

119TH CONGRESS
1ST SESSION

S. _____

To clearly draw the line between digital asset securities and commodities, to impose disclosure requirements for certain transactions involving ancillary assets, and for other purposes.

IN THE SENATE OF THE UNITED STATES

_____ introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To clearly draw the line between digital asset securities and commodities, to impose disclosure requirements for certain transactions involving ancillary assets, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Responsible Financial Innovation Act of 2025”.

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

- Sec. 1. Short title; table of contents.
- Sec. 2. Definitions.

2

TITLE I—RESPONSIBLE SECURITIES INNOVATION

- Sec. 101. Disclosure requirements for certain transactions involving ancillary assets.
- Sec. 102. Exemption and rulemaking for certain transactions involving ancillary assets.
- Sec. 103. Special disposition restrictions by related persons.
- Sec. 104. Financial interests of ancillary assets.
- Sec. 105. Investment contract rulemaking.
- Sec. 106. Exemptive authority.
- Sec. 107. Modernization of the Securities and Exchange Commission mission.
- Sec. 108. Modernization of recordkeeping requirements.
- Sec. 109. Modernization of securities regulations for digital asset activities.
- Sec. 110. Securities Investor Protection Corporation applicability.

TITLE II—PROTECTING AGAINST ILLICIT FINANCE

- Sec. 201. Treatment under the Bank Secrecy Act and sanctions laws.
- Sec. 202. Digital asset examination standards.
- Sec. 203. Preventing illicit finance through partnership.
- Sec. 204. Financial technology protection.
- Sec. 205. Sanctions compliance responsibilities of payment stablecoin issuers.

TITLE III—RESPONSIBLE BANKING INNOVATION

- Sec. 301. Permissibility of digital asset activities.
- Sec. 302. Joint rules for portfolio margining determinations.
- Sec. 303. Capital requirements to address netting agreements.

TITLE IV—RESPONSIBLE REGULATORY INNOVATION

- Sec. 401. CFTC-SEC Micro-Innovation Sandbox.
- Sec. 402. International cooperation.
- Sec. 403. Automated regulatory compliance study.
- Sec. 404. Report on legislative recommendations.
- Sec. 405. Office of the Ombudsman for Innovation.
- Sec. 406. Tokenization of securities and other real-world assets.
- Sec. 407. Voluntary adoption of National Institute of Standards and Technology post-quantum cryptography standards.

TITLE V—PROTECTING SOFTWARE DEVELOPERS AND SOFTWARE INNOVATION

- Sec. 501. Protecting software developers.
- Sec. 502. Safe harbor for nonfungible digital tokens.
- Sec. 503. Study on non-fungible tokens.
- Sec. 504. Safe harbor for decentralized physical infrastructure networks.
- Sec. 505. Treatment of certain non-controlling developers with respect to money transmission laws.
- Sec. 506. Self-custody.

TITLE VI—BANKRUPTCY

- Sec. 601. Customer property protections for ancillary assets and digital commodities in bankruptcy.

TITLE VII—EFFECTIVE DATE AND RULEMAKING

Sec. 701. Joint Advisory Committee on Digital Assets.
Sec. 702. Resolution of disagreements.
Sec. 703. Rulemakings.
Sec. 704. Effective date.

1 **SEC. 2. DEFINITIONS.**

2 In this Act:

3 (1) **ANCILLARY ASSET; ANCILLARY ASSET**
4 **ORIGINATOR.**—The terms “ancillary asset” and “an-
5 cillary asset originator” have the meanings given
6 those terms in section 4B(a) of the Securities Act of
7 1933, as added by this Act.

8 (2) **BANK SECRECY ACT.**—The term “Bank Se-
9 crecy Act” means—

10 (A) section 21 of the Federal Deposit In-
11 surance Act (12 U.S.C. 1829b);

12 (B) chapter 2 of title I of Public Law 91–
13 508 (12 U.S.C. 1951 et seq.); and

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

16 (3) **COMMISSION.**—Except where otherwise ex-
17 pressly provided, the term “Commission” means the
18 Securities and Exchange Commission.

19 (4) **COMMON CONTROL.**—The term “common
20 control” has the meaning given the term by the
21 Commission pursuant to rules promulgated under
22 section 103(b).

23 (5) **DECENTRALIZED GOVERNANCE SYSTEM.**—

1 (A) IN GENERAL.—The term “decentral-
2 ized governance system” means, with respect to
3 a distributed ledger system, any transparent,
4 rules-based system permitting persons to form
5 consensus or reach agreement in the develop-
6 ment, provision, publication, maintenance, or
7 administration of such distributed ledger sys-
8 tem, in which participation is not limited to, or
9 under the effective control of, any person or
10 group