inconsistencies with this Act.

“(6) PRIOR APPROVAL BEFORE REGISTRATION.—

“(A) IN GENERAL.— A person applying for registration with the Commission for the purposes of listing or offering a digital commodity for trading in a digital commodity cash or spot market may request that the Commission grant prior approval for the person to list or offer the digital commodity on being registered with the Commission.

“(B) REQUEST FOR PRIOR APPROVAL.— A person seeking prior approval under subparagraph (A) shall furnish the Commission with a written certification that the digital commodity meets the requirements of this Act (including the regulations prescribed under this Act) and the information described in paragraph (2).

“(C) DEADLINE.— The Commission shall take final action on a request for prior approval not later than 90 business days after submission of the request, unless the person submitting the request agrees to an extension of the time limitation established under this subparagraph.

“(D) DISAPPROVAL.—

“(i) IN GENERAL.— The Commission shall approve the listing of the digital commodity unless the Commission finds that the listing is inconsistent with this Act (including any regulation prescribed under this Act).

“(ii) ANALYSIS REQUIRED.— The Commission shall include, with any findings made under clause (i), a detailed analysis of the factors on which the decision is based.

“(iii) PUBLIC FINDINGS.— The Commission shall make public any disapproval decision, and any related findings and analysis, made under this paragraph.

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

SEC. 404. REGISTRATION OF DIGITAL COMMODITY EXCHANGES.

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

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

“(a) IN GENERAL.—

“(1) REGISTRATION.—

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

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

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

“(i) permits no more than a de minimis amount of trading activity, as the Commission may determine by rule or regulation, in a digital commodity; or

“(ii) serves only customers in a single State, territory, or possession of the United States.

“(2) ADDITIONAL REGISTRATIONS.—

“(A) WITH THE COMMISSION.— In order to foster the development of fair and orderly markets, protect customers, and promote responsible innovation, the Commission—

“(i) shall prescribe rules to exempt an entity registered with the Commission under more than 1 section of this Act from duplicative, conflicting, or unduly burdensome provisions of this Act and the rules under this Act;

“(ii) shall prescribe rules to address conflicts of interests and activities of the entity; and

“(iii) may, after an analysis of the risks and benefits, prescribe rules to provide for portfolio margining.

“(B) WITH A REGISTERED FUTURES ASSOCIATION.—

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

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

“(C) 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 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.

“(C) Section 4b–1 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.

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

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

“(B) EXCEPTIONS.— Subject to any conditions, requirements, or limitations imposed by the Commission pursuant to subparagraph (C), a digital commodity exchange may engage in trading on the exchange so long as the trading is not solely for the purpose of the profit of the exchange, including the following:

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

“(ii) RISK MANAGEMENT.— A transaction to manage the credit, market, and liquidity risks associated with the digital commodity business of the exchange.

“(iii) OPERATIONAL NEEDS.— A transaction related to the operational needs of the business of the digital commodity exchange or its affiliate.

“(iv) FUNCTIONAL USE.— A transaction related to the functional operation of a blockchain system.

“(C) RULEMAKING.— The Commission may, by rule, establish conditions, requirements, or other limitations on the activities of a digital commodity exchange and its affiliate permitted pursuant to subparagraph (B) that are necessary for the protection of customers, the promotion of innovation, or the maintenance of fair, orderly, and efficient markets.

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

“(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 establish policies and procedures to permit trading in a digital commodity only if—

“(i) reports with respect to the digital commodity required under, as applicable, section 4B(b)(3) or 4B(b)(5)(C) of the Securities Act of 1933 (or, with respect to a digital commodity not issued in reliance on section 4(a)(8) of the Securities Act of 1933, a comparable set of reports, where required by the Securities and Exchange Commission) have been filed with the Securities and Exchange Commission; or

“(ii) such other similar information as the Commission may, by rule or regulation require, that is related to the ongoing development plan of the blockchain system and is able to be publicly ascertained, has been provided to the public ~~;~~ or

~~“(iii) the blockchain system to which the digital commodity relates, together with the digital commodity, is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934~~

“(B) PUBLIC INFORMATION REQUIREMENTS.—

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

“(I) permit trading in a digital commodity only if the digital commodity exchange reasonably determines that the information required by clause (ii) is correct, current, and available to the public; and

“(II) establish policies and procedures to determine that the information provided pursuant to clause (ii) is correct, current, and available to the public.

“(ii) REQUIRED INFORMATION.— With respect to a digital commodity and each blockchain system to which the digital commodity relates for which the digital commodity exchange will make the

digital commodity available to the customers of the digital commodity exchange, the following information:

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

“(II) TRANSACTION HISTORY.— A description of the steps necessary to independently access, search, and verify the transaction history of any blockchain system to which the digital commodity relates, to the extent any such independent access, search, and verification activities are technically feasible with respect to the blockchain system.

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

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

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

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

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

“(IV) TRADING VOLUME AND VOLATILITY.— The trading volume and volatility of the digital commodity on the exchange.

“(V) ADDITIONAL INFORMATION.— Such additional information as the Commission may determine by rule to be necessary for a customer to understand the financial and operational risks of a digital commodity, and to be practically feasible to provide.

“(iii) FORMAT.— The Commission shall prescribe rules and regulations for the standardization and simplification of disclosures under clause (ii), including requiring that disclosures—

“(I) be conspicuous;

“(II) use plain language comprehensible to customers;

“(III) are not drafted in a way that presumes the customer already has a base knowledge, familiarity, or understanding of the basic terminology, operation, and function of blockchain systems; and

“(IV) succinctly explain the information that is required to be communicated to the customer.

“(iv) RELIANCE ON PREVIOUS DISCLOSURES.— In complying with this subparagraph, a digital commodity exchange may rely on and make available to the public relevant information publicly disclosed to the Commission, the Securities and Exchange Commission, or an appropriate Federal banking agency.

“(C) DIGITAL COMMODITIES HELD BY RELATED AND DIGITAL COMMODITY AFFILIATED PERSONS.— A digital commodity exchange shall establish policies and procedures designed to permit the trading of a unit of a digital commodity acquired from the issuer and held by a digital commodity affiliated person or a digital commodity related person, only in accordance with the requirements of section 4C of the Securities Act of 1933.

“(4) TREATMENT OF CUSTOMER ASSETS.— A digital commodity exchange shall establish policies 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, 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 relating to the business of the exchange, including a complete audit trail, in a form and manner acceptable to the Commission for a period of 5 years;

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

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

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

- “(i) the Board;
- “(ii) the Securities and Exchange Commission;
- “(iii) each appropriate Federal banking agency;
- “(iv) each appropriate State bank supervisor (within the meaning of section 3 of the Federal Deposit Insurance Act);
- “(v) the Financial Stability Oversight Council;
- “(vi) the Department of Justice; and
- “(vii) any other person that the Commission determines to be appropriate, including—
 - “(I) foreign financial supervisors (including foreign futures authorities);
 - “(II) foreign central banks; and
 - “(III) foreign ministries.

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

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

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

- “(A) adopt any rules or take any actions that result in any unreasonable restraint of trade; or
- “(B) impose any material anticompetitive burden on trading.

“(11) CONFLICTS OF INTEREST.— The digital commodity exchange shall establish and enforce rules—

- “(A) to minimize conflicts of interest in the decision making processes of the contract market; and
- “(B) to establish a process for resolving conflicts of interest referred to in subparagraph (A).

“(12) FINANCIAL RESOURCES.—

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

“(B) MINIMUM AMOUNT OF FINANCIAL RESOURCES.— A digital commodity exchange shall possess financial resources that, at a minimum, exceed the sum of—

- “(i) the total amount that would enable the digital commodity exchange to cover the operating costs of the digital commodity exchange for a 1-year period, as calculated on a rolling basis; and
- “(ii) the total amount necessary to meet the financial obligations of the digital commodity exchange to all customers of the digital commodity exchange.

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

“(14) GOVERNANCE FITNESS STANDARDS.—

“(A) GOVERNANCE ARRANGEMENTS.— A digital commodity exchange shall establish governance arrangements that are transparent and designed to permit consideration of the views of market participants.

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

- “(i) officers and directors; and

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

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

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

“(i) are reliable and secure; and

“(ii) have adequate scalable capacity;

“(B) establish and maintain emergency procedures, backup resources, 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 customer access to the money, assets, and property of the customer.

“(2) SEGREGATION OF FUNDS.—

“(A) 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.

“(B) COMMINGLING PROHIBITED.— Money, assets, and property described in subparagraph (A) 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.

“(C) EXCEPTIONS.—

“(i) USE OF FUNDS.—

“(I) IN GENERAL.— Notwithstanding subparagraph (A), money, assets, and property 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 asset custodian.

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

“(ii) COMMISSION ACTION.— 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 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.

“(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, and in obligations fully guaranteed as to principal and interest by the United States, or in any other investment that the Commission may by rule or regulation prescribe, and such investments shall be made in accordance with such rules and regulations and subject to such conditions as the Commission may prescribe.

“(4) CUSTOMER PROTECTION DURING BANKRUPTCY.—

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

“(B) TRANSACTIONS.— A transaction involving the sale of a unit of a digital commodity occurring on or subject to the rules of a digital commodity exchange shall be considered a contract for the purchase or sale of a commodity for future delivery, on or subject to the rules of, a contract market or board of trade for purposes of the definition of ‘ commodity contract ’ 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.

“(D) ASSETS REMOVED FROM SEGREGATION.— Assets removed from segregation due to a customer election under paragraph (6) shall not be considered customer property for purposes of section 761 of title 11, United States Code.

“(5) MISUSE OF CUSTOMER PROPERTY.—

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

“(i) for any digital commodity 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 any person other than a customer of the digital commodity exchange; or

“(ii) for any other person, including any depository, other digital commodity exchange, or digital asset 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.

“(B) USE FURTHER DEFINED.— For purposes of this section, ‘ use ’ of a digital commodity includes utilizing any unit of a digital asset to participate in a blockchain service defined in paragraph (6) or a decentralized governance system associated with the digital commodity or the blockchain system to which the digital commodity relates in any manner other than that expressly directed by the customer from whom the unit of a digital commodity was received.

“(6) PARTICIPATION IN BLOCKCHAIN SERVICES.—

“(A) IN GENERAL.— A CUSTOMER SHALL HAVE THE RIGHT TO WAIVE THE RESTRICTIONS IN PARAGRAPH (2) FOR ANY UNIT OF A DIGITAL COMMODITY TO BE USED UNDER SUBPARAGRAPH (B) OF THIS PARAGRAPH, BY AFFIRMATIVELY ELECTING, IN WRITING TO THE DIGITAL COMMODITY EXCHANGE, TO WAIVE THE RESTRICTIONS.

“(B) USE OF FUNDS.— CUSTOMER DIGITAL COMMODITIES REMOVED FROM SEGREGATION UNDER SUBPARAGRAPH (A) MAY BE POOLED AND USED BY THE DIGITAL COMMODITY EXCHANGE OR ITS DESIGNEE TO PROVIDE A BLOCKCHAIN SERVICE FOR A BLOCKCHAIN SYSTEM TO WHICH THE UNIT OF THE DIGITAL ASSET REMOVED FROM SEGREGATION IN

USE OF FUNDS.— A digital commodity exchange (or a designee of a digital commodity exchange) may use a unit of a digital commodity belonging to a customer to provide a blockchain service for a blockchain system to which the unit of the digital commodity relates if—

“(i) the customer expressly permits the use, in writing to the digital commodity exchange; and

“(ii) the digital commodity exchange complies with subparagraph (~~A~~) ~~relates B~~).

“(~~C~~) ~~B~~) LIMITATIONS.—

“(i) IN GENERAL.— The Commission shall, by rule, establish notice and disclosure requirements, and may, by rule, establish any other limitations and rules related to ~~the waiving of any restrictions~~ a permission provided under ~~this paragraph~~ subparagraph (A) that are reasonably necessary to protect customers, including eligible contract participants, non-eligible contract participants, or any other class of customers.

“(ii) CUSTOMER CHOICE.— A digital commodity exchange may not require a ~~waiver from a customer described~~ customer to provide the permission referred to in subparagraph (A) as a condition of doing business on the exchange.

“(C) Requirements.— The Commission may, by rule, waive or modify the requirements of paragraph (2) or subsection (h), to facilitate the use of a unit of a digital commodity belonging to a customer to provide a blockchain service.

“(D) BLOCKCHAIN SERVICE DEFINED.— In this paragraph, the term ‘ blockchain service ’ means any activity relating to validating transactions on a blockchain system, providing security for a blockchain system, or other similar activity , including protocol consensus participation activities described in section 2(a)(30)(B) of the Securities Act of 1933, required for the ongoing operation of a blockchain system.

“(e) MARKET ACCESS REQUIREMENTS.— The Commission may, by rule, impose any additional requirements related to the operations and activities of the digital commodity exchange and an affiliated digital commodity broker necessary to protect market participants, promote fair and equitable trading on the digital commodity exchange, and promote responsible innovation.

“(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 conflicts 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 ASSET CUSTODIAN.— A digital commodity exchange shall hold in a qualified digital asset custodian each unit of a digital asset 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.

“(i) EXEMPTIONS.—

“(1) IN GENERAL.— In order to promote responsible 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 Act~~, if the Commission determines that—

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

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

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

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

“(k) FEDERAL PREEMPTION.— Notwithstanding any other provision of law, the Commission shall have exclusive jurisdiction over any digital commodity exchange registered under this section with respect to activities and transactions subject to this Act.”

SEC. 405. QUALIFIED DIGITAL ASSET 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 ASSET CUSTODIANS.

“(a) IN GENERAL.— A person is a qualified digital asset custodian for purposes of this Act if the person—

“(1) holds digital assets on behalf of a person registered under this Act or a customer of a person registered under this Act; and

“(2) is in compliance with subsections (b) and (c).

“(b) SUPERVISION REQUIREMENT.— A person is in compliance with this subsection if the person is subject to—

“(1) supervision and examination for custody and safekeeping of digital assets by an appropriate Federal banking agency, the National Credit Union Administration, the Commission, or the Securities and Exchange Commission; or

“(2) adequate supervision and appropriate regulation for custody and safekeeping of digital assets by—

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

“(B) a State officer, agency, or other entity which has primary regulatory authority over nondepository State trust companies;

“(C) a State credit union supervisor, as defined under section 6003 of the Anti-Money Laundering Act of 2020; or

“(~~E~~D) an appropriate foreign governmental authority in the home country of the digital commodity custodian.

“(c) OTHER REQUIREMENTS.— A person shall be in compliance with this subsection if:

“(1) NOT OTHERWISE PROHIBITED.— The person has not been prohibited by its supervisor from engaging in an activity with respect to the custody and safekeeping of digital assets.

“(2) INFORMATION SHARING.—

“(A) IN GENERAL.— The person shares information with the Commission on request and complies with such requirements for periodic sharing of information regarding customer accounts that the person holds on behalf of an entity registered with the Commission as the Commission determines by rule are reasonably necessary to effectuate any of the provisions, or to accomplish any of the purposes, of this Act.

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

“(C) RULEMAKING FOR CFTC ENTITIES.—

“(i) IN GENERAL.— The Commission shall prescribe rules to permit a person registered with the Commission to be a qualified digital asset custodian in compliance with this section.

“(ii) CONTENT.— In prescribing the rules under subparagraph (A), the Commission shall require a person registered with the Commission to—

“(I) implement requirement consistent with the requirements in subsection (d)(1);

“(II) establish sufficient system safeguards;

“(III) prevent or mitigate conflicts of interest, as appropriate; and

“(IV) establish separate governance arrangements for the custodial function of the entity.

“(d) ADEQUATE SUPERVISION AND APPROPRIATE REGULATION.—

“(1) IN GENERAL.— For purposes of subsection (b), the terms ‘ adequate supervision ’ and ‘ appropriate regulation ’ mean such minimum standards for supervision and regulation as are reasonably necessary to protect the digital assets held by a person registered under this Act, including standards relating to the licensing, examination, and supervisory processes that require the person to, at a minimum—

“(A) receive a review and evaluation of ownership, character and fitness, conflicts of interest, business model, financial statements, funding resources, and policies and procedures of the person;

“(B) hold capital sufficient for the financial integrity of the person;

“(C) protect customer assets;

“(D) establish and maintain books and records regarding the business of the person;

“(E) submit financial statements and audited financial statements to the applicable supervisor described in subsection (b);

“(F) provide disclosures to the applicable supervisor described in subsection (b) regarding actions, proceedings, and other items as determined by the supervisor;

“(G) maintain and enforce policies and procedures for compliance with applicable State and Federal laws, including those related to anti-money laundering and cybersecurity;

“(H) establish a business continuity plan to ensure functionality in cases of disruption; and

“(I) establish policies and procedures to resolve complaints.

“(2) RULEMAKING WITH RESPECT TO DEFINITIONS.—

“(A) IN GENERAL.— For purposes of this section, the Commission may, by rule, further define the terms ‘ adequate supervision ’ and ‘ appropriate regulation ’ as necessary and appropriate for the protection of customers, and consistent with the purposes of this Act.

“(B) ~~CONDITIONAL TREATMENT OF CERTAIN~~ *EXISTING DIGITAL ASSET CUSTODIANS.— A trust company operating as a digital asset custodians-custodian* before rulemaking.— ~~Before~~ the effective date of a rulemaking under subparagraph (A) ~~, a trust company~~ is deemed subject to adequate supervision and appropriate regulation if—

“(i) the trust company is expressly permitted by a State bank supervisor to engage in the custody and safekeeping of digital assets;

“(ii) the State bank supervisor has established licensing, examination, and supervisory processes that require the trust company to, at a minimum, meet the conditions described in subparagraphs (A) through (I) of paragraph (1); and

“(iii) the trust company is in good standing with its State bank supervisor.

“(C) TRANSITION PERIOD FOR CERTAIN CUSTODIANS.— In implementing the rulemaking under subparagraph (A), the Commission shall provide a transition period of not less than 2 years for any trust company that is deemed subject to adequate supervision and appropriate regulation under subparagraph (B) on the effective date of the rulemaking.

“(e) ~~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, or any requirement to utilize a qualified digital asset custodian, 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.) is amended by inserting after section 4t the following:

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

“(a) REGISTRATION.—

“(1) REQUIREMENT.— 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.

“(2) ADDITIONAL REGISTRATION.—

“(A) RULES.— In order to foster the development of fair and orderly markets, protect customers, and promote responsible innovation, the Commission—

“(i) shall prescribe rules to exempt an entity registered with the Commission under more than 1 section of this Act from duplicative, conflicting, or unduly burdensome provisions of this Act and the rules under this Act;

“(ii) shall prescribe rules to address conflicts of interests and the activities of the entity; and

“(iii) may after an analysis of the risks and benefits, prescribe rules to provide for portfolio margining.

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

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

“(c) RULEMAKING.—

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

“(2) FINANCING AGREEMENTS.—

“(A) IN GENERAL.— The Commission shall prescribe rules and regulations applicable to digital commodity brokers or digital commodity dealers which shall set forth minimum requirements related to disclosure, recordkeeping, margin financing arrangements, rehypothecation, capital, reporting, business conduct, documentation, and supervision of employees and agents, in connection with—

“(i) an agreement described in section 2(c)(2)(D)(iv); or

“(ii) any other margined, leveraged, or financing arrangement for the purchase or sale of a digital commodity with an eligible contract participant.

“(B) SPECIFIC AUTHORITY.— Except as prohibited in section 2(c)(2)(G)(iii), the Commission may also make, promulgate, and enforce such rules and regulations as, in the judgment of the Commission, are reasonably necessary to effectuate any of the provisions of, or to accomplish any of the purposes of, this Act in connection with an agreement referred to in subparagraph (A) of this paragraph.

“(d) CAPITAL REQUIREMENTS.—

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

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

“(B) fulfill obligations to customers or counterparties for any margined, leveraged, or financed transactions.

“(2) FUTURES COMMISSION MERCHANTS AND OTHER DEALERS.— Each futures commission merchant, introducing broker, digital commodity broker, digital commodity dealer, broker, and dealer shall maintain sufficient capital to comply with the stricter of any applicable capital requirements to which the futures commission merchant, introducing broker, digital commodity broker, digital commodity dealer, broker, or dealer, respectively, is subject under this Act or the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

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

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

“(2) shall keep books and records in such form and manner and for such period as may be 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.

“(f) DAILY TRADING RECORDS.—

“(1) IN GENERAL.— Each digital commodity broker and 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 digital commodity broker and digital commodity dealer shall maintain daily trading records for each customer or counterparty in a manner and form that is identifiable with each digital commodity transaction.

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

“(g) BUSINESS CONDUCT STANDARDS.—

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

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

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

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

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

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

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

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

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

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

“(D) establish such other standards and requirements as the Commission may determine are appropriate for the protection of customers.

“(3) PROHIBITION ON FRAUDULENT PRACTICES.— It shall be unlawful for a digital commodity broker or digital commodity dealer to—

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

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

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

“(h) DUTIES.—

“(1) RISK MANAGEMENT PROCEDURES.— Each digital commodity broker and digital commodity dealer shall establish robust and professional risk management systems adequate for managing the day-to-day business of the digital commodity broker or digital commodity dealer, respectively.

“(2) DISCLOSURE OF GENERAL INFORMATION.— Each digital commodity broker and digital commodity dealer shall disclose to the Commission information concerning—

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

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

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

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

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

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

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

“(4) CONFLICTS OF INTEREST.— Each digital commodity broker and digital commodity dealer shall establish, maintain, and enforce written policies and procedures reasonably designed, taking into consideration the nature of the business of the person, to mitigate any conflicts of interest in transactions or arrangements with affiliates.

“(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.

“(i) DESIGNATION OF CHIEF COMPLIANCE OFFICER.—

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

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

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

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

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

“(D) be responsible for administering each policy and procedure that is required to be established pursuant to this section;

“(E) ensure compliance with this Act (including regulations), including each rule prescribed by the Commission under this section;

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

“(i) compliance office review;

“(ii) look-back;

“(iii) internal or external audit finding;

“(iv) self-reported error; or

“(v) validated complaint; and

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

“(3) ANNUAL REPORTS.—

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

“(i) the compliance of the registered digital commodity broker or registered digital commodity dealer with this Act (including regulations); and

“(ii) each policy and procedure of the registered digital commodity broker or registered digital commodity dealer followed by the chief compliance officer (including the code of ethics and conflict of interest policies).

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

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

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

“(j) SEGREGATION OF DIGITAL COMMODITIES.—

“(1) HOLDING OF CUSTOMER ASSETS.—

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

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

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

“(ii) required to be held by the digital commodity broker or digital commodity dealer under subsection (e); or

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

“(2) SEGREGATION OF FUNDS.—

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

“(B) COMMINGLING PROHIBITED.—

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

“(ii) EXCEPTIONS.—

“(I) USE OF FUNDS.—

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

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

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

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

“(4) CUSTOMER PROTECTION DURING BANKRUPTCY.—

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

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

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

“(D) ASSETS REMOVED FROM SEGREGATION.— Assets removed from segregation due to a customer election under paragraph (6) shall not be considered customer property for purposes of section 761 of title 11, United States Code.

“(5) MISUSE OF CUSTOMER PROPERTY.—

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

“(i) for any digital commodity broker or digital commodity dealer that has received any customer money, assets, or property for custody to dispose of, or use any such money, assets, or property as belonging to the digital commodity broker or digital commodity dealer, respectively, or any person other than a customer of the digital commodity broker or digital commodity dealer, respectively; or

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

“(B) USE FURTHER DEFINED.— For purposes of this section, ‘ use ’ of a digital commodity includes utilizing any unit of a digital asset to participate in a blockchain service defined in paragraph (6) or a decentralized governance system associated with the digital commodity or the blockchain system to which the digital commodity relates in any manner other than that expressly directed by the customer from whom the unit of a digital commodity was received.

“(6) PARTICIPATION IN BLOCKCHAIN SERVICES.—

“(A) ~~IN GENERAL.— A customer shall have the right to waive the restrictions in paragraph (2) for any unit of a digital commodity to be used under subparagraph (B) of this paragraph, by affirmatively electing, in writing to the digital commodity broker or digital commodity dealer,~~ USE OF FUNDS.— A digital commodity broker or digital commodity dealer (or a designee of a digital commodity broker or a digital commodity dealer) may use a unit of a digital commodity belonging to a customer to waive the restrictions.

“(B) ~~USE OF FUNDS.— Customer digital commodities removed from segregation under subparagraph (A) may be pooled and used by the digital commodity broker or digital commodity dealer, or one of their designees, to provide a blockchain service for a blockchain system to which the unit of the digital asset removed from segregation in~~

provide a blockchain service for a blockchain system to which the unit of the digital commodity relates if—

“(i) the customer expressly permits the use, in writing to the digital commodity broker or digital commodity dealer, as the case may be; and

“(ii) the digital commodity broker or the digital commodity dealer, as the case may be, complies with subparagraph (A) relates B).

“(~~E~~ B) LIMITATIONS.—

“(i) IN GENERAL.— The Commission shall, by rule, establish notice and disclosure requirements, and may, by rule, establish any other limitations and rules related to ~~the waiving of any restrictions~~ a permission provided under ~~this paragraph~~ subparagraph (A) that are reasonably necessary to protect customers, including eligible contract participants, non-eligible contract participants, or any other class of customers.

“(ii) CUSTOMER CHOICE.— A digital commodity broker or digital commodity dealer may not require a ~~waiver from a customer described~~ customer to provide the permission referred to in subparagraph (A) as a condition of doing business with the broker or dealer.

“(C) Requirements.— The Commission may, by rule, waive or modify the requirements of paragraph (2) or subsection (h), to facilitate the use of a unit of a digital commodity belonging to a customer to provide a blockchain service.”

“(D) BLOCKCHAIN SERVICE DEFINED.— In this paragraph, the term ‘ blockchain service ’ means any activity relating to validating transactions on a blockchain system, providing security for a blockchain system, or other similar activity , including protocol consensus participation activities described in section 2(a)(30)(B) of the Securities Act of 1933, required for the ongoing operation of a blockchain system.

“(k) FEDERAL PREEMPTION.— Notwithstanding any other provision of law, the Commission shall have exclusive jurisdiction over any digital commodity broker or digital commodity dealer registered under this section with respect to activities subject to this Act.

“(l) EXEMPTIONS.— In order to promote responsible 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 dealer) 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 dealer from the requirements of this ~~section Act~~, if the Commission determines that—

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

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

“(2) the ~~registered~~ digital commodity broker or ~~registered~~ digital commodity dealer is subject to comparable, comprehensive supervision and regulation by the appropriate government authorities in the home country of the ~~registered~~ digital commodity broker or ~~registered~~ digital commodity dealer, respectively.”

SEC. 407. REGISTRATION OF ASSOCIATED PERSONS.

(a) IN GENERAL.— Section 4k of the Commodity Exchange Act (7 U.S.C. 6k) is amended—

(1) by redesignating subsections (4) through (6) as subsections (5) through (7), respectively;

(2) by inserting after subsection (3) the following:

“(4) It shall be unlawful for any person to act as an associated person of a digital commodity broker or an associated person of a digital commodity dealer unless the person is registered with the Commission under this Act and such registration shall not have expired, been suspended (and the period of suspension has not expired), or been revoked. It shall be unlawful for a digital commodity broker or a digital commodity dealer to permit such a person to become or remain associated with the digital commodity broker or digital commodity dealer if the digital commodity broker or digital commodity dealer knew or should have known that the person was not so registered or that the registration had expired, been suspended (and the period of suspension has not expired), or been revoked.”

; and

(3) in subsection (5) (as so redesignated), by striking “ or of a commodity trading advisor ” and inserting “ of a commodity trading advisor, of a digital commodity broker, or of a digital commodity dealer ”.

(b) CONFORMING AMENDMENTS.— The Commodity Exchange Act (7 U.S.C. 1a et seq.) is amended by striking “ section 4k(6) ” each place it appears and inserting “ section 4k(7) ”.

SEC. 408. REGISTRATION OF COMMODITY POOL OPERATORS AND COMMODITY TRADING ADVISORS.

(a) IN GENERAL.— Section 4m(3) of the Commodity Exchange Act (7 U.S.C. 6m(3)) is amended—

(1) in subparagraph (A)—

(A) by striking “ any commodity trading advisor ” and inserting “ a commodity pool operator or commodity trading advisor ”; and

(B) by striking “ acting as a commodity trading advisor ” and inserting “ acting as a commodity pool operator or commodity trading advisor ”; and

(2) in subparagraph (C), by inserting “ digital commodities, ” after “ physical commodities, ”.

(b) EXEMPTIVE AUTHORITY.— Section 4m of such Act (7 U.S.C. 6m) is amended by adding at the end the following:

“(4) EXEMPTIVE AUTHORITY.— The Commission shall promulgate rules to provide appropriate exemptions for commodity pool operators and commodity trading advisors, to provide relief from duplicative, conflicting, or unduly burdensome requirements or to promote responsible innovation, to the extent the exemptions foster the development of fair and orderly cash or spot digital commodity markets, are necessary or appropriate in the public interest, and are consistent with the protection of customers.”

SEC. 409. EXCLUSION FOR DECENTRALIZED FINANCE 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. DECENTRALIZED FINANCE ACTIVITIES NOT SUBJECT TO THIS ACT.

“(a) IN GENERAL.— Notwithstanding any other provision of this Act, a person shall not be subject to this Act and the regulations promulgated under this Act based on the person directly or indirectly engaging in any of the following activities, whether singly or in combination, in relation to the operation of a blockchain system or in relation to decentralized finance trading protocol:

“(1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity.

“(2) Providing computational work, operating a node or oracle service, or procuring, offering, or utilizing network bandwidth, or other similar incidental services.

“(3) Providing a user-interface that enables a user to read, and access data about a blockchain system.

“(4) Developing, publishing, constituting, administering, maintaining, or otherwise distributing a blockchain system other than a decentralized finance trading protocol.

“(5) Developing, publishing, constituting, administering, maintaining, or otherwise distributing a decentralized finance messaging system or decentralized finance trading protocol, or operating or participating in a liquidity pool with respect thereto, for the purpose of executing a spot contract for the purchase or sale of a digital commodity.

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

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

SEC. 410. RESOURCES FOR IMPLEMENTATION AND ENFORCEMENT.

(a) COLLECTION OF FEES.—

(1) IN GENERAL.— The Commodity Futures Trading Commission (in this section referred to as the “ Commission ”) shall charge and collect a fee from each person in provisional status registered with the Commission pursuant to section 106, on—

(A) the filing of the initial application for registration; and

(B) an annual basis thereafter for maintaining provisional status.

(2) AMOUNT.— The fees authorized under paragraph (1) may be collected and available for obligation only in the amounts provided in advance in an appropriation Act.

(3) **AUTHORITY TO ADJUST FEES.**— Notwithstanding the preceding provisions of this subsection, to promote fair competition or innovation, the Commission, in its sole discretion, may reduce or eliminate any fee otherwise required to be paid by a small or medium filer under this subsection.

(b) **FEE SCHEDULE.**—

(1) **IN GENERAL.**— The Commission shall publish in the Federal Register a schedule of the fees to be charged and collected under this section.

(2) **CONTENT.**— The fee schedule for a fiscal year shall include a written analysis of the estimate of the Commission of the total costs of carrying out the functions of the Commission under this Act during the fiscal year.

(3) **SUBMISSION TO CONGRESS.**— Before publishing the fee schedule for a fiscal year, the Commission shall submit a copy of the fee schedule to the Committees on Agriculture and on Appropriations of the House of Representatives and the Committees on Agriculture, Nutrition, and Forestry and on Appropriations of the Senate.

(4) **TIMING.**—

(A) **1ST FISCAL YEAR.**— The Commission shall publish the fee schedule for the fiscal year in which this Act is enacted, within 30 days after the date of the enactment of this Act.

(B) **SUBSEQUENT FISCAL YEARS.**— The Commission shall publish the fee schedule for each subsequent fiscal year, not less than 90 days before the due date prescribed by the Commission for payment of the annual fee for the fiscal year.

(c) **LATE PAYMENT PENALTY.**—

(1) **IN GENERAL.**— The Commission may impose a penalty against a person that fails to pay an annual fee charged under this section, within 30 days after the due date prescribed by the Commission for payment of the fee.

(2) **AMOUNT.**— The amount of the penalty shall be—

(A) 5 percent of the amount of the fee due, multiplied by

(B) the whole number of consecutive 30-day periods that have elapsed since the due date.

(d) **REIMBURSEMENT OF EXCESS FEES.**— To the extent that the total amount of fees collected under this section during a fiscal year that begins after the date of the enactment of this Act exceeds the amount provided under subsection (a)(2) with respect to the fiscal year, the Commission shall reimburse the excess amount to the persons who have timely paid their annual fees, on a pro-rata basis that excludes penalties, and shall do so within 60 days after the end of the fiscal year.

(e) **DEPOSIT OF FEES INTO THE TREASURY.**— All amounts collected under this section shall be credited to the currently applicable appropriation, account, or fund of the Commission as discretionary offsetting collections, and shall be available for the purposes authorized in subsection (f) only to the extent and in the amounts provided in advance in appropriations Acts.

(f) **AUTHORIZATION OF APPROPRIATIONS.**— In addition to amounts otherwise authorized to be appropriated to the Commission, there is authorized to be appropriated to the Commission amounts collected under this section to cover the costs of carrying out the functions of the Commission under this Act.

(g) **EXPEDITED HIRING AUTHORITY.**—

(1) **APPOINTMENT AUTHORITY.**— The Chairman, pursuant to section 6(a), may appoint individuals to a position described in paragraph (2) of this subsection—

(A) in accordance with the statutes, rules, and regulations governing appointments to positions in the excepted service (as defined in section 2103 of title 5, United States Code); and

(B) without regard to any statute, rule, or regulation governing appointments to positions in the competitive service (as defined in section 2102 of such title).

(2) **POSITION DESCRIBED.**— A position referred to in subparagraph (1) is a position at the Commission that—

(A) is in the competitive service (as defined in section 2102 of such title); and

(B) requires specialized knowledge of digital commodities markets, financial and capital market formation or regulation, financial market structures or surveillance, data collection or analysis, or information technology, cybersecurity, or system safeguards.

(3) RULE OF CONSTRUCTION.— The appointment of a candidate to a position under this subsection shall not be considered to cause the position to be converted from the competitive service to the excepted service.

(h) SUNSET.— The authorities provided by this section shall expire at the end of the 4th fiscal year that begins after the date of the enactment of this Act.

~~SEC. 411. DIGITAL COMMODITY ACTIVITIES BY SEC-REGISTERED ENTITIES.~~

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 5j the following:

~~“SEC. 5k. EXEMPTION FOR CERTAIN REGISTERED ENTITIES ENGAGED IN DIGITAL COMMODITY ACTIVITIES.~~

~~“(a) BY ALTERNATIVE TRADING SYSTEMS.—~~

~~“(1) IN GENERAL.— On receipt by the Commission from an alternative trading system of a written or electronic notice that contains such information as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors, the alternative trading system shall be exempt from registration as a digital commodity exchange pursuant to section 5i if—~~

~~“(A) the alternative trading system does not list any retail commodity transactions pursuant to section 2(e)(2)(D);~~

~~“(B) the provider, or an affiliated person of the provider, of the alternative trading system is not otherwise registered under this Act;~~

~~“(C) the alternative trading system lists or trades no other contracts of sale of commodities, except for digital commodities, currencies, and securities; and~~

~~“(D) the registration of the alternative trading system is not suspended pursuant to an order by the Securities and Exchange Commission.~~

~~“(2) FURTHER REQUIREMENTS.— An alternative trading system that provides notice to the Commission pursuant to paragraph (1) of this subsection shall be exempt from the requirements of section 5i to the extent that the alternative trading system—~~

~~“(A) is in compliance with requirements consistent with the requirements of section 5i and imposed on the alternative trading system by the Securities and Exchange Commission;~~

~~“(B) annually files with the Commission, in a form and manner acceptable to the Commission, a notice that demonstrates compliance with this paragraph and contains any other information the Commission determines to be necessary or appropriate to perform the duties of the Commission under this Act; and~~

~~“(C) has total trading volume in digital commodities during any calendar quarter in either of its 2 most recently completed fiscal years that does not exceed the lesser of—~~

~~“(i) 25 percent of the total trading volume for all transactions over the same period; or~~

~~“(ii) \$50,000,000,000.~~

~~“(3) ENFORCEMENT.— This subsection shall not be construed to limit any jurisdiction that the Commission may otherwise have under any other provision of this Act with respect to a contract of sale of a digital commodity or persons effecting contracts of sale of digital commodities.~~

~~“(b) BY REGISTERED INTERMEDIARIES.—~~

~~“(1) IN GENERAL.— On receipt by the Commission, from a broker or dealer that is registered with the Securities and Exchange Commission, of a written or electronic notice that contains such information as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors, the broker or dealer shall be exempt from registration as a digital commodity broker or digital commodity dealer pursuant to section 4u of this Act if—~~

~~“(A) the broker or dealer does not offer or engage in any retail commodity transactions pursuant to section 2(c)(2)(D) of this Act;~~

~~“(B) the broker or dealer, or an affiliated person of the broker or dealer, is not otherwise registered under this Act;~~

~~“(C) the broker or dealer does not offer or engage in any other contracts of sale of commodities, except for digital commodities, currencies, and securities;~~

~~“(D) the broker or dealer is not subject to a statutory disqualification, as defined under section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)); and~~

~~“(E) the broker or dealer is a member of a national securities association registered pursuant to section 15A of the Securities Exchange Act of 1934.~~

~~“(2) FURTHER REQUIREMENTS.— A broker or dealer that provides notice to the Commission pursuant to paragraph (1) shall be exempt from the requirements of section 4u to the extent that the broker or dealer—~~

~~“(A) is in compliance with requirements consistent with the requirements of section 4u and imposed on the broker or dealer by the Securities and Exchange Commission;~~

~~“(B) annually files with the Commission, in a form and manner acceptable to the Commission, a notice that demonstrates compliance with this subsection and contains any other information the Commission determines to be necessary or appropriate to perform the duties of the Commission under this Act; and~~

~~“(C) has consolidated annual gross financial revenues in either of its 2 most recently completed fiscal years from sales, commissions or other activities in digital commodities that do not exceed the lesser of—~~

~~“(i) 10 percent of the total annual gross revenues during the same period; or~~

~~“(ii) \$100,000,000.~~

~~“(3) ENFORCEMENT.— This subsection shall not be construed to limit any jurisdiction that the Commission may otherwise have under any other provision of this Act with respect to a contract of sale of a digital commodity and persons effecting contracts of sale of digital commodities.”~~

SEC. 412. 411. REQUIREMENTS RELATED TO CONTROL PERSONS.

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

“SEC. 4w. LIMITATION ON TRANSACTIONS BY BLOCKCHAIN CONTROL PERSONS.

“(a) LIMITATION.— It shall be unlawful for a blockchain control person with respect to a blockchain system certified as a mature blockchain system in accordance with section 42 of the Securities Exchange Act of 1934 to sell a unit of a digital commodity related to the blockchain system unless the person files notice with the Commission, in a form and manner determined by the Commission, that the person has or intends to obtain an authority described in subsection (b)(1) with respect to the blockchain system, and complies with rules adopted by the Commission that require—

“(1) disclosure of information to the Commission and the public about the material activities, as determined by the Commission, of the blockchain control person; and

“(2) (A) the use of a digital commodity broker to effect the sale; or

“(B) such other sales restrictions applicable to the blockchain control person, or any affiliated blockchain control person, to prevent manipulation and distortion of the value of the digital commodity and promote further maturity of the blockchain system to which the digital commodity relates.

“(b) DEFINITIONS.— In this section:

“(1) BLOCKCHAIN CONTROL PERSON.— The term ‘ blockchain control person ’ means, with respect to a blockchain system, any person or group of persons under common control, other than a decentralized governance system, who—

“(A) has the unilateral authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the blockchain system or its related digital commodity; or

“(B) has the unilateral authority to direct the voting, in the aggregate, of 20 percent or more of the outstanding voting power of the blockchain system by means of a related digital commodity, nodes or validators, a decentralized governance system, or otherwise, in a blockchain system which can be altered by a voting system.

“(2) AFFILIATED BLOCKCHAIN CONTROL PERSON.— The term ‘ affiliated blockchain control person ’ means any person directly or indirectly controlling, controlled by, or under common control with a blockchain control person, as the Commission by rule or regulation, may determine will effectuate the purposes of this section.”

SEC. 413. 412. OTHER TRADABLE ASSETS.

The Commodity Exchange Act (7 U.S.C. 1 et seq.), as amended by the preceding provisions of this Act, is amended —

(1) by inserting after section 4w the following:

“SEC. 4x. TRADING REQUIREMENTS FOR OTHER TRADABLE ASSETS.

“(a) LIMITATION.— A *contract of sale of a* tradable asset shall not be offered, solicited, traded, facilitated, executed, cleared, reported, or otherwise dealt in, on or subject to the rules of a registered entity, or by any other entity registered with the Commission, except in accordance with subsection (b).

“(b) REQUIREMENTS.—

“(1) TREATMENT OF TRADABLE ASSETS.— A *contract of sale of a* tradable asset that is offered, solicited, traded, facilitated, executed, cleared, reported, or otherwise dealt in on or subject to the rules of a registered entity, or by any other entity registered with the Commission, shall be treated as a digital commodity for purposes of this Act.

“(2) ADDITIONAL RULEMAKING AUTHORITY.— In addition to the other requirements of this Act, the Commission may, by rule or regulation, impose additional obligations on any person registered under this Act offering, soliciting, trading, facilitating, executing, clearing, reporting, or otherwise dealing in a *contract of sale of a* tradable asset, or class thereof, pursuant to paragraph (1) as are necessary for the protection of customers, the promotion of innovation, and the maintenance of fair, orderly, and efficient markets, including additional obligations related to—

“(A) disclosure;

“(B) recordkeeping;

“(C) capital;

“(D) reporting;

“(E) business conduct;

“(F) documentation;

“(G) supervision of employees; and

“(H) segregation.

“(3-c) PROHIBITION ON TRADING.— A TRADABLE ASSET, THE PRIMARY PURPOSE *TRADABLE ASSET DEFINED.*—
In this section, the term ‘ tradable asset ’ means a digital asset of which is to be used to commit fraud or market manipulation, other than—

“(1) a digital commodity that is treated as such other than by reason of subsection (b)(1) of this section; or

“(2) a digital asset excluded from the definition ~~or engage in any other conduct that would result in abusive practices or be disruptive to market integrity,~~ of digital commodity pursuant to subclause (I) through (VII) of section 1a(16)(F)(iii).”

; and

(2) by inserting after section 6d the following:

“SEC. 6e. PROHIBITION ON TRADING CERTAIN DIGITAL ASSETS.

“(a) In General.— A contract of sale of a digital commodity or tradable asset (as defined in section 4x) shall not be offered, solicited, traded, facilitated, executed, cleared, reported, or otherwise dealt in on or subject to the rules of a registered entity, or by any other entity registered with the Commission.

“(c) TRADABLE ASSET DEFINED.— In this section, the term ‘ tradable asset ’ means a digital asset other than—

“(1) a digital commodity that is treated

Commission, if the primary purpose of the digital commodity or tradable asset is to be used to—

“(1) commit fraud or market manipulation;

“(2) further ~~as a su s~~ eh other than by reason of subsection (b)(1) of this section; ~~cheme found in a final action by a court of competent jurisdiction to be in violation or~~

“(2) a digital asset excluded from the definition of digital commodity pursuant to subelause (I) through (VII) of section 1a(16)(F)(iii)

of campaign finance or government ethics laws; or

“(3) engage in any other conduct that would result in abusive practices or be disruptive to market integrity.

*“(~~a~~ b) GUIDANCE ON FRAUDULENT, MANIPULATIVE, OR DISRUPTIVE TRADABLE ASSETS.— The Commission may, after public notice and comment, issue guidance establishing criteria for determining if the primary purpose of a ~~tradable asset~~ *digital commodity or tradable asset (as so defined)* is to be used to commit fraud or market manipulation, or engage in any other conduct that would result in abusive practices or be disruptive to market integrity.”*

SEC. ~~510.~~ 413. CONFLICT OF INTEREST RULEMAKING.

~~No~~ *Not* later than 360 days after the date of the enactment of this Act, the Commodity Futures Trading Commission shall issue rules establishing requirements for the identification, mitigation, and resolution of conflicts of interest among and across registered entities (within the meaning of the Commodity Exchange Act) and persons required to be registered with the Commission, including conflicts of interest related to vertically integrated market structures and their varying responsibilities.

SEC. 414. EFFECTIVE DATE.

Unless otherwise provided in this title, this title and the amendments made by this title shall take effect 270 days after the date of the enactment of this Act.

SEC. 415. SENSE OF CONGRESS.

It is the sense of Congress that nothing in this Act or any amendment made by this Act should be interpreted to authorize any entity to regulate any commodity, other than a digital commodity, on any spot market.

TITLE V— INNOVATION AND TECHNOLOGY IMPROVEMENTS

SEC. 501. FINDINGS; SENSE OF CONGRESS.

(a) FINDINGS.— Congress finds the following:

- (1) Entrepreneurs and innovators are building and deploying this next generation of the internet.
- (2) Digital commodity networks represent a new way for people to join together and cooperate with one another to undertake certain activities.
- (3) Digital commodities have the potential to be the foundational building blocks of these systems, aligning the economic incentive for individuals to cooperate with one another to achieve a common purpose.
- (4) The digital commodity ecosystem has the potential to grow our economy and improve everyday lives of Americans by facilitating collaboration through the use of technology to manage activities, allocate resources, and facilitate decision making.
- (5) Blockchain systems and the digital commodities they empower provide control, enhance transparency, reduce transaction costs, and increase efficiency if proper protections are put in place for investors, consumers, our financial system, and our national security.
- (6) Blockchain technology facilitates new types of network participation which businesses in the United States may utilize in innovative ways.
- (7) Other digital commodity companies are setting up their operations outside of the United States, where countries are establishing frameworks to embrace the potential of blockchain technology and digital commodities and provide safeguards for consumers.
- (8) Digital commodities, despite the purported anonymity, provide law enforcement with an exceptional tracing tool to identify illicit activity and bring criminals to justice.
- (9) The Financial Services Committee of the House of Representatives has held multiple hearings highlighting various risks that digital commodities can pose to the financial markets, consumers, and investors that must be addressed as we seek to harness the benefits of these innovations.

(b) SENSE OF CONGRESS.— It is the sense of Congress that—

- (1) the United States should seek to prioritize understanding the potential opportunities of the next generation of the internet;
- (2) the United States should seek to foster advances in technology that have robust evidence indicating they can improve our financial system and create more fair and equitable access to financial services for everyday Americans while protecting our financial system, investors, and consumers;
- (3) the United States must support the responsible development of digital commodities and the underlying technology in the United States or risk the shifting of the development of such assets and technology outside of the United States, to less regulated countries;
- (4) Congress should consult with public and private sector stakeholders to understand how to enact a functional framework tailored to the specific risks and unique benefits of different digital commodity-related activities, distributed ledger technology, distributed networks, and mature blockchain systems;
- (5) Congress should enact a functional framework tailored to the specific risks of different digital commodity-related activities and unique benefits of distributed ledger technology, distributed networks, and mature blockchain systems; and
- (6) consumers and market participants will benefit from a framework for digital commodities consistent with longstanding investor protections in securities and commodities markets, yet tailored to the unique benefits and risks of the digital commodity ecosystem.

SEC. 502. MODERNIZATION OF THE SECURITIES AND EXCHANGE COMMISSION MISSION.

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

- (1) in the heading, by inserting “INNOVATION,” after “EFFICIENCY,”; and
- (2) by inserting “innovation,” after “efficiency,”.

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

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

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

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

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

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

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

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

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

SEC. ~~503.~~ 502. 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:

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

“(1) ESTABLISHMENT.— Not later than 180 days after the date of the enactment of this subsection, the Securities and Exchange Commission shall establish a committee to be known as the Strategic Hub for Innovation and Financial Technology (referred to in this subsection as the ‘ FinHub ’) to support engagement on emerging technologies in the financial sector.

“(2) MEMBERS.— The composition of FinHub shall be determined by the Commission, drawing from relevant divisions as appropriate, including the Division of Trading and Markets, Division of Corporate Finance, and Division of Investment Management.

“(3) RESPONSIBILITIES.— FinHub shall—

“(A) serve as a resource for the Commission on emerging financial technology advancements;

“(B) engage with market participants working on emerging financial technologies; and

“(C) facilitate communication between the Commission and businesses working in emerging financial technology fields with information on the Commission, its rules, and regulations.

“(4) REPORT TO THE COMMISSION.—

“(A) IN GENERAL.— Not later than October 31 of each year after 2025, FinHub shall provide an annual summary of its engagement activities to the Commission, which shall be included in the Commission’s annual report to Congress.

“(B) CONFIDENTIALITY.— Each report submitted under this paragraph shall not contain confidential information.”

SEC. ~~504.~~ 503. CODIFICATION OF LABCFTC.

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

“(c) LABCFTC.—

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

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

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

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

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

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

“(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 training to the Commission regarding financial technology;

“(C) advise the Commission regarding financial technology that would bolster the Commission’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 Commission, its rules and regulations, and the role of a registered futures association; and

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

“(5) REPORT TO CONGRESS.—

“(A) IN GENERAL.— Not later than October 31 of each year after 2025, 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 Commission and such legislative actions as may be appropriate; and

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

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

“(6) RECORDS AND ENGAGEMENT.— The Commission shall—

“(A) maintain systems of records to track engagements with the public through LabCFTC;

“(B) store communications and materials received in connection with any such engagement in accordance with Commission policies and procedures on data retention and confidentiality; and

“(C) take reasonable steps to protect any confidential or proprietary information received through LabCFTC engagement.”

(b) CONFORMING AMENDMENTS.— Section 2(a)(6)(A) of such Act (7 U.S.C. 2(a)(6)(A)) is amended—

(1) by striking “ paragraph and in ” and inserting “ paragraph, ”; and

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

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

SEC. ~~505.~~ 504. STUDY ON DECENTRALIZED FINANCE.

(a) IN GENERAL.— The Commodity Futures Trading Commission, the Securities and Exchange Commission, and the Secretary of the Treasury shall jointly carry out a study on decentralized finance that analyzes—

- (1) the nature, size, role, and use of decentralized finance blockchain applications;
- (2) the operation of blockchain applications that comprise decentralized finance;
- (3) the interoperability of blockchain applications and other blockchain systems;
- (4) the interoperability of blockchain applications and software-based systems, including websites and wallets;
- (5) the decentralized governance systems through which blockchain applications may be developed, published, constituted, administered, maintained, or otherwise distributed, including—
 - (A) whether the systems enhance or detract from—
 - (i) the decentralization of the decentralized finance; and
 - (ii) the inherent benefits and risks of the decentralized governance system; and
 - (B) any procedures, requirements, or best practices that would mitigate the risks identified in subparagraph (A)(ii);
- (6) the benefits of decentralized finance, including—
 - (A) operational resilience and availability of blockchain systems;
 - (B) interoperability of blockchain systems;
 - (C) market competition and innovation;
 - (D) transaction efficiency;
 - (E) transparency and traceability of transactions; and
 - (F) disintermediation;
- (7) the risks of decentralized finance, including—
 - (A) pseudonymity of users and transactions;
 - (B) disintermediation; and
 - (C) cybersecurity vulnerabilities;
- (8) the extent to which decentralized finance has integrated with the traditional financial markets and any potential risks or improvements to the stability of the markets;
- (9) how the levels of illicit activity in decentralized finance compare with the levels of illicit activity in traditional financial markets;
- (10) methods for addressing illicit activity in decentralized finance and traditional markets that are tailored to the unique attributes of each;
- (11) how decentralized finance may increase the accessibility of cross-border transactions; and
- (12) the feasibility of embedding self-executing compliance and risk controls into decentralized finance.

(b) CONSULTATION.— In carrying out the study required under subsection (a), the Commodity Futures Trading Commission and the Securities and Exchange Commission shall consult with the Secretary of the Treasury on the factors described under paragraphs (7) through (10) of subsection (a).

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

(d) 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 (12) 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).

(e) DEFINITIONS.— In this section:

(1) DECENTRALIZED FINANCE.—

(A) IN GENERAL.— The term “ decentralized finance ” means blockchain applications (including decentralized finance trading protocols and related decentralized finance messaging systems) that 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 commodities of a user during any part of the transactions.

(B) RELATIONSHIP TO EXCLUDED ACTIVITIES.— The term “ decentralized finance ” shall not be interpreted to limit or exclude any activity from the activities described in section 15I(a) of the Securities Exchange Act of 1934 or section 4v(a) of the Commodity Exchange Act.

(2) RELEVANT CONGRESSIONAL COMMITTEES.— The term “ relevant congressional committees ” means—

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

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

SEC. ~~506~~. 505. STUDY ON NON-FUNGIBLE TOKENS.

(a) IN GENERAL.— The Comptroller General of the United States shall carry out a study of non-fungible tokens that analyzes—

- (1) the nature, size, role, purpose, and use of non-fungible tokens;
- (2) the similarities and differences between non-fungible tokens and other digital commodities, including digital commodities and permitted payment stablecoins, and how the markets for those digital commodities intersect with each other;
- (3) how non-fungible tokens are minted by issuers and subsequently administered to purchasers;
- (4) how non-fungible tokens are stored after being purchased by a consumer;
- (5) the interoperability of non-fungible tokens between different blockchain systems;
- (6) the scalability of different non-fungible tokens marketplaces;
- (7) the benefits of non-fungible tokens, 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 tokens have integrated with traditional marketplaces, including those for music, real estate, gaming, events, and travel;
- (10) whether and how non-fungible tokens can be used to facilitate commerce or other activities through the representation of documents, identification, contracts, licenses, and other commercial, government, or personal records;
- (11) any potential risks to traditional markets from such integration; and
- (12) the levels and types of illicit activity in non-fungible tokens markets.

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

SEC. ~~507~~. 506. STUDY ON EXPANDING FINANCIAL LITERACY AMONGST DIGITAL COMMODITY HOLDERS.

(a) IN GENERAL.— The Commodity Futures Trading Commission with the Securities and Exchange Commission shall jointly conduct a study to identify—

- (1) the existing level of financial literacy among retail digital commodity holders, including subgroups of investors identified by the Commodity Futures Trading Commission with the Securities and Exchange Commission;
- (2) methods to improve the timing, content, and format of financial literacy materials regarding digital commodities provided by the Commodity Futures Trading Commission and the Securities and Exchange Commission;
- (3) methods to improve coordination between the Securities and Exchange Commission and the Commodity Futures Trading Commission with other agencies, including the Financial Literacy and Education Commission as well as nonprofit organizations and State and local jurisdictions, to better disseminate financial literacy materials;
- (4) the efficacy of current financial literacy efforts with a focus on rural communities and communities with majority minority populations;
- (5) the most useful and understandable relevant information, including clear disclosures, that retail digital commodity holders need to make informed financial decisions before engaging with or purchasing a digital commodity or service that is typically sold to retail investors of digital commodities;
- (6) the most effective public-private partnerships in providing financial literacy regarding digital commodities to consumers;
- (7) the most relevant metrics to measure successful improvement of the financial literacy of an individual after engaging with financial literacy efforts; and
- (8) in consultation with the Financial Literacy and Education Commission, a strategy (including to the extent practicable, measurable goals and objectives) to increase financial literacy of investors regarding digital commodities.

(b) **REPORT.**— Not later than 1 year after the date of the enactment of this Act, the Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly submit a written report on the study required by subsection (a) to the Committees on Financial Services and on Agriculture of the House of Representatives and the Committees on Banking, Housing, and Urban Affairs and on Agriculture, Nutrition, and Forestry of the Senate.

SEC. ~~508.~~ 507. STUDY ON FINANCIAL MARKET INFRASTRUCTURE IMPROVEMENTS.

(a) **IN GENERAL.**— The Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly conduct a study to assess whether additional guidance or rules are necessary to facilitate the development of tokenized securities and derivatives products, and to the extent such guidance or rules would foster the development of fair and orderly financial markets, be necessary or appropriate in the public interest, and be consistent with the protection of investors and customers.

(b) **REPORT.**—

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

(2) **RELEVANT CONGRESSIONAL COMMITTEES DEFINED.**— In this section, the term “ relevant congressional committees ” means—

- (A) the Committees on Financial Services and on Agriculture of the House of Representatives; and
- (B) the Committees on Banking, Housing, and Urban Affairs and on Agriculture, Nutrition, and Forestry of the Senate.

SEC. ~~509.~~ 508. STUDY ON BLOCKCHAIN IN PAYMENTS.

(a) **STUDY REQUIRED.**— The Secretary of the Treasury shall conduct a study on the potential use of blockchain technology by the domestic private sector to address—

- (1) fraud in payments;
- (2) transaction costs and transaction times;

- (3) automated payments; and
- (4) efficiency in commercial transactions.

(b) **REPORT TO CONGRESS.**— Not later than one year after the date of enactment of this Act, the Secretary shall submit a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate that summarizes the findings of the study required under subsection (a).

(c) **RULE OF CONSTRUCTION.**— Nothing in this section shall be construed to mandate the use of blockchain technology by any public or private entity.

SEC. 509. STUDY ON ILLICIT USE OF DIGITAL ASSETS.

(a) **IN GENERAL.**— One year after the date of the enactment of this Act, the Secretary of the Treasury, in consultation with the Securities and Exchange Commission and the Commodity Futures Trading Commission, ~~in conjunction with the Secretary of the Treasury,~~ shall conduct a comprehensive review of how Foreign Terrorist Organizations and Transnational Criminal Syndicates utilize digital assets in connection with illicit activities.

(b) ~~SCOPE.— THIS REVIEW SHALL INCLUDE AN ANALYSIS OF WHETHER THE SECURITIES AND EXCHANGE COMMISSION AND THE COMMODITY FUTURES TRADING COMMISSION HAVE~~ REPORT.— Not later than 180 days after completing the review under subsection (a), the necessary Secretary tools and resources to effectively detect, disrupt, and deter illicit financial activity.

(c) **REPORT.**— ~~The two Commissions shall jointly~~ of the Treasury shall issue a report to the Committees on Agriculture and on Financial Services of the House of Representatives and the Committees on Agriculture, Nutrition, and Forestry and on Banking, Housing, and Urban Affairs of the Senate on the findings of the ~~Commissions~~ Secretary, including—

(1) an assessment of how Foreign Terrorist Organizations and Transnational Criminal Syndicates utilize digital assets in connection with illicit activities; and

(2) recommendations to assist the Securities and Exchange Commission and the Commodity Futures Trading Commission in strengthening compliance and enforcement of digital assets-related entities registered with their respective agencies.

[[Section moved]]

SEC. 111. APPLICATION OF THE BANK SECRECY ACT.

(a) **IN GENERAL.**— Section 5312(e)(1)(A) of title 31, United States Code, is amended—

(1) by inserting “ digital commodity broker, digital commodity dealer,” after “ futures commission merchant,”; and

(2) by inserting before the period the following: “ and any digital commodity exchange registered, or required to register, under the Commodity Exchange Act which permits direct customer access”.

(b) **GAO STUDY.**—

510. GAO STUDY ON CERTAIN CENTRALIZED INTERMEDIARIES THAT ARE PRIMARILY LOCATED IN FOREIGN JURISDICTIONS.

(~~1-a~~) ~~IN GENERAL~~ GENERAL.— The Comptroller General of the United States, in consultation with the Secretary of the Treasury, shall conduct a study to—

(~~A-1~~) assess the risks posed by centralized intermediaries that are primarily located in foreign jurisdictions that provide services to U.S. persons without regulatory requirements that are substantially similar to the requirements of the Bank Secrecy Act; and

(~~B-2~~) provide any regulatory or legislative recommendations to address these risks under ~~sub~~ paragraph (~~A-1~~).

(~~2-b~~) REPORT.— Not later than 1 year after the date of enactment of this Act, the Comptroller General shall issue a report to Congress containing all findings and determinations made in carrying out the study required under ~~paragraph subsection (1-a)~~.

SEC. ~~313.~~ 511. STUDIES ON FOREIGN ADVERSARY PARTICIPATION.

(a) IN GENERAL.— The Secretary of the Treasury, in consultation with the Commodity Futures Trading Commission and the Securities and Exchange Commission, shall, not later than 1 year after date of the enactment of this section, conduct a study and submit a report to the relevant congressional committees that—

- (1) identifies any digital commodity registrants which are owned by governments of foreign adversaries;
- (2) determines whether any governments of foreign adversaries are collecting ~~personal data or~~ trading data about United States persons in the digital commodity markets; and
- (3) evaluates whether any proprietary intellectual property of digital commodity registrants is being misused or stolen by any governments of foreign adversaries.

(b) GAO STUDY AND REPORT.—

(1) IN GENERAL.— The Comptroller General shall, not later than 1 year after date of the enactment of this section, conduct a study and submit a report to the relevant congressional committees that—

- (A) identifies any digital commodity registrants which are owned by governments of foreign adversaries;
- (B) determines whether any governments of foreign adversaries are collecting ~~personal data or~~ trading data about United States persons in the digital commodity markets; and
- (C) evaluates whether any proprietary intellectual property of digital commodity registrants is being misused or stolen by any governments of foreign adversaries.

(c) DEFINITIONS.— In this section:

- (1) DIGITAL COMMODITY REGISTRANT.— The term “ digital commodity registrant ” means any person required to register as a digital commodity exchange, digital commodity broker, or digital commodity dealer under the Commodity Exchange Act.
- (2) FOREIGN ADVERSARIES.— The term “ foreign adversaries ” means the foreign governments and foreign non-government persons determined by the Secretary of Commerce to be foreign adversaries under section 7.4(a) of title 15, Code of Federal Regulations.
- (3) 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. 512. CONFORMING AMENDMENTS.

The GENIUS Act is amended—

(1) in section 2, by amending paragraph (7) to read as follows:

“(7) DIGITAL ASSET SERVICE PROVIDER.— The term ‘ digital asset service provider ’ means any entity registered or required to be registered with the Securities and Exchange Commission or the Commodity Futures Trading Commission.”

:

(2) in section 4(a)—

(A) by amending paragraph (3) to read as follows:

“(3) MONTHLY CERTIFICATION; EXAMINATION OF REPORTS BY REGISTERED PUBLIC ACCOUNTING FIRM.—

“(A) IN GENERAL.— A permitted payment stablecoin issuer shall, each month, have the information disclosed in the previous month-end report required under paragraph (1)(C) examined by a registered public accounting firm and such examination shall be performed in accordance with standards for attestation engagements issued or adopted by the primary

Federal payment stablecoin regulator or, in the case of a State qualified payment stablecoin issuer, the State payment stablecoin regulator.

“(B) CERTIFICATION.— Each month, the Chief Executive Officer and Chief Financial Officer of a permitted payment stablecoin issuer shall submit to, as applicable, the primary Federal payment stablecoin regulator or, in the case of a State qualified payment stablecoin issuer, the State payment stablecoin regulator, a certification that, based on such officers’ knowledge, the previous monthly report required under paragraph (1)(C)—

“(i) does not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading; and

“(ii) fairly presented in all material respects the information required under paragraph (1)(C) for the period presented in such report.

“(C) CRIMINAL PENALTY.— Any person who submits a certification required under subparagraph (B) knowing that such certification is false shall be subject to the same criminal penalties as those set forth under section 1350(c) of title 18, United States Code.

“(D) INTERNAL CONTROLS OVER PERMITTED PAYMENT STABLECOIN ISSUER’S REQUIREMENTS.—

“(i) IN GENERAL.— Management of a permitted payment stablecoin issuer shall establish and maintain an adequate internal control structure and procedures for the requirements under this paragraph and paragraphs (1) and (2) in accordance with a framework determined acceptable by the primary Federal payment stablecoin regulator or, in the case of a State qualified payment stablecoin issuer, the State payment stablecoin regulator.

“(ii) ATTESTATION REPORT.— A permitted payment stablecoin issuer shall obtain an annual attestation report by an independent registered public accounting firm attesting to management’s assertions concerning the effectiveness of the internal control structure and procedures for compliance with the requirements described in this paragraph and paragraphs (1) and (2). Such attestation shall be made in accordance with standards for attestation engagements issued or adopted by the primary Federal payment stablecoin regulator or, in the case of a State qualified payment stablecoin issuer, the State payment stablecoin regulator.”

; and

(B) by amending paragraph (12) to read as follows:

“(12) NON-FINANCIAL COMPANIES.—

“(A) PROHIBITION ON NON-FINANCIAL COMPANY OWNERSHIP.— It shall be unlawful for a company that derives a majority of its revenues from activities that are not financial activities to retain or acquire control of a nonbank entity that is—

“(i) a Federal qualified payment stablecoin issuer; or

“(ii) a State qualified payment stablecoin issuer.

“(B) FINANCIAL ACTIVITIES DEFINED.—

“(i) IN GENERAL.— In this paragraph, the term ‘ financial activities ’ means—

“(I) a financial activity, within the meaning of section 4(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k));

“(II) issuing, redeeming, providing custodial or safekeeping services for, buying, selling, making a market in, or managing a reserve for payment stablecoins;

“(III) providing electronic wallet services for payment stablecoins; or

“(IV) an activity determined by the Board to be a financial activity pursuant to clause (ii).

“(ii) ESTABLISHING ADDITIONAL FINANCIAL ACTIVITIES.— Not later than 180 days after the date of enactment of the CLARITY Act of 2025, the Board, in consultation with the Secretary of the Treasury and the Comptroller, shall issue rules, consistent with the purposes of this Act, to establish—

“(I) a list of additional activities that are financial activities for purposes of clause (i), including applicable digital asset activities that are financial activities; and

“(II) a streamlined procedure for a nonbank entity to submit an activity to the Board for purposes of the Board determining whether such activity should be added to the list of additional activities that are financial activities for purposes of clause (i).”

; and

(3) by adding at the end the following:

“SEC. 21. COMMODITY-BACKED PAYMENT STABLECOINS.

“(a) RULE OF CONSTRUCTION.— Nothing in this Act shall be construed to prohibit or limit a commodity-backed payment stablecoin issuer from issuing a commodity-backed payment stablecoin in accordance with regulations established by a State commodity-backed payment stablecoin regulator.

“(b) PRESERVATION OF FEDERAL AUTHORITY.— Nothing in this section shall be construed to alter or limit the jurisdiction of the Commodity Futures Trading Commission over any matter within the Commission’s authority under applicable law.

“(c) DEFINITIONS.— For purposes of this section:

“(1) COMMODITY-BACKED PAYMENT STABLECOIN.— The term ‘ commodity-backed payment stablecoin ’ means a digital asset—

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

“(B) that is denominated in a highly liquid, publicly traded physical commodity, such as gold;

“(C) the issuer of which is obligated to—

“(i) convert, redeem, or repurchase for a fixed amount of the denominated highly liquid, publicly traded physical commodity; and

“(ii) custody or cause to be custodied, for the benefit of the holders of the payment stablecoin, an amount of the physical commodity equal to or greater than the total amount of outstanding payment stablecoins, for the purpose of converting, redeeming, or repurchasing the digital asset; and

“(D) that is not—

“(i) a security issued by—

“(I) an investment company registered under section 8(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–8(a)); or

“(II) a person that would be an investment company under the Investment Company Act of 1940 but for paragraphs (1) and (7) of section 3(c) of that Act (15 U.S.C. 80a-3(c));

“(ii) a deposit (as defined under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)), regardless of the technology used to record such deposit;

“(iii) an account (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)), regardless of the technology used to record such account; or

“(iv) an interest or participation in a commodity pool (as defined in section 1a(10) of the Commodity Exchange Act (7 U.S.C. 1a)).

“(2) COMMODITY-BACKED PAYMENT STABLECOIN ISSUER.— The term ‘ commodity-backed payment stablecoin issuer ’ means—

“(A) an entity that issues a commodity-backed payment stablecoin; and

“(B) an entity that is approved to issue such commodity-backed payment stablecoins by a State commodity-backed payment stablecoin regulator.

“(3) PHYSICAL COMMODITY.— The term ‘ physical commodity ’ means any exempt commodity (as defined in section 1a(21) of the Commodity Exchange Act (7 U.S.C. 1a)) which can be physically delivered.

“(4) STATE COMMODITY-BACKED PAYMENT STABLECOIN REGULATOR.— The term ‘ State commodity-backed payment stablecoin regulator ’ means a State agency that has primary regulatory and supervisory authority over entities that issue commodity-backed payment stablecoins in such State.

“SEC. 22. PROTECTION OF SELF-CUSTODY.

“(a) IN GENERAL.— A United States individual shall retain the right to—

“(1) maintain a hardware wallet or software wallet for the purpose of facilitating the individual’s own lawful custody of digital assets; and

“(2) engage in direct, peer-to-peer transactions in digital assets with another individual or entity for the individual’s own lawful purposes using a hardware wallet or software wallet, if—

“(A) such other individual or entity is not a financial institution (as defined in section 5312 of title 31, United States Code); and

“(B) the transactions do not involve any property or interests in property that are blocked pursuant to, or are otherwise prohibited by, United States sanctions.

“(b) APPLICATION.— This section—

“(1) applies solely to personal use by individuals; and

“(2) does not apply to individuals acting in a custodial or fiduciary capacity for others.

“(c) RULE OF CONSTRUCTION.— Nothing in this section shall be construed to limit the authority of the Secretary of the Treasury, the Securities and Exchange Commission, the Commodity Futures Trading Commission, or the primary Federal payment stablecoin regulators to carry out any enforcement action or special measure authorized under applicable law, including—

“(1) the Bank Secrecy Act, section 9714 of the Combating Russian Money Laundering Act (31 U.S.C. 5318A note), and section 7213A of the Fentanyl Sanctions Act (21 U.S.C. 2313a); or

“(2) any other law relating to illicit finance, money laundering, terrorism financing, or United States sanctions.”

ABILL

To provide for a system of regulation of the offer and sale of digital commodities by the Securities and Exchange Commission and the Commodity Futures Trading Commission, and for other purposes.

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**— This Act may be cited as the “ Digital Asset Market Clarity Act of 2025 ” or the “ CLARITY Act of 2025 ”.

(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 Securities Exchange Act of 1934.

Sec. 103.Definitions under the Commodity Exchange Act.

Sec. 104.Definitions under this Act.

Sec. 105. Rulemakings.
 Sec. 106. Provisional registration for digital commodity exchanges, brokers, and dealers.
 Sec. 107. Commodity Exchange Act and securities laws savings provisions.
 Sec. 108. Administrative requirements.
 Sec. 109. International cooperation.
 Sec. 110. Treatment of certain non-controlling blockchain developers.
 Sec. 111. Application of the Bank Secrecy Act.
 Sec. 112. Implementation.

TITLE II—OFFERS AND SALES OF DIGITAL COMMODITIES

Sec. 201. Treatment of investment contract assets.
 Sec. 202. Exempted primary transactions in digital commodities.
 Sec. 203. Treatment of secondary transactions in digital commodities that originally involved investment contracts.
 Sec. 204. Requirements for offers and sales of digital commodities by digital commodity related persons and digital commodity affiliated persons.
 Sec. 205. Mature blockchain system requirements.
 Sec. 206. Effective date.

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

Sec. 301. Treatment of digital commodities and permitted payment stablecoins.
 Sec. 302. Anti-fraud authority over permitted payment stablecoins and certain digital commodity transactions.
 Sec. 303. Eligibility of alternative trading systems.
 Sec. 304. Operation of alternative trading systems.
 Sec. 305. Modernization of recordkeeping requirements.
 Sec. 306. Exemptive authority.
 Sec. 307. Additional registrations with the Commodity Futures Trading Commission.
 Sec. 308. Exempting digital commodities from State securities laws.
 Sec. 309. Exclusion for decentralized finance activities.
 Sec. 310. Treatment of custody activities by banking institutions.
 Sec. 311. Broker and dealer disclosures regarding the treatment of assets.
 Sec. 312. Digital commodity activities that are financial in nature.
 Sec. 313. Effective date; administration.
 Sec. 314. Studies on foreign adversary participation.

TITLE IV—REGISTRATION FOR DIGITAL COMMODITY 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 asset custodians.
 Sec. 403. Trading certification and approval for digital commodities.
 Sec. 404. Registration of digital commodity exchanges.
 Sec. 405. Qualified digital asset custodians.
 Sec. 406. Registration and regulation of digital commodity brokers and dealers.
 Sec. 407. Registration of associated persons.
 Sec. 408. Registration of commodity pool operators and commodity trading advisors.
 Sec. 409. Exclusion for decentralized finance activities.
 Sec. 410. Resources for implementation and enforcement.
 Sec. 411. Digital commodity activities by SEC-registered entities.

Sec. 412. Requirements related to control persons.

Sec. 413. Effective date.

Sec. 414. Sense of Congress.

TITLE V—INNOVATION AND TECHNOLOGY IMPROVEMENTS

Sec. 501. Findings; sense of Congress.

Sec. 502. Modernization of the Securities and Exchange Commission mission.

Sec. 503. Strategic Hub for Innovation and Financial Technology.

Sec. 504. Codification of LabCFTC.

Sec. 505. Study on decentralized finance.

Sec. 506. Study on non-fungible tokens.

Sec. 507. Study on expanding financial literacy amongst digital commodity holders.

Sec. 508. Study on financial market infrastructure improvements.

Sec. 509. Study on blockchain in payments.

~~TITLE H—OFFERS AND SALES OF DIGITAL COMMODITIES~~

~~SEC. 201. TREATMENT OF INVESTMENT CONTRACT ASSETS.~~

(a) ~~SECURITIES ACT OF 1933.~~—Section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)), as amended by section 101, is further amended—

(1) in paragraph (1), by adding at the end the following: “The term ‘investment contract’ does not include an investment contract asset.”; and

(2) by adding at the end the following:

“(34) The term ‘investment contract asset’ means a digital commodity—

“(A) that can be exclusively possessed and transferred, person to person, without necessary reliance on an intermediary, and is recorded on a blockchain; and

“(B) sold or otherwise transferred, or intended to be sold or otherwise transferred, pursuant to an investment contract.”

;

(b) ~~INVESTMENT ADVISERS ACT OF 1940.~~—Section 202(a)(18) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-2(a)(18)) is amended by adding at the end the following: “The term ‘investment contract’ does not include an investment contract asset (as such term is defined under section 2(a) of the Securities Act of 1933).”.

(c) ~~INVESTMENT COMPANY ACT OF 1940.~~—Section 2(a)(36) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(36)) is amended by adding at the end the following: “The term ‘investment contract’ does not include an investment contract asset (as such term is defined under section 2(a) of the Securities Act of 1933).”.

(d) ~~SECURITIES EXCHANGE ACT OF 1934.~~—Section 3(a)(10) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(10)) is amended by adding at the end the following: “The term ‘investment contract’ does not include an investment contract asset (as such term is defined under section 2(a) of the Securities Act of 1933).”.

(e) ~~SECURITIES INVESTOR PROTECTION ACT OF 1970.~~—Section 16(14) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78III(14)) is amended by adding at the end the following: “The term ‘investment contract’ does not include an investment contract asset (as such term is defined under section 2(a) of the Securities Act of 1933).”.

~~SEC. 202. EXEMPTED PRIMARY TRANSACTIONS IN DIGITAL COMMODITIES.~~

(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) the offer or sale of an investment contract involving units of a digital commodity by its digital commodity issuer (including all entities controlled by or under common control with the issuer), if—

“(A) the blockchain system to which the digital commodity relates, together with the digital commodity, is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934 or the issuer intends for the blockchain system to which the digital commodity relates to be a mature blockchain system by the later of—

“(i) the date that is four years after the first sale of the investment contract involving a unit of such digital commodity in reliance on the exemption provided under this paragraph, subject to any extensions as may be granted by the Commission; or

“(ii) the date that is four years after the effective date of this paragraph;

“(B) the sum of all cash and other consideration to be received by the digital commodity issuer in reliance on the exemption provided under this paragraph, during the 12-month period preceding the date of such offering, including the amount received in such offering, is not more than \$75,000,000 (as such amount is annually adjusted by the Commission to reflect the change in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor);

“(C) after the completion of the transaction, a purchaser does not own more than 10 percent of the total amount of the outstanding units of the digital commodity;

“(D) the transaction does not involve the offer or sale of an investment contract involving units of a digital commodity by its digital commodity issuer that—

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

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

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

“(II) has indicated that the business plan of the company is to merge with or acquire an unidentified company;

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

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

“(E) the issuer meets the requirements of section 4B(b).”

; and

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

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

“(a) COMMISSION JURISDICTION.—For the purposes of this section:

“(1) The Commission shall have jurisdiction and enforcement authority with respect to disclosures described in this section:

~~“(2) Section 17 shall apply to a statement made in an offering statement, disclosure, or report filed under this section to the same extent as such section 17 applies to a statement made in any other offering statement, disclosure, or report filed under this Act.~~

~~“(b) REQUIREMENTS FOR DIGITAL COMMODITY ISSUERS.—~~

~~“(1) TERMS AND CONDITIONS.— A digital commodity issuer offering or selling an investment contract involving units of a digital commodity in reliance on section 4(a)(8) shall file with the Commission an offering statement and any related documents, in such form and with such content as prescribed by the Commission, including financial information, a description of the issuer and the operations of the issuer, the financial condition of the issuer, a description of the plan of distribution of any unit of a digital commodity that is to be offered as well as the intended use of the offering proceeds, and a description of the development plan for the blockchain system, and the related digital commodity, to become a mature blockchain system, if such blockchain system is not already certified as a mature blockchain system pursuant to section 42 of the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.):~~

~~“(2) INFORMATION REQUIRED FOR PURCHASERS.— A digital commodity issuer that has filed a statement under paragraph (1) to offer and sell an investment contract involving a unit of a digital commodity in reliance on section 4(a)(8) shall include in such statement the following information:~~

~~“(A) MATURITY STATUS.— Whether the blockchain system to which the digital commodity relates has been certified as a mature blockchain system pursuant to section 42 of the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) and, where such blockchain system is not so certified, a statement of the digital commodity issuer’s intent for the blockchain system to which the digital commodity relates to be a mature blockchain system within the time period described in section 4(a)(8)(A):~~

~~“(B) SOURCE CODE.— The source code, or a publicly accessible webpage displaying such source code, for any blockchain system to which the digital commodity relates, and whether the source code was sourced from an external third party, whether there are any existing external dependencies, and whether the code underwent a third-party security audit, along with material results of any such audit:~~

~~“(C) TRANSACTION HISTORY.— A description of the steps necessary to independently access, search, and verify the transaction history of any blockchain system to which the digital commodity relates, to the extent any such independent access, search, and verification activities are technically feasible with respect to such blockchain system:~~

~~“(D) DIGITAL COMMODITY ECONOMICS.— A description of the purpose of any blockchain system to which the digital commodity relates and the operation of any such blockchain system, including~~

~~—~~
~~“(i) information explaining the launch and supply process, including the number of units of the digital commodity to be issued in an initial allocation, the total number of units of the digital commodity to be created, the release schedule for the units of the digital commodity, and the total number of units of the digital commodity outstanding;~~

~~“(ii) information explaining the technical requirements for holding, accessing, and transferring the digital commodity;~~

~~“(iii) information on any applicable consensus mechanism or process for validating transactions, method of generating or mining digital commodities, and any process for burning or destroying units of the digital commodity on the blockchain system;~~

~~“(iv) an explanation of any mechanism for driving value to the digital commodity of such blockchain system; and~~

~~“(v) an explanation of governance mechanisms for implementing changes to the blockchain system or forming consensus among holders of units of such digital commodity.~~

~~“(E) PLAN OF DEVELOPMENT.— The current state and timeline for the development of any blockchain system to which the digital commodity relates, detailing how and when the blockchain system is intended to be a mature blockchain system, if the blockchain system is not yet certified as a mature blockchain system, and the various roles that exist or are intended to exist in connection with the blockchain system, such as users, service providers, developers, transaction validators, and governance participants, including a discussion of any mechanisms by which control or authority are exerted with respect to the blockchain system or its related digital commodity, and any critical operational dependencies of the blockchain system or its related digital commodity.~~

~~“(F) OWNERSHIP DISCLOSURES.—~~

~~“(i) IN GENERAL.— A list of all persons who are digital commodity related persons or digital commodity affiliated persons who have been issued a unit of the digital commodity by the digital commodity issuer or have a right to a unit of the digital commodity from the digital commodity issuer.~~

~~“(ii) CONFIDENTIALITY.— The Commission shall keep each list described under clause (i) confidential, consistent with what is necessary or appropriate in the public interest or for the protection of investors.~~

~~“(G) RISK FACTOR DISCLOSURES.— A description of the material risks surrounding ownership of a unit of a digital commodity.~~

~~“(3) ONGOING DISCLOSURE REQUIREMENTS FOR MATURING BLOCKCHAIN SYSTEMS.— Subject to paragraph (5), the issuer of a digital commodity related to a blockchain system that is not yet certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934 that has filed a statement under paragraph (1) to offer and sell an investment contract involving a unit of a digital commodity in reliance on section 4(a)(8) shall file the following with the Commission:~~

~~“(A) SEMIANNUAL REPORTS.— Every 6 months, a report containing—~~

~~“(i) an updated description of the current state and timeline for the development of the blockchain system to which the digital commodity relates, showing how and when the blockchain is intended to be a mature blockchain system;~~

~~“(ii) a description of the efforts of the issuer and digital commodity related persons in developing the blockchain system to which the digital commodity relates;~~

~~“(iii) the amount of money raised by the digital commodity issuer in reliance on section 4(a)(8), how much of that money has been spent, and the general categories of activities for which that money has been spent and amounts spent per category; and~~

~~“(iv) financial statements, where applicable.~~

~~“(B) CURRENT REPORTS.— A current report reflecting any material changes relevant to the information previously reported to the Commission by the digital commodity issuer, which shall be filed as soon as practicable after the material change occurred, in accordance with such rules as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.~~

~~“(4) RULEMAKING.— Not later than 360 days after the date of the enactment of this section, the Commission shall prescribe rules on requirements applicable to issuers of digital commodities in reliance on section 4(a)(8).~~

~~“(5) TERMINATION OF CERTAIN REPORTING REQUIREMENTS; POST-MATURITY REPORTING REQUIREMENTS.—~~

~~“(A) IN GENERAL.— The ongoing reporting requirements under paragraph (3) shall not apply to a digital commodity issuer 180 days after the end of the covered fiscal year, if the information with respect to the digital commodity and the blockchain system to which it relates described in subparagraphs (A) through (C) of paragraph (2) is made publicly available and the disclosure requirements under subparagraph (C) of this paragraph are satisfied.~~

~~“(B) COVERED FISCAL YEAR DEFINED.—In this paragraph, the term ‘covered fiscal year’ means, with respect to a digital commodity, the first fiscal year of a digital commodity issuer in which the blockchain system to which such digital commodity relates is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934.~~

~~“(C) POST-MATURITY REPORTING REQUIREMENTS.—After the blockchain system to which a digital commodity relates is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934, any digital commodity issuer that has filed a statement under paragraph (1) to offer and sell an investment contract involving a unit of a digital commodity in reliance on section 4(a)(8) and is engaged in material ongoing efforts related to the mature blockchain system shall disclose, in a manner reasonably calculated to inform the public, and at such frequency as the Commission may prescribe, by rule, a description of such efforts, including—~~

~~“(i) any participation in a decentralized governance system of such blockchain system;~~

~~“(ii) any participation in alterations or proposed alterations to the functionality or operation of such blockchain system;~~

~~“(iii) the use or planned use of any funds raised in reliance on section 4(a)(8) or any rulemaking pursuant to section 202(c) of the CLARITY Act of 2025 in such efforts;~~

~~“(iv) the amount of units of the digital commodity, or rights thereto, owned and controlled by such issuer and any use, sale, trading, or other disposition thereof; and~~

~~“(v) any affiliations of such issuer material to the efforts of such issuer.~~

~~“(D) TERMINATION OF AND EXEMPTION FROM POST-MATURITY REPORTING REQUIREMENTS.—Not later than 270 days after the date of the enactment of this section, the Commission shall issue rules—~~

~~“(i) for terminating the disclosure requirements described in subparagraph (C) during the first fiscal year in which the digital commodity issuer does not engage in material ongoing efforts related to the mature blockchain system; and~~

~~“(ii) to, as is necessary or appropriate in the public interest or for the protection of investors, exempt a digital commodity issuer from the requirements described in subparagraph (C) where only a de minimis amount of market activity involving the digital commodity of such digital commodity issuer is taking place.~~

~~“(E) RULE OF CONSTRUCTION.—Nothing in subparagraph (C) may be construed to make any digital commodity described in such subparagraph a security.~~

~~“(e) REQUIREMENTS FOR INTERMEDIARIES.—A person acting as an intermediary in connection with the offer or sale of an investment contract involving units of a digital commodity in reliance on section 4(a)(8) shall—~~

~~“(1) register with the Commission as a broker or dealer; and~~

~~“(2) be a member of a national securities association registered under section 15A of the Securities Exchange Act of 1934 (15 U.S.C. 78o–3).~~

~~“(d) 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).~~

~~“(e) FAILURE TO MATURE.—~~

~~“(1) IN GENERAL.—Not later than 270 days after the date of the enactment of this section, the Commission shall issue rules applying such additional obligations and disclosures for the digital commodity issuers, digital commodity related persons, and digital commodity affiliated persons of a blockchain system described under subsection (b)(1) that does not become a mature blockchain system within the time period described in section 4(a)(8)(A) as are necessary or appropriate in the public interest or for the protection of investors. Such obligations and disclosures shall include the following:~~

~~“(A) DISCLOSURES.—Disclosures regarding the following:~~

~~“(i) FAILURE TO MATURE.— A detailed explanation of the reason that the blockchain system has not become a mature blockchain system within the time period described in section 4(a)(8)(A):~~

~~“(ii) DEVELOPMENT PLANS.— The future plans of development of the blockchain system, including information required under subsection (b)(3):~~

~~“(iii) RISK FACTOR DISCLOSURES.— The material risks surrounding ownership of a unit of a digital commodity that relates to a blockchain system described under subsection (b)(1) that has not become a mature blockchain system within the time period described in section 4(a)(8)(A):~~

~~“(B) OBLIGATIONS.— Transaction reporting and beneficial ownership disclosure obligations applicable to digital commodity related persons and digital commodity affiliated persons of such blockchain system:~~

~~“(2) QUALIFICATION REQUIRED.— The Commission may not permit any additional reliance on an exempt offering for the offer or sale of an investment contract involving a unit of a digital commodity by the issuer of the digital commodity related to a blockchain system described under subsection (a) (1) that has not become a mature blockchain system within the time period described in section 4(a) (8)(A) unless the Commission has qualified any offering statement related to such exempt offering.”~~

;

~~(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 subparagraph (B), by striking “ section 4(4) ” and inserting “ section 4(a)(4) ”;~~

~~(B) in subparagraph (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) ”; and~~

~~(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).”~~

;

~~(c) USE OF OTHER EXEMPTIONS.—~~

~~(1) RULE OF CONSTRUCTION.— Except as provided in this subsection, nothing in this section or the amendments made by this section may be construed as prohibiting the offer or sale of an investment contract involving units of a digital commodity in reliance on an exemption provided under section 3, 4(a), or 19 of the Securities Act of 1933 other than that provided under section 4(a)(8) of the Securities Act of 1933.~~

~~(2) RULEMAKINGS.—~~

~~(A) The Securities and Exchange Commission may issue rules—~~

~~(i) to permit the issuer of a digital commodity related to a blockchain system described under section 4B(b)(1) of the Securities Act of 1933 that has not become a mature blockchain system within the time period described in section 4(a)(8)(A) of such Act, or the issuer of a digital commodity described in subparagraph (B)(iii), to utilize an exempt offering to offer or sell an investment contract involving the digital commodity, if the Commission qualifies any offering statement related to such exempt offering; and~~

~~(ii) for the offer and sale of investment contracts involving units of a digital commodity by issuers that are not organized under the laws of a State, a territory of the United States, or the District of Columbia.~~

~~(B) Not later than 270 days after the date of the enactment of this section, the Securities and Exchange Commission shall issue the following rules:~~

~~(i) A rule requiring a digital commodity issuer that last offered or sold an investment contract involving units of a digital commodity in reliance on an exemption provided under section 3, 4(a), or 19 of the Securities Act of 1933 prior to the date of enactment of this Act, to file a comparable set of disclosures to those described under section 4B of the Securities Act of 1933 as the Commission determines appropriate based on the exemption, the maturity of the blockchain system to which such digital commodity relates, and any material ongoing efforts of such digital commodity issuer (provided that for blockchains certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934, such disclosures shall be comparable to those under section 4B(b)(5)(C)); not later than the later of—~~

~~(I) one year after the effective date of this section; or~~

~~(II) the date of any secondary market sale of such digital commodity made in reliance on section 203.~~

~~(ii) A rule requiring a digital commodity issuer that offers or sells an investment contract involving units of a digital commodity in reliance on an exemption provided under section 3, 4(a), or 19 of the Securities Act of 1933, other than that provided under section 4(a)(8) of the Securities Act of 1933, on or after the date of enactment of this Act, to file a comparable set of disclosures to those described under section 4B of the Securities Act of 1933 as the Commission determines appropriate based on the exemption, the maturity of the blockchain system to which such digital commodity relates, and any material ongoing efforts of such digital commodity issuer, prior to the date of any secondary market sale of such digital commodity made in reliance on section 203.~~

~~(iii) With respect to a digital commodity where the digital commodity issuer is required to file disclosures under clause (i) or (ii) and where the blockchain system to which the digital commodity relates is not certified as a mature blockchain system pursuant to section 42 of the Securities Exchange Act of 1934 after the 4-year period beginning on the date that the first such disclosure is filed—~~

~~(I) a rule prohibiting the offer or sale of an investment contract involving units of the digital commodity unless the Commission has qualified any offering statement related to such offer or sale, where such offer or sale is permitted pursuant to subparagraph (A)(i); and~~

~~(II) a rule requiring the digital commodity issuer to make disclosures comparable to those described in 4B(e)(1)(A) of the Securities Act of 1933.~~

~~SEC. 203. TREATMENT OF SECONDARY TRANSACTIONS IN DIGITAL COMMODITIES THAT ORIGINALLY INVOLVED INVESTMENT CONTRACTS.~~

~~(a) SECONDARY MARKET TREATMENT.— Notwithstanding any other provision of law, the offer or sale of a digital commodity that originally involved an investment contract by a person other than the issuer of such digital commodity, or an agent or underwriter thereof, shall be deemed not to be an offer or sale of such investment contract between the issuer of the investment contract involving the digital commodity, or an agent or underwriter thereof, and the purchaser of such digital commodity under—~~

~~(1) the Securities Act of 1933 (15 U.S.C. 77a et seq.);~~

~~(2) the Investment Advisers Act of 1940 (15 U.S.C. 80b-1 et seq.);~~

~~(3) the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.);~~

~~(4) the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.);~~

~~(5) the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.); and~~

(6) any applicable provisions of State law.

(b) ~~END USER DISTRIBUTIONS NOT AN OFFER OR SALE OF A SECURITY.~~— An end user distribution does not involve the offer or sale of a security.

(c) ~~AGENT DEFINED.~~— In this section and with respect to a digital commodity issuer, the term “agent” means any person directly or indirectly controlled by the issuer or under direct or indirect common control with the issuer.

~~SEC. 204. REQUIREMENTS FOR OFFERS AND SALES OF DIGITAL COMMODITIES BY DIGITAL COMMODITY RELATED PERSONS AND DIGITAL COMMODITY AFFILIATED PERSONS.~~

The Securities Act of 1933 (15 U.S.C. 77a et seq.), as amended by section 202, is further amended by inserting after section 4B the following:

~~“SEC. 4C. REQUIREMENTS FOR OFFERS AND SALES OF DIGITAL COMMODITIES BY DIGITAL COMMODITY RELATED PERSONS AND DIGITAL COMMODITY AFFILIATED PERSONS.~~

~~“(a) IN GENERAL.~~— It shall be a violation of this Act for a digital commodity affiliated person or a digital commodity related person to offer or sell a digital commodity acquired directly from its issuer, or an agent or underwriter thereof, pursuant to an investment contract in reliance on section 4(a)(8) or another exemption under this Act, other than as provided in this section.

~~“(b) COMMISSION JURISDICTION.~~—

~~“(1) Where a digital commodity affiliated person or a digital commodity related person offers or sells a digital commodity acquired directly from its issuer, or an agent or underwriter thereof, pursuant to an investment contract in reliance on section 4(a)(8), or another exemption under this Act, other than as provided in this section, such digital commodity affiliated person or digital commodity related person shall be considered an issuer of such investment contract.~~

~~“(2) For the purposes of this section, the Commission shall have jurisdiction and enforcement authority with respect to an offer or sale of a digital commodity described in subsection (a).~~

~~“(c) RESTRICTIONS ON DIGITAL COMMODITY RELATED PERSONS AND DIGITAL COMMODITY AFFILIATED PERSONS.—~~

~~“(1) PRIOR TO BEING A MATURE BLOCKCHAIN SYSTEM.~~— Prior to the blockchain system to which a digital commodity relates being certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934, units of the digital commodity acquired by a digital commodity related person or digital commodity affiliated person directly from its issuer (or an agent or underwriter thereof) pursuant to an investment contract in reliance on section 4(a)(8), or another exemption under this Act, may be offered or sold by such digital commodity related person or digital commodity affiliated person if—

~~“(A) reports with respect to such digital commodity, where required under section 4B(b)(3) (or, with respect to a digital commodity not issued in reliance on section 4(a)(8), a comparable set of reports where required by the Commission) have been filed with the Commission;~~

~~“(B) the digital commodity related person or digital commodity affiliated person has held the units for not less than 12 months; and~~

~~“(C) the aggregate amount of the units of the digital commodity offered or sold by the digital commodity related person or digital commodity affiliated person is—~~

~~“(i) in any 12-month period, or shorter period as the Commission may prescribe, not less than 5 percent or greater than 20 percent of the total units of the digital commodity acquired directly from its issuer (or an agent or underwriter thereof) by the digital commodity related person or digital commodity affiliated person, as determined by the Commission pursuant to paragraph (3); and~~

~~“(ii) an amount, as determined by the Commission pursuant to paragraph (3), not less than 30 percent or greater than 50 percent of the total units of the digital commodity acquired directly from its issuer (or an agent or underwriter thereof) by the digital commodity related person or digital commodity affiliated person.~~

~~“(2) AFTER BECOMING A MATURE BLOCKCHAIN SYSTEM.— After the blockchain system to which a digital commodity relates is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934, units of the digital commodity acquired by a digital commodity related person or digital commodity affiliated person directly from its issuer (or an agent or underwriter thereof) pursuant to an investment contract in reliance on section 4(a)(8) or another exemption under this Act, may be—~~

~~“(A) offered or sold by a digital commodity related person; or~~

~~“(B) offered or sold by a digital commodity affiliated person if—~~

~~“(i) information described in section 4B(b)(5)(C), where required (or, with respect to a digital commodity not issued in reliance on section 4(a)(8), a comparable set of information, where required) is publicly available;~~

~~“(ii) the digital commodity affiliated person has held the units for not less than the earlier of—~~

~~“(I) 12 months; or~~

~~“(II) 3 months following the date on which the blockchain system is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934; and~~

~~“(iii) the aggregate amount of the units of the digital commodity offered or sold by the digital commodity affiliated person in any 12-month period is an amount, as determined by the Commission pursuant to paragraph (3), not less than 5 percent or greater than 10 percent of the total outstanding amount of the digital commodity.~~

~~“(3) RULEMAKINGS REQUIRED.— Not later than 270 days after the date of the enactment of this section, consistent with protecting investors, fostering the development of mature blockchain systems, facilitating capital formation, and maintaining fair and orderly markets the Commission, by rule, after notice and comment—~~

~~“(A) shall set the percentage amounts described in paragraphs (1)(C)(i), (1)(C)(ii), and (2)(B)(iii); and~~

~~“(B) may provide an exemption from the limitation described in paragraph (1)(C)(ii), if the Commission requires any offer or sale pursuant to such exemption of a digital commodity related to a blockchain system that has failed to become a mature blockchain system under this Act or any rule promulgated hereunder to be accompanied by the disclosures required under, as applicable, section 4B(e)(1)(A) or section 202(e)(2)(B)(iii)(II) of the CLARITY Act of 2025.~~

~~“(d) USE OF A DIGITAL COMMODITY IN THE PROGRAMMATIC FUNCTIONING OF THE BLOCKCHAIN SYSTEM.— For purposes of this section, the use of a digital commodity in the programmatic functioning of the blockchain system to which it relates is not an offer or sale of a digital commodity.~~

~~“(e) MANIPULATIVE AND DECEPTIVE DEVICES; REPORTING.—~~

~~“(1) IN GENERAL.— It shall be unlawful for any digital commodity issuer, digital commodity related person, or digital commodity affiliated person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, to use or employ, in connection with the purchase or sale of any digital commodity, any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.~~

~~“(2) AFFIRMATIVE DEFENSE.— Not later than 270 days after the date of the enactment of this section, the Commission shall issue rules to implement paragraph (1), including by providing any affirmative defenses to an enforcement action thereunder as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.~~

~~“(3) REPORTING.— Not later than 270 days after the date of the enactment of this section, the Commission shall issue rules to prescribe such transaction reporting and beneficial ownership disclosure obligations applicable to digital commodity related persons and digital commodity affiliated persons, as necessary or appropriate in the public interest or for the protection of investors.~~

~~“(4) DIFFERENTIATION BETWEEN PERSONS.— In issuing rules required under paragraphs (2) and (3), the Commission shall differentiate between digital commodity related persons and digital commodity affiliated persons, as necessary or appropriate in the public interest or for the protection of investors.~~

~~“(f) CERTAIN UNITS RECEIVED PRIOR TO ENACTMENT.— A unit of a digital commodity received from the digital commodity issuer prior to the date of the enactment of this section through an offer or sale of an investment contract involving units of a digital commodity in reliance on an exemption provided under section 3, 4(a), or 19, may be offered or sold by a digital commodity related person or digital commodity affiliated person, if—~~

~~“(1) the digital commodity issuer is no longer engaged in material ongoing efforts related to the blockchain system to which the digital commodity relates and the blockchain system to which the digital commodity relates is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934;~~

~~“(2) the digital commodity issuer is engaged in material ongoing efforts related to the blockchain system to which the digital commodity relates and the blockchain system to which the digital commodity relates is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934, and the appropriate disclosures required under section 202(c)(2)(B) of the CLARITY Act of 2025 have been made with the Commission; or~~

~~“(3) the digital commodity issuer is engaged in material ongoing efforts related to the blockchain system to which the digital commodity relates and the blockchain system to which the digital commodity relates is not certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934, and the appropriate disclosures required under section 202(c)(2)(B) of the CLARITY Act of 2025 have been made with the Commission.~~

~~“(g) RULEMAKING ON FURTHER USAGE OF DIGITAL COMMODITIES.— The Commission, consistent with protecting investors, fostering the development of mature blockchain systems, facilitating capital formation, and maintaining fair and orderly markets, may, by rule, exempt unconditionally or on stated terms or conditions, a digital commodity related person or a digital commodity affiliated person, or any class thereof, from the requirements of this section for the offer or sale of a digital commodity.”~~

;

SEC. 205. MATURE BLOCKCHAIN SYSTEM REQUIREMENTS.

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

“SEC. 42. MATURE BLOCKCHAIN SYSTEMS.

“(a) CERTIFICATION OF BLOCKCHAIN SYSTEMS.—

~~“(1) CERTIFICATION.— For purposes of sections 4(a)(8), 4B, and 4C of the Securities Act of 1933, any digital commodity issuer, digital commodity related person, digital commodity affiliated person, or decentralized governance system of the blockchain system may certify to the Securities and Exchange Commission that the blockchain system to which a digital commodity relates is a mature blockchain system.~~

~~“(2) FILING REQUIREMENTS.— A certification described under paragraph (1) shall be filed with the Commission, and include such information that is reasonably necessary to establish that the blockchain system is not controlled by any person or group of persons under common control, which may include information regarding—~~

~~“(A) the operation of the blockchain system;~~

~~“(B) the functionality of the related digital commodity;~~

~~“(C) how the market value of the digital commodity is substantially derived from the programmatic functioning of such blockchain system;~~

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

~~“(E) the current roles, if any, of the digital commodity issuer, digital commodity-affiliated persons, and digital commodity related persons where such roles are material to the development or operation of such blockchain system or the decentralized governance system of such blockchain system.~~

~~“(3) REBUTTABLE PRESUMPTION.— The Commission may rebut a certification described under paragraph (1) with respect to a blockchain system if the Commission, within 60 days of receiving such certification, determines that the blockchain system is not a mature blockchain system.~~

~~“(4) CERTIFICATION REVIEW.—~~

~~“(A) IN GENERAL.— Any blockchain system that relates to a digital commodity for which a certification has been made under paragraph (1) shall be considered a mature blockchain system 60 days after the date on which the Commission receives a certification under paragraph (1), unless the Commission notifies the person who made the certification within such time that the Commission is staying the certification due to—~~

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

~~“(ii) any novel or complex issues which require additional time to consider.~~

~~“(B) PUBLIC NOTICE.— The Commission shall make the following available to the public and provide a copy to the Commodity Futures Trading Commission:~~

~~“(i) Each certification received under paragraph (1);~~

~~“(ii) Each stay of the Commission under this subsection, and the reasons therefor.~~

~~“(iii) Any response from a person making a certification under paragraph (1) to a stay of the certification by the Commission.~~

~~“(C) CONSOLIDATION.— The Commission may consolidate and treat as one submission multiple certifications made under paragraph (1) for the same blockchain system which relates to a digital commodity which are received during the review period provided under this paragraph.~~

~~“(5) STAY OF CERTIFICATION.—~~

~~“(A) IN GENERAL.— A notification by the Commission pursuant to paragraph (4)(A) shall stay the certification once for up to an additional 120 days from the date of the notification.~~

~~“(B) PUBLIC COMMENT PERIOD.— Before the end of the 60-day period described under paragraph (4)(A), the Commission may begin a public comment period of at least 30 days in conjunction with a stay under this subsection.~~

~~“(6) DISPOSITION OF CERTIFICATION.— A certification made under paragraph (1) 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.~~

~~“(7) RECERTIFICATION.— With respect to a blockchain system for which a certification has been rebutted under this subsection, no person may make a certification under paragraph (1) with respect to such blockchain system during the 90-day period beginning on the date of such rebuttal.~~

~~“(8) APPEAL OF REBUTTAL.—~~

~~“(A) IN GENERAL.— If a certification is rebutted under this section, the person making such certification may appeal the decision to the United States Court of Appeals for the District of Columbia, not later than 60 days after the notice of rebuttal is made.~~

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

~~“(b) MATURITY CRITERIA.—~~

~~“(1) SENSE OF CONGRESS.— It is the sense of the Congress that protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation necessitates establishing clear criteria for blockchain systems to be deemed mature, as well as enabling the Commission to develop, without prejudice to any such criteria codified in statute, alternative criteria by which blockchain systems may be considered not to be controlled by any person or group of persons under common control in order to accommodate changes in markets and technology.~~

~~“(2) IN GENERAL.— The Commission may issue rules identifying conditions by which a blockchain system, together with its related digital commodity, shall be considered a mature blockchain system, consistent with the protection of investors, maintenance of fair, orderly, and efficient markets, and the facilitation of capital formation.~~

~~“(3) RULES OF CONSTRUCTION.—~~

~~“(A) Nothing in this subsection may be construed to permit the Commission to impose additional criteria to the criteria in subsection (c) for certifying that a blockchain system is a mature blockchain system pursuant to subsection (c).~~

~~“(B) Nothing in this subsection or subsection (c) may be construed to limit the Commission’s ability to identify alternative conditions and criteria by which a blockchain system may be considered a mature blockchain system.~~

~~“(c) DEEMED MATURE.—~~

~~“(1) IN GENERAL.— Notwithstanding subsection (b), for the purposes of subsection (a), a digital commodity issuer, digital commodity related person, digital commodity affiliated person, or decentralized governance system of the blockchain system may establish that a blockchain system, together with its related digital commodity, is not controlled by any person or group of persons under common control, if the blockchain system, together with its related digital asset, meets the requirements described in paragraph (2) or (3).~~

~~“(2) CRITERIA FOR ANY BLOCKCHAIN SYSTEM.— The requirements described in this paragraph are the following:~~

~~“(A) SYSTEM VALUE.—~~

~~“(i) MARKET VALUE.— The digital commodity has a value that is substantially derived from the use and functioning of the blockchain system.~~

~~“(ii) DEVELOPMENT OF VALUE MECHANISM SUBSTANTIALLY COMPLETED.— Where the digital commodity issuer has made public a development plan describing how the digital commodity’s value is reasonably expected to be derived from the programmatic functioning of the blockchain system, the development of such mechanisms has been substantially completed.~~

~~“(B) FUNCTIONAL SYSTEM.— The blockchain system allows network participants to engage in the activities the blockchain system is intended to provide, including—~~

~~“(i) using, transmitting, or storing value, or otherwise executing transactions, on the blockchain system;~~

~~“(ii) deploying, executing, or accessing software or services, or otherwise offering or participating in services, deployed on or integrated with the blockchain system;~~

~~“(iii) participating in the consensus mechanism, transaction validation process, or decentralized governance system of the blockchain system; or~~

~~“(iv) operating any client, node, validator, or other form of computational infrastructure with respect to the blockchain system.~~

~~“(C) OPEN AND INTEROPERABLE SYSTEM.— The blockchain system—~~

~~“(i) is composed of source code that is open source; and~~

~~“(ii) does not restrict or prohibit based on the exercise of unilateral authority any person, other than a digital commodity issuer, digital commodity related person, or digital commodity affiliated person from engaging in the activities the blockchain system is intended to provide, including the activities described in subparagraph (B).~~

~~“(D) PROGRAMMATIC SYSTEM.—The blockchain system operates, executes, and enforces its operations and transactions based solely on pre-established, transparent rules encoded directly within the source code of the blockchain system.~~

~~“(E) SYSTEM GOVERNANCE.— No person or group of persons under common control—~~

~~“(i) has the unilateral authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the blockchain system or its related digital commodity; or~~

~~“(ii) has the unilateral authority to direct the voting, in the aggregate, of 20 percent or more of the outstanding voting power of such blockchain system by means of a related digital commodity, nodes or validators, a decentralized governance system, or otherwise, in a blockchain system which can be altered by a voting system.~~

~~“(F) IMPARTIAL SYSTEM.— No person or group of persons under common control possesses a unique permission or privilege to alter the functionality, operation, or rules of consensus or agreement of the blockchain system or its related digital commodity, unless such alteration—~~

~~“(i) addresses errors, regular maintenance, or cybersecurity risks of the blockchain system that affect the programmatic functioning of the blockchain system; and~~

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

~~“(G) DISTRIBUTED OWNERSHIP.— No digital commodity issuer, digital commodity related person, or digital commodity affiliated person beneficially owns, in the aggregate, 20 percent or more of the total amount of units of the digital commodity.~~

~~“(3) OPTIONAL CRITERIA FOR PREEXISTING BLOCKCHAIN SYSTEMS.— The requirements described in this paragraph are that the blockchain system—~~

~~“(A) was created prior to the date of enactment of this section;~~

~~“(B) met the requirements of subparagraphs (A) through (F) of paragraph (2) prior to January 1, 2020; and~~

~~“(C) at least 50 percent of the units of the digital commodity related to the blockchain system are held by persons other than the digital commodity issuer, a digital commodity related person, or a digital commodity affiliated person.~~

~~“(d) DECENTRALIZED GOVERNANCE SYSTEM.—~~

~~“(1) For the purposes of this section, a decentralized governance system is not a ‘person’ or a ‘group of persons under common control’.~~

~~“(2) A blockchain system, together with its digital commodity, shall not be precluded from being considered a mature blockchain system solely based on a functional, administrative, clerical, or ministerial action of a decentralized governance system, including any such action taken by a person acting on behalf of and at the direction of the decentralized governance system, as determined by the Commission and consistent with the protection of investors, maintenance of fair, orderly, and efficient markets, and the facilitation of capital formation.~~

~~“(e) RULEMAKING.— Not more than 270 days after the date of enactment of this section, the Commission shall issue rules to carry out this section.”~~

7

SEC. 206. EFFECTIVE DATE.

Unless otherwise provided in this title, this title and the amendments made by this title shall take effect 360 days after the date of enactment of this Act, except that, to the extent a provision of this title requires a rulemaking, the provision shall take effect on the later of—

(1) 360 days after the date of enactment of this Act; or

(2) 60 days after the publication in the Federal Register of the final rule implementing the provision.

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

~~SEC. 301. TREATMENT OF DIGITAL COMMODITIES AND PERMITTED PAYMENT STABLECOINS.~~

~~(a) SECURITIES ACT OF 1933.—Section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1)), as amended by section 201(a)(1), is further amended by adding at the end the following: “The term does not include a digital commodity or permitted payment stablecoin.”.~~

~~(b) SECURITIES EXCHANGE ACT OF 1934.—Section 3(a)(10) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)), as amended by section 201(d) is further is amended by adding at the end the following: “The term does not include a digital commodity or permitted payment stablecoin.”.~~

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

~~(1) in paragraph (18)), as amended by section 201(b), by adding at the end the following: “The term does not include a digital commodity or permitted payment stablecoin.”;~~

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

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

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

~~;~~

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

~~(1) in paragraph (36), as amended by section 201(e), by adding at the end the following: “The term does not include a digital commodity or permitted payment stablecoin.”; and~~

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

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

~~;~~

~~(e) SECURITIES INVESTOR PROTECTION ACT OF 1970.—Section 16 of the Securities Investor Protection Act of 1970 (15 U.S.C. 78III) is amended—~~

~~(1) in paragraph (14), as amended by section 201(e), by adding at the end the following: “The term does not include a digital commodity or permitted payment stablecoin, as such terms are defined, respectively, under section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a))”; and~~

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

~~“(15) TREATMENT OF PERMITTED PAYMENT STABLECOINS.—A permitted payment stablecoin, as defined in section 2(a) of the Securities Act of 1933, shall not qualify as ‘cash’ and a claim for a permitted payment stablecoin shall not qualify as a ‘claim for cash’.”~~

~~;~~

~~SEC. 302. ANTI-FRAUD AUTHORITY OVER PERMITTED PAYMENT STABLECOINS AND CERTAIN DIGITAL COMMODITY TRANSACTIONS.~~

~~(a) IN GENERAL.—Section 10 of the Securities Exchange Act of 1934 (15 U.S.C. 78j) is amended—~~

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

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

“(d) To use or employ, in connection with the purchase or sale of any permitted payment stablecoin or digital commodity, including, as applicable, by or through a broker or dealer or an alternative trading system, any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.”

; and

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

;

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

“SEC. 6A. TREATMENT OF TRANSACTIONS IN PERMITTED PAYMENT STABLECOINS.

“(a) AUTHORITY TO BROKER, TRADE, AND CUSTODY PERMITTED PAYMENT STABLECOINS.—Permitted payment stablecoins may be brokered, traded, or custodied by a broker or dealer or through an alternative trading system or national securities exchange.

“(b) COMMISSION JURISDICTION.—The Commission shall only have jurisdiction over a transaction in a permitted payment stablecoin with respect to those circumstances in which a permitted payment stablecoin is brokered, traded, or custodied—

“(1) by a broker or dealer;

“(2) through a national securities exchange; or

“(3) through an alternative trading system.

“(c) LIMITATION.—Subsection (b) shall only apply to a transaction described in subsection (b) for the purposes of regulating the offer, execution, solicitation, or acceptance of a permitted payment stablecoin in those circumstances in which the permitted payment stablecoin is brokered, traded, or custodied—

“(1) by a broker or dealer;

“(2) through a national securities exchange; or

“(3) 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 COMMODITY 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 include—~~

~~“(A) digital commodities or permitted payment stablecoins; and~~

~~“(B) securities.~~

~~“(2) COVERED EXEMPTION.—In this subsection, the term ‘covered exemption’ means an exemption—~~

~~“(A) described in subsection (a)(2); or~~

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

~~;~~

~~(b) SECURITIES EXCHANGE ACT OF 1934.—Section 3(a)(2) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(2)) is amended by adding at the end the following: “An alternative trading system primarily facilitating the trading of digital commodities, permitted payment stablecoins, or both, is not a ‘facility’ of an exchange.”~~

~~(c) RULE OF CONSTRUCTION.—Nothing in this section, the amendments made by this section, or section 304 may be construed to—~~

~~(1) prohibit a national securities exchange from owning or operating any other type of alternative trading system; or~~

~~(2) create a presumption that any other type of alternative trading system owned or operated by a national securities exchange is a facility of that exchange.~~

~~SEC. 304. OPERATION OF ALTERNATIVE TRADING SYSTEMS.~~

~~(a) COMMISSION AUTHORITY.—The Securities and Exchange Commission shall have jurisdiction over digital commodity activities and transactions engaged in by—~~

~~(1) a registered broker or registered dealer exempt from registration with the Commodity Futures Trading Commission pursuant to section 5k of the Commodity Exchange Act; and~~

~~(2) an alternative trading system exempt from registration with the Commodity Futures Trading Commission pursuant to section 5k of the Commodity Exchange Act, including where such alternative trading system is operated by a national securities exchange or affiliate thereof.~~

~~(b) RULEMAKING AUTHORITY.—The Securities and Exchange Commission shall have authority to issue rules governing any digital commodity activities and transactions engaged in by a registered broker or registered dealer, or an alternative trading system, including where such alternative trading system is operated by a national securities exchange or affiliate thereof, that is exempt from registration with the Commodity Futures Trading Commission pursuant to section 5k of the Commodity Exchange Act, consistent with this section and what is necessary or appropriate in the public interest or for the protection of investors.~~

~~(c) NATIONAL SECURITIES EXCHANGES.—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 permit a national securities exchange or affiliate thereof to operate an alternative trading system that permits the trading of digital commodities, permitted payment stablecoins, or both by registered brokers or registered dealers that are exempt from registration with the Commodity Futures Trading Commission pursuant section 5k of the Commodity Exchange Act, consistent with this section and what is necessary or appropriate in the public interest or for the protection of investors.~~

~~(d) REGISTERED BROKERS AND REGISTERED DEALERS.—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 permit a registered broker or registered dealer that is exempt from registration with the Commodity Futures Trading Commission pursuant to section 5k of the Commodity Exchange Act to operate an alternative trading system that permits the trading of digital commodities, permitted payment stablecoins, or both, consistent with this section and what is necessary or appropriate in the public interest or for the protection of investors.~~

~~(e) PERMITTED TRADING.—~~

(1) ~~IN GENERAL.~~— An alternative trading system operated pursuant to this section and the regulations promulgated hereunder shall be permitted to trade upon notice to the Securities and Exchange Commission in a manner prescribed by the Securities and Exchange Commission any digital commodity that has been listed by a digital commodity exchange in compliance with section 5i(c)(3) of the Commodity Exchange Act.

(2) ~~COMMISSION AUTHORITY.~~— Digital commodity transactions offered on an alternative trading system operating pursuant to this section shall be subject to the jurisdiction of the Securities and Exchange Commission. The Securities and Exchange Commission shall have authority to promulgate rules governing such digital commodity transactions of alternative trading systems, consistent with this section and what is necessary or appropriate in the public interest or for the protection of investors.

(3) ~~SUSPENSION OF TRADING.~~— The Securities and Exchange Commission may suspend the trading of a digital commodity by an alternative trading system operating pursuant to this section as is necessary or appropriate in the public interest and is consistent with the protection of investors.

(f) ~~ORDER DISPLAY AND EXECUTION.~~— Not later than 270 days after the date of the enactment of this Act, the Securities and Exchange Commission shall issue and revise rules, as necessary or appropriate in the public interest or for the protection of investors, regarding whether alternative trading systems operating pursuant to subsections (c) and (d) have an obligation to provide the prices and sizes of orders displayed to more than one person in such alternative trading system of digital commodities to self-regulatory organizations with members who trade in digital commodities or permitted payment stablecoins.

(g) ~~PRINCIPLES OF TRADE.~~— Not later than 270 days after the date of the enactment of this Act, the Securities and Exchange Commission shall issue and revise rules, as necessary or appropriate in the public interest or for the protection of investors, to—

(1) apply the rules and standards promulgated pursuant to paragraph (2) to the appropriate market participants, including—

(A) national securities exchanges operating an alternative trading system described in subsection (c); and

(B) registered brokers and registered dealers operating or subscribing to an alternative trading system described in subsection (d); and

(2) apply, as appropriate to the market participants described in paragraph (1) and customers thereof, rules and standards to—

(A) prevent fraudulent and manipulative acts and practices;

(B) foster cooperation and coordination with persons engaged in regulating, settling, processing information with respect to, and facilitating transactions in digital commodities or permitted payment stablecoins traded, as applicable, on or by any alternative trading system operating pursuant to subsection (c) or (d), or any registered broker or registered dealer;

(C) remove impediments to and perfect the mechanism of a free and open market in digital commodities or permitted payment stablecoins traded, as applicable, on or by any alternative trading system operating pursuant to subsection (c) or (d), or any registered broker or registered dealer;

(D) in general, protect investors and the public interest; and

(E) prohibit any unfair discrimination between—

(i) customers;

(ii) any market participants described in subparagraphs (A) and (B) of paragraph (1); or

(iii) issuers of digital commodities.

(h) ~~IMPLEMENTING ORGANIZATIONS.~~— The Securities and Exchange Commission shall require any registered national securities association that has as a member a registered broker or registered dealer that operates an alternative trading system pursuant to subsection (d) or otherwise transacts in digital commodities or permitted payment stablecoins to adopt such rules as may be necessary to further compliance with this section, including subsection (g)(2), protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

(i) ~~RULE OF CONSTRUCTION.~~—The enumeration of any category of rules or regulations in this section shall not be construed to limit the authority of the Securities and Exchange Commission to promulgate such rules as may be necessary or appropriate to implement this section and the purposes of this Act, including over—

- (1) system capacity, integrity, and security;
- (2) examinations, inspections, and investigations;
- (3) trade reporting; or
- (4) written procedures for the confidential treatment of trading information.

(j) ~~MEMORANDUM OF UNDERSTANDING.~~—Consistent with section 5k of the Commodity Exchange Act and to carry out this Act, the Securities and Exchange Commission shall enter into a memorandum of understanding with the Commodity Futures Trading Commission to ensure—

- (1) requirements imposed on registered brokers or registered dealers operating an alternative trading system pursuant to subsection (c) or otherwise transacting in digital commodities or permitted payment stablecoins are consistent with the substantive requirements under section 4u of the Commodity Exchange Act;
- (2) requirements imposed on alternative trading systems operating pursuant to subsection (c) or (d) are not inconsistent with core principles of and are consistent with the other substantive requirements under section 5i of the Commodity Exchange Act; and
- (3) non-duplicative supervision and enforcement with respect to registrants of the Securities and Exchange Commission notice registered with the Commodity Futures Trading Commission.

(k) ~~COVERED REGULATIONS DEFINED.~~—In this section, the term “covered regulations” means sections 242.300, 242.301, 242.302, 242.303, 242.304, and 242.1000 through 242.1007 of title 17, Code of Federal Regulations.

(l) ~~RULE OF CONSTRUCTION.~~—Nothing in this section shall be construed to limit the anti-fraud, anti-manipulation, or false reporting enforcement authorities of the Commodity Futures Trading Commission with respect to a contract of sale of a commodity and persons effecting such contracts.

SEC. 305. MODERNIZATION OF RECORDKEEPING REQUIREMENTS.

(a) ~~IN GENERAL.~~—For purposes of books and records requirements for brokers, dealers, transfer agents, national securities exchanges under the Securities and Exchange Act of 1934 (15 U.S.C. 78a et seq.), investment advisers under the Investment Advisers Act of 1940 (15 U.S.C. 80b-1 et seq.), and investment companies under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.), a person may consider records from a blockchain system.

(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 such rules as may be necessary to implement this section.

SEC. 306. EXEMPTIVE AUTHORITY.

Section 28 of the Securities Act of 1933 (15 U.S.C. 77z-3) is amended by striking “by rule or regulation” and inserting “by rule, regulation, or order”.

SEC. 307. ADDITIONAL REGISTRATIONS WITH THE COMMODITY FUTURES TRADING COMMISSION.

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

“(p) ~~ADDITIONAL REGISTRATIONS WITH THE COMMODITY FUTURES TRADING COMMISSION.~~—A registered broker or registered dealer shall be permitted to maintain a registration with the Commodity Futures Trading Commission as a digital commodity broker or digital commodity dealer, to list or trade contracts of sale for digital commodities.”

SEC. 308. EXEMPTING DIGITAL COMMODITIES FROM STATE SECURITIES LAWS.

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 IN CONNECTION WITH DIGITAL COMMODITIES.— A digital commodity shall be treated as a covered security.”

SEC. 309. EXCLUSION FOR DECENTRALIZED FINANCE ACTIVITIES.

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

“SEC. 15H. DECENTRALIZED FINANCE ACTIVITIES NOT SUBJECT TO THIS ACT.

“(a) IN GENERAL.— Notwithstanding any other provision of this Act, a person shall not be subject to this Act and the regulations promulgated under this Act based on the person directly or indirectly engaging in any of the following activities, whether singly or in combination, in relation to the operation of a blockchain system or in relation to a decentralized finance trading protocol:

“(1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity;

“(2) Providing computational work, operating a node or oracle service, or procuring, offering, or utilizing network bandwidth, or providing other similar incidental services;

“(3) Providing a user interface that enables a user to read and access data about a blockchain system;

“(4) Developing, publishing, constituting, administering, maintaining, or otherwise distributing a blockchain system or a decentralized finance trading protocol;

“(5) Developing, publishing, constituting, administering, maintaining, or otherwise distributing a decentralized finance messaging system, or operating or participating in a liquidity pool, for the purpose of executing a spot contract for the purchase or sale of a digital commodity in relation to a decentralized finance trading protocol;

“(6) Developing, publishing, constituting, administering, maintaining, or otherwise distributing software or systems that create or deploy hardware or software, including wallets or other systems, facilitating an individual user’s own personal ability to keep, safeguard, or custody the user’s digital assets or related private keys;

“(b) EXCEPTIONS.— Subsection (a) shall not apply to the anti-fraud and anti-manipulation authorities of the Commission.”

SEC. 310. TREATMENT OF CUSTODY ACTIVITIES BY BANKING INSTITUTIONS.

(a) TREATMENT OF CUSTODY ACTIVITIES.— The appropriate Federal banking agency, the National Credit Union Administration (in the case of a credit union), and the Securities and Exchange Commission may not require a depository institution, national bank, Federal credit union, State credit union, trust company, broker, or dealer, or any affiliate thereof (the “entity”)—

(1) to include assets held in custody that are not owned by the entity as a liability on the financial statement or balance sheet of the entity, including digital commodity or permitted payment stablecoin custody or safekeeping services;

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

(A) the appropriate Federal banking agency;

(B) the National Credit Union Administration (in the case of a credit union);

(C) a State bank supervisor;

(D) a State credit union supervisor (as defined in section 6003 of the Anti-Money Laundering Act of 2020 (31 U.S.C. 5311 note)); or

(E) the Securities and Exchange Commission (in the case of a broker or dealer); and

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

(b) DEFINITIONS.— In this section:

(1) BANKING TERMS.— The terms “appropriate Federal banking agency”, “depository institution”, “national bank”, and “State bank supervisor” have the meaning given those terms, respectively, under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(2) CREDIT UNION TERMS.— The terms “Federal credit union” and “State credit union” have the meaning given those terms, respectively, under section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

SEC. 311. BROKER AND DEALER DISCLOSURES REGARDING THE TREATMENT OF ASSETS.

(a) IN GENERAL.— Not later than 270 days after the date of the enactment of this Act, the Securities and Exchange Commission shall issue rules requiring written disclosures regarding the treatment of customer assets in the event of an insolvency, resolution, or liquidation proceeding to be provided by a registered broker or dealer to an investor before a digital commodity, a permitted payment stablecoin, or an investment contract involving a unit of a digital commodity is received, acquired, or held by the broker or dealer for the account of the investor, which shall include, as necessary or appropriate for the protection of investors—

(1) a description of the manner in which any digital commodity, permitted payment stablecoin, or investment contract involving a unit of a digital commodity received, acquired, or held by the broker or dealer for the account of such investor would be treated in an insolvency, resolution, or liquidation proceeding with respect to the broker or dealer under—

(A) title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 et seq.);

(B) the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.); or

(C) as applicable, chapter 7 or chapter 11 of title 11, United States Code; and

(2) how the treatment described in paragraph (1) differs from the treatment of securities and cash received, acquired, or held by the broker or dealer for the account of such investor in the event of an insolvency, resolution, or liquidation proceeding with respect to the broker or dealer under each law described under subparagraph (A) through (C) of paragraph (1).

SEC. 312. DIGITAL COMMODITY ACTIVITIES THAT ARE FINANCIAL IN NATURE.

(a) DIGITAL COMMODITY ACTIVITIES THAT ARE FINANCIAL IN NATURE.— Section 4(k)(4) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)(4)) is amended—

(1) in subparagraph (A), by striking “or securities” and inserting “, securities, or digital commodities”; and

(2) in subparagraph (E), by inserting “or digital commodities” before the period at the end.

(b) NATIONAL BANK ACTIVITY.—

(1) IN GENERAL.— A national bank may use a digital asset or blockchain system to perform, provide, or deliver any activity, function, product, or service that the national bank is otherwise authorized by law to perform, provide, or deliver.

(2) RULE OF CONSTRUCTION.— Nothing in this subsection may be construed to exempt a national bank’s performance, provision, or delivery of an activity, function, product, or service from a requirement that would apply if the activity were not performed, provided, or delivered using a digital asset or blockchain system.

(c) INSURED STATE BANKS AND SUBSIDIARIES OF INSURED STATE BANKS.— For purposes of sections 24(a) and 24(d) of the Federal Deposit Insurance Act (12 U.S.C. 1831a(a) and (d)), all of the activities authorized for a national bank under subsection (b) that are principal activities shall be permissible for an insured State bank and subsidiary of an insured State bank.

SEC. 313. EFFECTIVE DATE; ADMINISTRATION.

Except as otherwise provided under this title, this title and the amendments made by this title shall take effect 360 days after the date of enactment of this Act, except that, to the extent a provision of this title requires a rulemaking, the provision shall take effect on the later of—

- (1) 360 days after the date of enactment of this Act; or
- (2) 60 days after the publication in the Federal Register of the final rule implementing the provision.

SEC. 314. STUDIES ON FOREIGN ADVERSARY PARTICIPATION.

(a) ~~IN GENERAL.~~— The Secretary of the Treasury, in consultation with the Commodity Futures Trading Commission and the Securities and Exchange Commission, shall, not later than 1 year after date of the enactment of this section, conduct a study and submit a report to the relevant congressional committees that—

- (1) identifies any digital commodity registrants which are owned by governments of foreign adversaries;
- (2) determines whether any governments of foreign adversaries are collecting personal data or trading data about United States persons in the digital commodity markets; and
- (3) evaluates whether any proprietary intellectual property of digital commodity registrants is being misused or stolen by any governments of foreign adversaries.

(b) ~~GAO STUDY AND REPORT.~~—

(1) ~~IN GENERAL.~~— The Comptroller General shall, not later than 1 year after date of the enactment of this section, conduct a study and submit a report to the relevant congressional committees that—

- (A) identifies any digital commodity registrants which are owned by governments of foreign adversaries;
- (B) determines whether any governments of foreign adversaries are collecting personal data or trading data about United States persons in the digital commodity markets; and
- (C) evaluates whether any proprietary intellectual property of digital commodity registrants is being misused or stolen by any governments of foreign adversaries.

(c) ~~DEFINITIONS.~~— In this section:

(1) ~~DIGITAL COMMODITY REGISTRANT.~~— The term “digital commodity registrant” means any person required to register as a digital commodity exchange, digital commodity broker, or digital commodity dealer under the Commodity Exchange Act.

(2) ~~FOREIGN ADVERSARIES.~~— The term “foreign adversaries” means the foreign governments and foreign non-government persons determined by the Secretary of Commerce to be foreign adversaries under section 7.4(a) of title 15, Code of Federal Regulations.

(3) ~~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.

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

SEC. 401. COMMISSION JURISDICTION OVER DIGITAL COMMODITY TRANSACTIONS.

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

~~“(J) Except as expressly provided in this Act, nothing in the CLARITY Act of 2025 shall affect or apply to, or be interpreted to affect or apply to—~~

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

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

~~“(II) a swap;~~

~~“(III) a security futures product;~~

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

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

~~“(VI) a leverage transaction authorized under section 19; or~~

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

~~(b) LIMITATION ON AUTHORITY OVER PERMITTED PAYMENT STABLECOINS.—Section 2(c)(1) of the Commodity Exchange Act (7 U.S.C. 2(c)(1)) is amended—~~

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

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

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

~~“(H) permitted payment stablecoins.”~~

~~(c) COMMISSION JURISDICTION OVER FINANCING AGREEMENTS.—Section 2(c)(2) of the Commodity Exchange Act (7 U.S.C. 2(c)(2)) is amended—~~

~~(1) in subparagraph (D), by redesignating clause (iv) as clause (v) and inserting after clause (iii) the following:~~

~~“(iv) Notwithstanding clause (iii), a digital commodity broker may, subject to the requirements of section 4u(c)(3), offer to or enter into an agreement for margin financing with a customer for the purchase or sale of a digital commodity.”~~

~~; and~~

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

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

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

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

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

~~“(ii) LIMITATIONS.—Clause (i) shall not apply with respect to—~~

~~“(I) custodial or depository activities for a 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); or~~

~~“(II) an offer or sale of an investment contract involving a digital commodity or of a securities offer or sale involving a digital commodity.~~

~~“(iii) MIXED DIGITAL ASSET TRANSACTIONS.—~~

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

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

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

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

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

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

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

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

;

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

~~SEC. 402. REQUIRING FUTURES COMMISSION MERCHANTS TO USE QUALIFIED DIGITAL ASSET 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 asset custodian, as applicable, ”; and~~

~~(B) by inserting “ : Provided further, That any such property that is a digital asset shall be held in a qualified digital asset 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 asset custodian ”.~~

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

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

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

(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 submit a written certification to the Commission that the digital commodity meets the requirements of this Act (including the regulations prescribed under this Act).~~

~~“(2) CONTENTS OF THE CERTIFICATION.—~~

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

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

~~“(3) MODIFICATIONS.—~~

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

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

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

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

~~“(4) DISAPPROVAL.—~~

~~“(A) IN GENERAL.— The written certification described in paragraph (1) shall become effective unless the Commission finds that the listing of the digital commodity is inconsistent with the requirements of this Act or the rules and regulations prescribed under this Act.~~

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

~~“(C) PUBLIC FINDINGS.— The Commission shall make public any disapproval decision, and any related findings and analysis, made under this paragraph.~~

~~“(5) REVIEW.—~~

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

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

~~“(ii) 1 business day 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 Commission; and~~

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

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

~~“(II) missing information or inadequate explanations; or~~

~~“(III) potential inconsistencies with this Act.~~

~~“(6) PRIOR APPROVAL BEFORE REGISTRATION.—~~

~~“(A) IN GENERAL.— A person applying for registration with the Commission for the purposes of listing or offering a digital commodity for trading in a digital commodity cash or spot market may request that the Commission grant prior approval for the person to list or offer the digital commodity on being registered with the Commission.~~

~~“(B) REQUEST FOR PRIOR APPROVAL.— A person seeking prior approval under subparagraph (A) shall furnish the Commission with a written certification that the digital commodity meets the requirements of this Act (including the regulations prescribed under this Act) and the information described in paragraph (2).~~

~~“(C) DEADLINE.— The Commission shall take final action on a request for prior approval not later than 90 business days after submission of the request, unless the person submitting the request agrees to an extension of the time limitation established under this subparagraph.~~

~~“(D) DISAPPROVAL.—~~

~~“(i) IN GENERAL.— The Commission shall approve the listing of the digital commodity unless the Commission finds that the listing is inconsistent with this Act (including any regulation prescribed under this Act).~~

~~“(ii) ANALYSIS REQUIRED.— The Commission shall include, with any findings made under clause (i), a detailed analysis of the factors on which the decision is based.~~

~~“(iii) PUBLIC FINDINGS.— The Commission shall make public any disapproval decision, and any related findings and analysis, made under this paragraph.~~

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

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~~SEC. 404. REGISTRATION OF DIGITAL COMMODITY EXCHANGES.~~

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

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

~~“(a) IN GENERAL.—~~

~~“(1) REGISTRATION.—~~

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

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

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

~~“(i) permits no more than a de minimis amount of trading activity, as the Commission may determine by rule or regulation, in a digital commodity; or~~

~~“(ii) serves only customers in a single State, territory, or possession of the United States.~~

~~“(2) ADDITIONAL REGISTRATIONS.—~~

~~“(A) WITH THE COMMISSION.— In order to foster the development of fair and orderly markets, protect customers, and promote responsible innovation, the Commission—~~

~~“(i) shall prescribe rules to exempt an entity registered with the Commission under more than 1 section of this Act from duplicative, conflicting, or unduly burdensome provisions of this Act and the rules under this Act;~~

~~“(ii) shall prescribe rules to address conflicts of interests and activities of the entity; and~~

~~“(iii) may, after an analysis of the risks and benefits, prescribe rules to provide for portfolio margining.~~

~~“(B) 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 accepts customer funds required to be segregated under subsection (d).~~

~~“(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 subsection (d), protect customers, and promote the public interest.~~

~~“(C) 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 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.~~

~~“(C) Section 4b-1 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.~~

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

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

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

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

~~“(ii) RISK MANAGEMENT.— A transaction to manage the credit, market, and liquidity risks associated with the digital commodity business of the exchange.~~

~~“(iii) OPERATIONAL NEEDS.— A transaction related to the operational needs of the business of the digital commodity exchange or its affiliate.~~

~~“(iv) FUNCTIONAL USE.— A transaction related to the functional operation of a blockchain system.~~

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

~~“(e) 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 not permit trading in a digital commodity unless—~~

~~“(i) reports with respect to the digital commodity required under section 4B(b)(3) of the Securities Act of 1933 (or, with respect to a digital commodity not issued in reliance on section 4(a)(8) of the Securities Act of 1933, a comparable set of reports, where required by the Securities and Exchange Commission) have been filed with the Securities and Exchange Commission; or~~

~~“(ii) the blockchain system to which the digital commodity relates, together with the digital commodity, is certified as a mature blockchain system under section 42 of the Securities Exchange Act of 1934.~~

~~“(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 the public.~~

~~“(ii) REQUIRED INFORMATION.— With respect to a digital commodity and each blockchain system to which the digital commodity relates for which the digital commodity exchange will make~~

~~the digital commodity available to the customers of the digital commodity exchange, the information required in this clause is as follows:~~

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

~~“(II) TRANSACTION HISTORY.— A description of the steps necessary to independently access, search, and verify the transaction history of any blockchain system to which the digital commodity relates, to the extent any such independent access, search, and verification activities are technically feasible with respect to the blockchain system:~~

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

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

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

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

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

~~“(IV) TRADING VOLUME AND VOLATILITY.— The trading volume and volatility of the digital commodity on the exchange:~~

~~“(V) ADDITIONAL INFORMATION.— Such additional information as the Commission may determine by rule to be necessary for a customer to understand the financial and operational risks of a digital commodity, and to be practically feasible to provide:~~

~~“(iii) FORMAT.— The Commission shall prescribe rules and regulations for the standardization and simplification of disclosures under clause (ii), including requiring that disclosures—~~

~~“(I) be conspicuous;~~

~~“(II) use plain language comprehensible to customers; and~~

~~“(III) succinctly explain the information that is required to be communicated to the customer.~~

~~“(iv) RELIANCE ON PREVIOUS DISCLOSURES.— In complying with this subparagraph, a digital commodity exchange may rely on and make available to the public relevant information publicly disclosed to the Commission, the Securities and Exchange Commission, or an appropriate Federal banking agency:~~

~~“(C) DIGITAL COMMODITIES HELD BY RELATED AND DIGITAL COMMODITY AFFILIATED PERSONS.— A digital commodity exchange shall permit the trading of a unit of a digital commodity held by a digital commodity affiliated person or a digital commodity related person, only pursuant to section 4C of the Securities Act of 1933:~~

~~“(4) TREATMENT OF CUSTOMER ASSETS.— A digital commodity exchange shall establish policies 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, 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 relating to the operation of the exchange, including a complete audit trail, in a form and manner acceptable to the Commission for a period of 5 years;~~

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

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

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

~~“(i) the Board;~~

~~“(ii) the Securities and Exchange Commission;~~

~~“(iii) each appropriate Federal banking agency;~~

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

~~“(v) the Financial Stability Oversight Council;~~

~~“(vi) the Department of Justice; and~~

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

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

~~“(II) foreign central banks; and~~

~~“(III) foreign ministries.~~

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

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

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

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

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

~~“(11) CONFLICTS OF INTEREST.— The digital commodity exchange shall establish and enforce rules—~~

~~“(A) to minimize conflicts of interest in the decision making processes of the contract market; and~~

~~“(B) to establish a process for resolving conflicts of interest referred to in subparagraph (A).~~

~~“(12) FINANCIAL RESOURCES.—~~

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

~~“(B) MINIMUM AMOUNT OF FINANCIAL RESOURCES.— A digital commodity exchange shall possess financial resources that, at a minimum, exceed—~~

~~“(i) the total amount that would enable the digital commodity exchange to cover the operating costs of the digital commodity exchange for a 1-year period, as calculated on a rolling basis; and~~

~~“(ii) the total amount necessary to meet the financial obligations of the digital commodity exchange to all customers of the digital commodity exchange.~~

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

~~“(14) GOVERNANCE FITNESS STANDARDS.—~~

~~“(A) GOVERNANCE ARRANGEMENTS.— A digital commodity exchange shall establish governance arrangements that are transparent and designed to permit consideration of the views of market participants.~~

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

~~“(i) officers and directors; and~~

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

~~“(15) SYSTEM SAFEGUARDS.— A digital commodity exchange shall—~~

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

~~“(i) are reliable and secure; and~~

~~“(ii) have adequate scalable capacity;~~

~~“(B) establish and maintain emergency procedures, backup resources, 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 customer 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 asset custodian.~~

~~“(II) WITHDRAWAL.— Notwithstanding subparagraph (A), such share of the money, assets, and property described in subclause (I) of this clause 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 regulations and subject to such conditions as the Commission may prescribe.~~

~~“(3) CUSTOMER PROTECTION DURING BANKRUPTCY.—~~

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

~~“(B) TRANSACTIONS.— A transaction involving the sale of a unit of a digital commodity occurring on or subject to the rules of a digital commodity exchange shall be considered a contract for the purchase or sale of a commodity for future delivery, on or subject to the rules of, a contract market or board of trade for purposes of the definition of ‘commodity contract’ 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.~~

~~“(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.~~

~~“(4) MISUSE OF CUSTOMER PROPERTY.—~~

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

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

~~“(ii) for any other person, including any depository, other digital commodity exchange, or digital asset 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.~~

~~“(B) USE FURTHER DEFINED.— For purposes of this section, ‘use’ of a digital commodity includes utilizing any unit of a digital asset to participate in a blockchain service defined in paragraph (5) or a decentralized governance system associated with the digital commodity or the blockchain system to which the digital commodity relates in any manner other than that expressly directed by the customer from whom the unit of a digital commodity was received.~~

~~“(5) PARTICIPATION IN BLOCKCHAIN SERVICES.—~~

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

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

~~“(C) LIMITATIONS.—~~

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

~~“(ii) CUSTOMER CHOICE.— A digital commodity exchange may not require a waiver from a customer described in subparagraph (A) as a condition of doing business on the exchange.~~

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

~~“(e) MARKET ACCESS REQUIREMENTS.— The Commission may, by rule, impose any additional requirements related to the operations and activities of the digital commodity exchange and an affiliated digital commodity broker necessary to protect market participants, promote fair and equitable trading on the digital commodity exchange, and promote responsible innovation.~~

~~“(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 conflicts 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 ASSET CUSTODIAN.— A digital commodity exchange shall hold in a qualified digital asset custodian each unit of a digital asset 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.~~

~~“(i) EXEMPTIONS.—~~

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

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

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

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

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

~~“(k) FEDERAL PREEMPTION.— Notwithstanding any other provision of law, the Commission shall have exclusive jurisdiction over any digital commodity exchange registered under this section with respect to activities and transactions subject to this Act.”~~

SEC. 405. QUALIFIED DIGITAL ASSET 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 ASSET CUSTODIANS.

~~“(a) IN GENERAL.— A person is a qualified digital asset custodian for purposes of this Act if the person—~~

~~“(1) holds digital assets on behalf of a person registered under this Act or a customer of a person registered under this Act; and~~

~~“(2) is in compliance with subsections (b) and (c).~~

~~“(b) SUPERVISION REQUIREMENT.— A person is in compliance with this subsection if the person is subject to—~~

~~“(1) supervision and examination for custody and safekeeping of digital assets by an appropriate Federal banking agency, the National Credit Union Administration, the Commission, or the Securities and Exchange Commission; or~~

~~“(2) adequate supervision and appropriate regulation for custody and safekeeping of digital assets by—~~

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

~~“(B) a State credit union supervisor, as defined under section 6003 of the Anti-Money Laundering Act of 2020; or~~

~~“(C) an appropriate foreign governmental authority in the home country of the digital commodity custodian.~~

~~“(c) OTHER REQUIREMENTS.— A person shall be in compliance with this subsection if:~~

~~“(1) NOT OTHERWISE PROHIBITED.— The person has not been prohibited by its supervisor from engaging in an activity with respect to the custody and safekeeping of digital assets.~~

~~“(2) INFORMATION SHARING.—~~

~~“(A) IN GENERAL.— The person shares information with the Commission on request and complies with such requirements for periodic sharing of information regarding customer accounts that the person holds on behalf of an entity registered with the Commission as the Commission determines by rule are reasonably necessary to effectuate any of the provisions, or to accomplish any of the purposes, of this Act.~~

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

~~“(C) RULEMAKING FOR CFTC ENTITIES.—~~

~~“(i) IN GENERAL.— The Commission shall prescribe rules to permit a person registered with the Commission to be a qualified digital asset custodian in compliance with this section.~~

~~“(ii) CONTENT.— In prescribing the rules under subparagraph (A), the Commission shall require a person registered with the Commission to—~~

~~“(I) implement requirement consistent with the requirements in subsection (d)(1);~~

~~“(II) establish sufficient system safeguards;~~

~~“(III) prevent or mitigate conflicts of interest, as appropriate; and~~

~~“(IV) establish separate governance arrangements for the custodial function of the entity.~~

~~“(d) ADEQUATE SUPERVISION AND APPROPRIATE REGULATION.—~~

~~“(1) IN GENERAL.— For purposes of subsection (b), the terms ‘adequate supervision’ and ‘appropriate regulation’ mean such minimum standards for supervision and regulation as are reasonably necessary to protect the digital assets held by a person registered under this Act, including standards relating to the licensing, examination, and supervisory processes that require the person to, at a minimum—~~

~~“(A) receive a review and evaluation of ownership, character and fitness, conflicts of interest, business model, financial statements, funding resources, and policies and procedures of the person;~~

~~“(B) hold capital sufficient for the financial integrity of the person;~~

~~“(C) protect customer assets;~~

~~“(D) establish and maintain books and records regarding the business of the person;~~

~~“(E) submit financial statements and audited financial statements to the applicable supervisor described in subsection (b);~~

~~“(F) provide disclosures to the applicable supervisor described in subsection (b) regarding actions, proceedings, and other items as determined by the supervisor;~~

~~“(G) maintain and enforce policies and procedures for compliance with applicable State and Federal laws, including those related to anti-money laundering and cybersecurity;~~

~~“(H) establish a business continuity plan to ensure functionality in cases of disruption; and~~

~~“(I) establish policies and procedures to resolve complaints.~~

~~“(2) RULEMAKING WITH RESPECT TO DEFINITIONS.—~~

~~“(A) IN GENERAL.— For purposes of this section, the Commission may, by rule, further define the terms ‘adequate supervision’ and ‘appropriate regulation’ as necessary and appropriate for the protection of customers, and consistent with the purposes of this Act.~~

~~“(B) CONDITIONAL TREATMENT OF CERTAIN CUSTODIANS BEFORE RULEMAKING.— Before the effective date of a rulemaking under subparagraph (A), a trust company is deemed subject to adequate supervision and appropriate regulation if—~~

~~“(i) the trust company is expressly permitted by a State bank supervisor to engage in the custody and safekeeping of digital assets;~~

~~“(ii) the State bank supervisor has established licensing, examination, and supervisory processes that require the trust company to, at a minimum, meet the conditions described in subparagraphs (A) through (I) of paragraph (1); and~~

~~“(iii) the trust company is in good standing with its State bank supervisor.~~

~~“(C) TRANSITION PERIOD FOR CERTAIN CUSTODIANS.— In implementing the rulemaking under subparagraph (A), the Commission shall provide a transition period of not less than 2 years for any trust company that is deemed subject to adequate supervision and appropriate regulation under subparagraph (B) on the effective date of the rulemaking.~~

~~“(e) 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.) is amended by inserting after section 4t the following:~~

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

~~“(a) REGISTRATION.—~~

~~“(1) REQUIREMENT.— 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.~~

~~“(2) ADDITIONAL REGISTRATION.—~~

~~“(A) RULES.— In order to foster the development of fair and orderly markets, protect customers, and promote responsible innovation, the Commission—~~

~~“(i) shall prescribe rules to exempt an entity registered with the Commission under more than 1 section of this Act from duplicative, conflicting, or unduly burdensome provisions of this Act and the rules under this Act;~~

~~“(ii) shall prescribe rules to address conflicts of interests and the activities of the entity; and~~

~~“(iii) may after an analysis of the risks and benefits, prescribe rules to provide for portfolio margining.~~

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

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

~~“(c) RULEMAKING.—~~

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

~~“(2) FINANCING AGREEMENTS.—~~

~~“(A) IN GENERAL.— The Commission shall prescribe rules and regulations applicable to digital commodity brokers or digital commodity dealers which shall set forth minimum requirements related to disclosure, recordkeeping, margin and financing arrangements, rehypothecation, capital, reporting, business conduct, documentation, and supervision of employees and agents, in connection with—~~

~~“(i) an agreement described in section 2(e)(2)(D)(iv); or~~

~~“(ii) any other margined, leveraged, or financing arrangement for the purchase or sale of a digital commodity with an eligible contract participant.~~

~~“(B) SPECIFIC AUTHORITY.— Except as prohibited in section 2(e)(2)(G)(iii), the Commission may also make, promulgate, and enforce such rules and regulations as, in the judgment of the Commission, are reasonably necessary to effectuate any of the provisions of, or to accomplish any of the purposes of, this Act in connection with an agreement referred to in subparagraph (A) of this paragraph, which may include, without limitation, requirements regarding registration with the Commission and membership in a registered futures association.~~

~~“(d) CAPITAL REQUIREMENTS.—~~

~~“(1) IN GENERAL.— Each digital commodity broker and digital commodity dealer shall meet such minimum capital requirements as the Commission may prescribe to address the risks associated with digital commodity trading and to ensure that the digital commodity broker or digital commodity dealer, respectively, is able, at all times, to—~~

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

~~“(B) fulfill obligations to customers or counterparties for any margined, leveraged, or financed transactions.~~

~~“(2) FUTURES COMMISSION MERCHANTS AND OTHER DEALERS.— Each futures commission merchant, introducing broker, digital commodity broker, digital commodity dealer, broker, and dealer shall maintain sufficient capital to comply with the stricter of any applicable capital requirements to which the futures commission merchant, introducing broker, digital commodity broker, digital commodity dealer, broker, or dealer, respectively, is subject under this Act or the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).~~

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

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

~~“(2) shall keep books and records in such form and manner and for such period as may be 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.~~

~~“(f) DAILY TRADING RECORDS.—~~

~~“(1) IN GENERAL.— Each digital commodity broker and 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 digital commodity broker and digital commodity dealer shall maintain daily trading records for each customer or counterparty in a manner and form that is identifiable with each digital commodity transaction.~~

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

~~“(g) BUSINESS CONDUCT STANDARDS.—~~

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

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

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

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

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

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

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

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

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

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

~~“(D) establish such other standards and requirements as the Commission may determine are appropriate for the protection of customers.~~

~~“(3) PROHIBITION ON FRAUDULENT PRACTICES.— It shall be unlawful for a digital commodity broker or digital commodity dealer to—~~

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

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

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

~~“(h) DUTIES.—~~

~~“(1) RISK MANAGEMENT PROCEDURES.— Each digital commodity broker and digital commodity dealer shall establish robust and professional risk management systems adequate for managing the day-to-day business of the digital commodity broker or digital commodity dealer, respectively.~~

~~“(2) DISCLOSURE OF GENERAL INFORMATION.— Each digital commodity broker and digital commodity dealer shall disclose to the Commission information concerning—~~

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

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

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

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

~~“(3) ABILITY TO OBTAIN INFORMATION.— Each digital commodity broker and digital commodity dealer shall —~~

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

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

~~“(4) CONFLICTS OF INTEREST.— Each digital commodity broker and digital commodity dealer shall establish, maintain, and enforce written policies and procedures reasonably designed, taking into consideration the nature of the business of the person, to mitigate any conflicts of interest in transactions or arrangements with affiliates.~~

~~“(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.~~

~~“(i) DESIGNATION OF CHIEF COMPLIANCE OFFICER.—~~

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

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

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

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

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

~~“(D) be responsible for administering each policy and procedure that is required to be established pursuant to this section;~~

~~“(E) ensure compliance with this Act (including regulations), including each rule prescribed by the Commission under this section;~~

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

~~“(i) compliance office review;~~

~~“(ii) look-back;~~

~~“(iii) internal or external audit finding;~~

~~“(iv) self-reported error; or~~

~~“(v) validated complaint; and~~

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

~~“(3) ANNUAL REPORTS.—~~

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

~~“(i) the compliance of the registered digital commodity broker or registered digital commodity dealer with this Act (including regulations); and~~

~~“(ii) each policy and procedure of the registered digital commodity broker or registered digital commodity dealer followed by the chief compliance officer (including the code of ethics and conflict of interest policies).~~

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

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

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

~~“(j) SEGREGATION OF DIGITAL COMMODITIES.—~~

~~“(1) HOLDING OF CUSTOMER ASSETS.—~~

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

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

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

~~“(ii) required to be held by the digital commodity broker or digital commodity dealer under subsection (c); or~~

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

~~“(2) SEGREGATION OF FUNDS.—~~

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

~~“(B) COMMINGLING PROHIBITED.—~~

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

~~“(ii) EXCEPTIONS.—~~

~~“(I) USE OF FUNDS.—~~

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

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

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

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

~~“(4) CUSTOMER PROTECTION DURING BANKRUPTCY.—~~

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

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

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

~~“(D) ASSETS REMOVED FROM SEGREGATION.— Assets removed from segregation due to a customer election under paragraph (6) shall not be considered customer property for purposes of section 761 of title 11, United States Code.~~

~~“(5) MISUSE OF CUSTOMER PROPERTY.—~~

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

~~“(i) for any digital commodity broker or digital commodity dealer that has received any customer money, assets, or property for custody to dispose of, or use any such money, assets, or property as belonging to the digital commodity broker or digital commodity dealer, respectively, or any person other than a customer of the digital commodity broker or digital commodity dealer, respectively; or~~

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

~~“(B) USE FURTHER DEFINED.— For purposes of this section, ‘use’ of a digital commodity includes utilizing any unit of a digital asset to participate in a blockchain service defined in paragraph (6) or a decentralized governance system associated with the digital commodity or the blockchain system to which the digital commodity relates in any manner other than that expressly directed by the customer from whom the unit of a digital commodity was received.~~

~~“(6) PARTICIPATION IN BLOCKCHAIN SERVICES.—~~

~~“(A) IN GENERAL.— A customer shall have the right to waive the restrictions in paragraph (2) for any unit of a digital commodity to be used under subparagraph (B) of this paragraph, by affirmatively electing, in writing to the digital commodity broker or digital commodity dealer, to waive the restrictions.~~

~~“(B) USE OF FUNDS.— Customer digital commodities removed from segregation under subparagraph (A) may be pooled and used by the digital commodity broker or digital commodity dealer, or one of their designees, to provide a blockchain service for a blockchain system to which the unit of the digital asset removed from segregation in subparagraph (A) relates.~~

~~“(C) LIMITATIONS.—~~

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

~~“(ii) CUSTOMER CHOICE.— A digital commodity broker or digital commodity dealer may not require a waiver from a customer described in subparagraph (A) as a condition of doing business with the broker or dealer.~~

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

~~“(k) FEDERAL PREEMPTION.— Notwithstanding any other provision of law, the Commission shall have exclusive jurisdiction over any digital commodity broker or digital commodity dealer registered under this section with respect to activities subject to this Act, except as provided in section 5k.~~

~~“(l) EXEMPTIONS.— In order to promote responsible 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 dealer) 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 dealer from the requirements of this section, if the Commission determines that—~~

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

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

~~“(2) the registered digital commodity broker or registered digital commodity dealer is subject to comparable, comprehensive supervision and regulation by the appropriate government authorities in the home country of the registered digital commodity broker or registered digital commodity dealer, respectively.”~~

SEC. 407. REGISTRATION OF ASSOCIATED PERSONS.

~~(a) IN GENERAL.— Section 4k of the Commodity Exchange Act (7 U.S.C. 6k) is amended—~~

~~(1) by redesignating subsections (4) through (6) as subsections (5) through (7), respectively;~~

~~(2) by inserting after subsection (3) the following:~~

~~“(4) It shall be unlawful for any person to act as an associated person of a digital commodity broker or an associated person of a digital commodity dealer unless the person is registered with the Commission under this Act and such registration shall not have expired, been suspended (and the period of suspension~~

has not expired), or been revoked. It shall be unlawful for a digital commodity broker or a digital commodity dealer to permit such a person to become or remain associated with the digital commodity broker or digital commodity dealer if the digital commodity broker or digital commodity dealer knew or should have known that the person was not so registered or that the registration had expired, been suspended (and the period of suspension has not expired), or been revoked.”

; and

(3) in subsection (5) (as so redesignated), by striking “ or of a commodity trading advisor ” and inserting “ of a commodity trading advisor, of a digital commodity broker, or of a digital commodity dealer ”.

(b) CONFORMING AMENDMENTS.— The Commodity Exchange Act (7 U.S.C. 1a et seq.) is amended by striking “ section 4k(6) ” each place it appears and inserting “ section 4k(7) ”.

SEC. 408. REGISTRATION OF COMMODITY POOL OPERATORS AND COMMODITY TRADING ADVISORS.

(a) IN GENERAL.— Section 4m(3) of the Commodity Exchange Act (7 U.S.C. 6m(3)) is amended—

(1) in subparagraph (A)—

(A) by striking “ any commodity trading advisor ” and inserting “ a commodity pool operator or commodity trading advisor ”; and

(B) by striking “ acting as a commodity trading advisor ” and inserting “ acting as a commodity pool operator or commodity trading advisor ”; and

(2) in subparagraph (C), by inserting “ digital commodities, ” after “ physical commodities, ”.

(b) EXEMPTIVE AUTHORITY.— Section 4m of such Act (7 U.S.C. 6m) is amended by adding at the end the following:

“(4) EXEMPTIVE AUTHORITY.— The Commission shall promulgate rules to provide appropriate exemptions for commodity pool operators and commodity trading advisors, to provide relief from duplicative, conflicting, or unduly burdensome requirements or to promote responsible innovation, to the extent the exemptions foster the development of fair and orderly cash or spot digital commodity markets, are necessary or appropriate in the public interest, and are consistent with the protection of customers.”

SEC. 409. EXCLUSION FOR DECENTRALIZED FINANCE 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. DECENTRALIZED FINANCE ACTIVITIES NOT SUBJECT TO THIS ACT.

“(a) IN GENERAL.— Notwithstanding any other provision of this Act, a person shall not be subject to this Act and the regulations promulgated under this Act based on the person directly or indirectly engaging in any of the following activities, whether singly or in combination, in relation to the operation of a blockchain system or in relation to decentralized finance trading protocol:

“(1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity.

“(2) Providing computational work, operating a node or oracle service, or procuring, offering, or utilizing network bandwidth, or other similar incidental services.

“(3) Providing a user interface that enables a user to read, and access data about a blockchain system.

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

“(5) Developing, publishing, constituting, administering, maintaining, or otherwise distributing a decentralized finance messaging system or operating or participating in a liquidity pool for the purpose of executing a contract of sale of a digital commodity.

~~“(6) Developing, publishing, constituting, administering, maintaining, or otherwise distributing software or systems that create or deploy hardware or software, including wallets or other systems, facilitating an individual user’s own personal ability to keep, safeguard, or custody the user’s digital assets or related private keys.~~

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

SEC. 410. RESOURCES FOR IMPLEMENTATION AND ENFORCEMENT.

(a) COLLECTION OF FEES.—

~~(1) IN GENERAL.— The Commodity Futures Trading Commission (in this section referred to as the “Commission”) shall charge and collect a filing fee from each person who files with the Commission a statement of provisional registration as a digital commodity exchange, digital commodity broker, or digital commodity dealer pursuant to section 106.~~

~~(2) AMOUNT.— The fees authorized under paragraph (1) may be collected and available for obligation only in the amounts provided in advance in an appropriation Act.~~

~~(3) AUTHORITY TO ADJUST FEES.— Notwithstanding the preceding provisions of this subsection, to promote fair competition or innovation, the Commission, in its sole discretion, may reduce or eliminate any fee otherwise required to be paid by a small or medium filer under this subsection.~~

(b) FEE SCHEDULE.—

~~(1) IN GENERAL.— The Commission shall publish in the Federal Register a schedule of the fees to be charged and collected under this section.~~

~~(2) CONTENT.— The fee schedule for a fiscal year shall include a written analysis of the estimate of the Commission of the total costs of carrying out the functions of the Commission under this Act during the fiscal year.~~

~~(3) SUBMISSION TO CONGRESS.— Before publishing the fee schedule for a fiscal year, the Commission shall submit a copy of the fee schedule to the Committees on Agriculture and on Appropriations of the House of Representatives and the Committees on Agriculture, Nutrition, and Forestry and on Appropriations of the Senate.~~

(4) TIMING.—

~~(A) 1ST FISCAL YEAR.— The Commission shall publish the fee schedule for the fiscal year in which this Act is enacted, within 30 days after the date of the enactment of this Act.~~

~~(B) SUBSEQUENT FISCAL YEARS.— The Commission shall publish the fee schedule for each subsequent fiscal year, not less than 90 days before the due date prescribed by the Commission for payment of the annual fee for the fiscal year.~~

(c) LATE PAYMENT PENALTY.—

~~(1) IN GENERAL.— The Commission may impose a penalty against a person that fails to pay an annual fee charged under this section, within 30 days after the due date prescribed by the Commission for payment of the fee.~~

~~(2) AMOUNT.— The amount of the penalty shall be—~~

~~(A) 5 percent of the amount of the fee due, multiplied by~~

~~(B) the whole number of consecutive 30-day periods that have elapsed since the due date.~~

~~(d) REIMBURSEMENT OF EXCESS FEES.— To the extent that the total amount of fees collected under this section during a fiscal year that begins after the date of the enactment of this Act exceeds the amount provided under subsection (a)(2) with respect to the fiscal year, the Commission shall reimburse the excess amount to the persons who have timely paid their annual fees, on a pro-rata basis that excludes penalties, and shall do so within 60 days after the end of the fiscal year.~~

~~(e) DEPOSIT OF FEES INTO THE TREASURY.— All amounts collected under this section shall be credited to the currently applicable appropriation, account, or fund of the Commission as discretionary offsetting collections, and shall be available for the purposes authorized in subsection (f) only to the extent and in the amounts provided in advance in appropriations Acts.~~

~~(f) AUTHORIZATION OF APPROPRIATIONS.— In addition to amounts otherwise authorized to be appropriated to the Commission, there is authorized to be appropriated to the Commission amounts collected under this section to cover the costs the costs of carrying out the functions of the Commission under this Act.~~

~~(g) EXPEDITED HIRING AUTHORITY.—~~

~~(1) APPOINTMENT AUTHORITY.— The Chairman, pursuant to section 6(a), may appoint individuals to a position described in paragraph (2) of this subsection—~~

~~(A) in accordance with the statutes, rules, and regulations governing appointments to positions in the excepted service (as defined in section 2103 of title 5, United States Code); and~~

~~(B) without regard to any statute, rule, or regulation governing appointments to positions in the competitive service (as defined in section 2102 of such title).~~

~~(2) POSITION DESCRIBED.— A position referred to in subparagraph (1) is a position at the Commission that—~~

~~(A) is in the competitive service (as defined in section 2102 of such title); and~~

~~(B) requires specialized knowledge of digital commodities markets, financial and capital market formation or regulation, financial market structures or surveillance, data collection or analysis, or information technology, cybersecurity, or system safeguards.~~

~~(3) RULE OF CONSTRUCTION.— The appointment of a candidate to a position under this subsection shall not be considered to cause the position to be converted from the competitive service to the excepted service.~~

~~(h) SUNSET.— The authorities provided by this section shall expire at the end of the 4th fiscal year that begins after the date of the enactment of this Act.~~

~~SEC. 411. DIGITAL COMMODITY ACTIVITIES BY SEC-REGISTERED ENTITIES.~~

~~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 5j the following:~~

~~“SEC. 5k. EXEMPTION FOR CERTAIN REGISTERED ENTITIES ENGAGED IN DIGITAL COMMODITY ACTIVITIES.~~

~~“(a) BY ALTERNATIVE TRADING SYSTEMS.—~~

~~“(1) IN GENERAL.— On receipt by the Commission from an alternative trading system of a written or electronic notice that contains such information as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors, the alternative trading system shall be exempt from registration as a digital commodity exchange pursuant to section 5i if—~~

~~“(A) the alternative trading system does not list any retail commodity transactions pursuant to section 2(e)(2)(D);~~

~~“(B) the provider, or an affiliate person of the provider, of the alternative trading system is not otherwise registered under this Act;~~

~~“(C) the alternative trading system lists or trades no other contracts of sale of commodities, except for digital commodities, currencies, and securities; and~~

~~“(D) the registration of the alternative trading system is not suspended pursuant to an order by the Securities and Exchange Commission.~~

~~“(2) FURTHER REQUIREMENTS.— An alternative trading system that provides notice to the Commission pursuant to paragraph (1) of this subsection shall be exempt from the requirements of section 5i to the extent that the alternative trading system—~~

~~“(A) is in compliance with requirements consistent with the requirements of section 5i and imposed on the alternative trading system by the Securities and Exchange Commission;~~

~~“(B) annually files with the Commission, in a form and manner acceptable to the Commission, a notice that demonstrates compliance with this paragraph and contains any other information the Commission determines to be necessary or appropriate to perform the duties of the Commission under this Act; and~~

~~“(C) has total trading volume in digital commodities during any calendar quarter in either of its 2 most recently completed fiscal years that does not exceed the lesser of—~~

~~“(i) 25 percent of the total trading volume for all transactions over the same period; or~~

~~“(ii) \$50,000,000,000.~~

~~“(3) ENFORCEMENT.— This subsection shall not be construed to limit any jurisdiction that the Commission may otherwise have under any other provision of this Act with respect to a contract of sale of a digital commodity or persons effecting contracts of sale of digital commodities.~~

~~“(b) BY REGISTERED INTERMEDIARIES.—~~

~~“(1) IN GENERAL.— On receipt by the Commission, from a broker or dealer that is registered with the Securities and Exchange Commission, of a written or electronic notice that contains such information as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors, the broker or dealer shall be exempt from registration as a digital commodity broker or digital commodity dealer pursuant to section 4u of this Act if—~~

~~“(A) the broker or dealer does not offer or engage in any retail commodity transactions pursuant to section 2(c)(2)(D) of this Act or other contracts of sale of commodities, except for digital commodities, currencies, and securities;~~

~~“(B) the broker or dealer is not otherwise registered under this Act;~~

~~“(C) the broker or dealer is not subject to a statutory disqualification, as defined under section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)); and~~

~~“(D) the broker or dealer is a member of a national securities association registered pursuant to section 15A of the Securities Exchange Act of 1934.~~

~~“(2) FURTHER REQUIREMENTS.— A broker or dealer that provides notice to the Commission pursuant to paragraph (1) shall be exempt from the requirements of section 4u to the extent that the broker or dealer—~~

~~“(A) is in compliance with requirements consistent with the requirements of section 4u and imposed on the broker or dealer by the Securities and Exchange Commission;~~

~~“(B) annually files with the Commission, in a form and manner acceptable to the Commission, a notice that demonstrates compliance with this subsection and contains any other information the Commission determines to be necessary or appropriate to perform the duties of the Commission under this Act; and~~

~~“(C) has consolidated annual gross financial revenues in either of its 2 most recently completed fiscal years from sales, commissions or other activities in digital commodities that do not exceed the lesser of—~~

~~“(i) 10 percent of the total annual gross revenues during the same period; or~~

~~“(ii) \$100,000,000.~~

~~“(3) ENFORCEMENT.— This subsection shall not be construed to limit any jurisdiction that the Commission may otherwise have under any other provision of this Act with respect to a contract of sale of a digital commodity and persons effecting contracts of sale of digital commodities.”~~

SEC. 412. REQUIREMENTS RELATED TO CONTROL PERSONS:

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

~~“SEC. 4w. LIMITATION ON TRANSACTIONS BY BLOCKCHAIN CONTROL PERSONS:~~

~~“(a) LIMITATION.— It shall be unlawful for a blockchain control person with respect to a blockchain system certified as a mature blockchain system in accordance with section 42 of the Securities Exchange Act of 1934 to sell a unit of a digital commodity related to the blockchain system unless the person files notice with the Commission, in a form and manner determined by the Commission, that the person has or intends to obtain an authority described in subsection (b)(1) with respect to the blockchain system, and complies with rules adopted by the Commission that require—~~

~~“(1) disclosure of information to the Commission and the public about the material activities, as determined by the Commission, of the blockchain control person; and~~

~~“(2) (A) the use of a digital commodity broker to effect the sale; or~~

~~“(B) such other sales restrictions applicable to blockchain control person, or any of its digital commodity affiliated persons, to prevent manipulation and distortion of the value of the digital commodity and promote further maturity of the blockchain system to which the digital commodity relates.~~

~~“(b) DEFINITIONS.— In this section:~~

~~“(1) BLOCKCHAIN CONTROL PERSON.— The term ‘ blockchain control person ’ means, with respect to a blockchain system, any person or group of persons under common control who—~~

~~“(A) has the unilateral authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the blockchain system or its related digital commodity; or~~

~~“(B) has the unilateral authority to direct the voting, in the aggregate, of 20 percent or more of the outstanding voting power of the blockchain system by means of a related digital commodity, nodes or validators, a decentralized governance system, or otherwise, in a blockchain system which can be altered by a voting system.~~

~~“(2) DIGITAL COMMODITY AFFILIATED PERSON.— The term ‘ digital commodity affiliated person ’ means any person directly or indirectly controlling, controlled by, or under common control with a blockchain control person, as the Commission by rule or regulation, may determine will effectuate the purposes of this section.”~~

~~SEC. 413. EFFECTIVE DATE.~~

~~Unless otherwise provided in this title, this title and the amendments made by this title shall take effect 360 days after the date of the enactment of this Act, except that, to the extent a provision of this title requires a rulemaking, the provision shall take effect on the later of—~~

~~(1) 360 days after the date of the enactment of this Act; or~~

~~(2) 60 days after the publication in the Federal Register of the final rule implementing the provision.~~

~~SEC. 414. SENSE OF CONGRESS.~~

~~It is the sense of Congress that nothing in this Act or any amendment made by this Act should be interpreted to authorize any entity to regulate any commodity, other than a digital commodity, on any spot market.~~

~~TITLE V— INNOVATION AND TECHNOLOGY IMPROVEMENTS~~

~~SEC. 501. FINDINGS; SENSE OF CONGRESS.~~

~~(a) FINDINGS.— Congress finds the following:~~

~~(1) Entrepreneurs and innovators are building and deploying this next generation of the internet.~~

~~(2) Digital commodity networks represent a new way for people to join together and cooperate with one another to undertake certain activities.~~

(3) Digital commodities have the potential to be the foundational building blocks of these systems, aligning the economic incentive for individuals to cooperate with one another to achieve a common purpose.

(4) The digital commodity ecosystem has the potential to grow our economy and improve everyday lives of Americans by facilitating collaboration through the use of technology to manage activities, allocate resources, and facilitate decision making.

(5) Blockchain systems and the digital commodities they empower provide control, enhance transparency, reduce transaction costs, and increase efficiency if proper protections are put in place for investors, consumers, our financial system, and our national security.

(6) Blockchain technology facilitates new types of network participation which businesses in the United States may utilize in innovative ways.

(7) Other digital commodity companies are setting up their operations outside of the United States, where countries are establishing frameworks to embrace the potential of blockchain technology and digital commodities and provide safeguards for consumers.

(8) Digital commodities, despite the purported anonymity, provide law enforcement with an exceptional tracing tool to identify illicit activity and bring criminals to justice.

(9) The Financial Services Committee of the House of Representatives has held multiple hearings highlighting various risks that digital commodities can pose to the financial markets, consumers, and investors that must be addressed as we seek to harness the benefits of these innovations.

(b) SENSE OF CONGRESS.—It is the sense of Congress that—

(1) the United States should seek to prioritize understanding the potential opportunities of the next generation of the internet;

(2) the United States should seek to foster advances in technology that have robust evidence indicating they can improve our financial system and create more fair and equitable access to financial services for everyday Americans while protecting our financial system, investors, and consumers;

(3) the United States must support the responsible development of digital commodities and the underlying technology in the United States or risk the shifting of the development of such assets and technology outside of the United States, to less regulated countries;

(4) Congress should consult with public and private sector stakeholders to understand how to enact a functional framework tailored to the specific risks and unique benefits of different digital commodity-related activities, distributed ledger technology, distributed networks, and mature blockchain systems;

(5) Congress should enact a functional framework tailored to the specific risks of different digital commodity-related activities and unique benefits of distributed ledger technology, distributed networks, and mature blockchain systems; and

(6) consumers and market participants will benefit from a framework for digital commodities consistent with longstanding investor protections in securities and commodities markets, yet tailored to the unique benefits and risks of the digital commodity ecosystem.

SEC. 502. MODERNIZATION OF THE SECURITIES AND EXCHANGE COMMISSION MISSION:

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

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

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

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

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

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

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

- (1) in the heading, by inserting “INNOVATION,” after “EFFICIENCY,”; and
- (2) by inserting “innovation,” after “efficiency,”.

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

- (1) in the heading, by inserting “INNOVATION,” after “EFFICIENCY,”; and
- (2) by inserting “innovation,” after “efficiency,”.

SEC. 503. 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) ESTABLISHMENT.—Not later than 180 days after the date of the enactment of this subsection, the Securities and Exchange Commission shall establish a committee to be known as the Strategic Hub for Innovation and Financial Technology (referred to in this subsection as the ‘FinHub’) to support engagement on emerging technologies in the financial sector.

“(2) MEMBERS.—The composition of FinHub shall be determined by the Commission, drawing from relevant divisions as appropriate, including the Division of Trading and Markets, Division of Corporate Finance, and Division of Investment Management.

“(3) RESPONSIBILITIES.—FinHub shall—

“(A) serve as a resource for the Commission on emerging financial technology advancements;

“(B) engage with market participants working on emerging financial technologies; and

“(C) facilitate communication between the Commission and businesses working in emerging financial technology fields with information on the Commission, its rules, and regulations.

“(4) REPORT TO THE COMMISSION.—

“(A) IN GENERAL.—Not later than October 31 of each year after 2025, FinHub shall provide an annual summary of its engagement activities to the Commission, which shall be included in the Commission’s annual report to Congress.

“(B) CONFIDENTIALITY.—Each report submitted under this paragraph shall not contain confidential information.”

SEC. 504. CODIFICATION OF LABCFTC.

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

“(c) LabCFTC.—

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

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

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

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

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

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

“(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 training to the Commission regarding financial technology;~~
- ~~“(C) advise the Commission regarding financial technology that would bolster the Commission’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 Commission, its rules and regulations, and the role of a registered futures association; and~~
- ~~“(F) encourage persons working in emerging technology fields to engage with the Commission and obtain feedback from the Commission on potential regulatory issues.~~

~~“(5) REPORT TO CONGRESS.—~~

~~“(A) IN GENERAL.— Not later than October 31 of each year after 2025, 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 Commission and such legislative actions as may be appropriate; and~~
- ~~“(v) any other information determined appropriate by the Director of LabCFTC.~~

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

~~“(6) RECORDS AND ENGAGEMENT.— The Commission shall—~~

- ~~“(A) maintain systems of records to track engagements with the public through LabCFTC;~~
- ~~“(B) store communications and materials received in connection with any such engagement in accordance with Commission policies and procedures on data retention and confidentiality; and~~
- ~~“(C) take reasonable steps to protect any confidential or proprietary information received through LabCFTC engagement.”~~

~~(b) CONFORMING AMENDMENTS.— Section 2(a)(6)(A) of such Act (7 U.S.C. 2(a)(6)(A)) is amended—~~

- ~~(1) by striking “ paragraph and in ” and inserting “ paragraph, ”; and~~
- ~~(2) by inserting “ and section 18(e)(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(e)(7) of the Commodity Exchange Act) within 180 days after the date of the enactment of this Act.~~

~~SEC. 505. STUDY ON DECENTRALIZED FINANCE.~~

~~(a) IN GENERAL.— The Commodity Futures Trading Commission, the Securities and Exchange Commission, and the Secretary of the Treasury shall jointly carry out a study on decentralized finance that analyzes—~~

- ~~(1) the nature, size, role, and use of decentralized finance blockchain applications;~~
- ~~(2) the operation of blockchain applications that comprise decentralized finance;~~
- ~~(3) the interoperability of blockchain applications and other blockchain systems;~~

- (4) the interoperability of blockchain applications and software-based systems, including websites and wallets;
- (5) the decentralized governance systems through which blockchain applications may be developed, published, constituted, administered, maintained, or otherwise distributed, including—
- (A) whether the systems enhance or detract from—
 - (i) the decentralization of the decentralized finance; and
 - (ii) the inherent benefits and risks of the decentralized governance system; and
 - (B) any procedures, requirements, or best practices that would mitigate the risks identified in subparagraph (A)(ii);
- (6) the benefits of decentralized finance, including—
- (A) operational resilience and availability of blockchain systems;
 - (B) interoperability of blockchain systems;
 - (C) market competition and innovation;
 - (D) transaction efficiency;
 - (E) transparency and traceability of transactions; and
 - (F) disintermediation;
- (7) the risks of decentralized finance, including—
- (A) pseudonymity of users and transactions;
 - (B) disintermediation; and
 - (C) cybersecurity vulnerabilities;
- (8) the extent to which decentralized finance has integrated with the traditional financial markets and any potential risks or improvements to the stability of the markets;
- (9) how the levels of illicit activity in decentralized finance compare with the levels of illicit activity in traditional financial markets;
- (10) methods for addressing illicit activity in decentralized finance and traditional markets that are tailored to the unique attributes of each;
- (11) how decentralized finance may increase the accessibility of cross-border transactions; and
- (12) the feasibility of embedding self-executing compliance and risk controls into decentralized finance.
- (b) **CONSULTATION.**— In carrying out the study required under subsection (a), the Commodity Futures Trading Commission and the Securities and Exchange Commission shall consult with the Secretary of the Treasury on the factors described under paragraphs (7) through (10) of subsection (a).
- (c) **REPORT.**— Not later than 1 year after the date of enactment of this Act, the Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly submit to the relevant congressional committees a report that includes the results of the study required by subsection (a).
- (d) **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 (12) 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).
- (e) **DEFINITIONS.**— In this section:
- (1) **DECENTRALIZED FINANCE.**—
- (A) **IN GENERAL.**— The term “decentralized finance” means blockchain applications (including decentralized finance trading protocols and related decentralized finance messaging systems) that 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 commodities of a user during any part of the transactions.

~~(B) RELATIONSHIP TO EXCLUDED ACTIVITIES.—The term “decentralized finance” shall not be interpreted to limit or exclude any activity from the activities described in section 151(a) of the Securities Exchange Act of 1934 or section 4v(a) of the Commodity Exchange Act.~~

~~(2) RELEVANT CONGRESSIONAL COMMITTEES.—The term “relevant congressional committees” means—~~

~~(A) the Committees on Financial Services and Agriculture of the House of 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 TOKENS:~~

~~(a) IN GENERAL.—The Comptroller General of the United States shall carry out a study of non-fungible tokens that analyzes—~~

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

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

~~(3) how non-fungible tokens are minted by issuers and subsequently administered to purchasers;~~

~~(4) how non-fungible tokens are stored after being purchased by a consumer;~~

~~(5) the interoperability of non-fungible tokens between different blockchain systems;~~

~~(6) the scalability of different non-fungible tokens marketplaces;~~

~~(7) the benefits of non-fungible tokens, 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 tokens have integrated with traditional marketplaces, including those for music, real estate, gaming, events, and travel;~~

~~(10) whether and how non-fungible tokens can be used to facilitate commerce or other activities through the representation of documents, identification, contracts, licenses, and other commercial, government, or personal records;~~

~~(11) any potential risks to traditional markets from such integration; and~~

~~(12) the levels and types of illicit activity in non-fungible tokens markets.~~

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

~~SEC. 507. STUDY ON EXPANDING FINANCIAL LITERACY AMONGST DIGITAL COMMODITY HOLDERS:~~

~~(a) IN GENERAL.—The Commodity Futures Trading Commission with the Securities and Exchange Commission shall jointly conduct a study to identify—~~

~~(1) the existing level of financial literacy among retail digital commodity holders, including subgroups of investors identified by the Commodity Futures Trading Commission with the Securities and Exchange Commission;~~

~~(2) methods to improve the timing, content, and format of financial literacy materials regarding digital commodities provided by the Commodity Futures Trading Commission and the Securities and Exchange Commission;~~

~~(3) methods to improve coordination between the Securities and Exchange Commission and the Commodity Futures Trading Commission with other agencies, including the Financial Literacy and~~

Education Commission as well as nonprofit organizations and State and local jurisdictions, to better disseminate financial literacy materials;

(4) the efficacy of current financial literacy efforts with a focus on rural communities and communities with majority minority populations;

(5) the most useful and understandable relevant information, including clear disclosures, that retail digital commodity holders need to make informed financial decisions before engaging with or purchasing a digital commodity or service that is typically sold to retail investors of digital commodities;

(6) the most effective public-private partnerships in providing financial literacy regarding digital commodities to consumers;

(7) the most relevant metrics to measure successful improvement of the financial literacy of an individual after engaging with financial literacy efforts; and

(8) in consultation with the Financial Literacy and Education Commission, a strategy (including to the extent practicable, measurable goals and objectives) to increase financial literacy of investors regarding digital commodities.

(b) **REPORT.**— Not later than 1 year after the date of the enactment of this Act, the Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly submit a written report on the study required by subsection (a) to the Committees on Financial Services and on Agriculture of the House of Representatives and the Committees on Banking, Housing, and Urban Affairs and on Agriculture, Nutrition, and Forestry of the Senate.

SEC. 508. STUDY ON FINANCIAL MARKET INFRASTRUCTURE IMPROVEMENTS.

(a) **IN GENERAL.**— The Commodity Futures Trading Commission and the Securities and Exchange Commission shall jointly conduct a study to assess whether additional guidance or rules are necessary to facilitate the development of tokenized securities and derivatives products, and to the extent such guidance or rules would foster the development of fair and orderly financial markets, be necessary or appropriate in the public interest, and be consistent with the protection of investors and customers.

(b) **REPORT.**—

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

(2) **RELEVANT CONGRESSIONAL COMMITTEES DEFINED.**— In this section, the term “ relevant congressional committees ” means —

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

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

SEC. 509. STUDY ON BLOCKCHAIN IN PAYMENTS.

(a) **STUDY REQUIRED.**— The Secretary of the Treasury shall conduct a study on the potential use of blockchain technology by the domestic private sector to address —

(1) fraud in payments;

(2) transaction costs and transaction times;

(3) automated payments; and

(4) efficiency in commercial transactions.

(b) **REPORT TO CONGRESS.**— Not later than one year after the date of enactment of this Act, the Secretary shall submit a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate that summarizes the findings of the study required under subsection (a).

~~(c) RULE OF CONSTRUCTION.— Nothing in this section shall be construed to mandate the use of blockchain technology by any public or private entity.~~

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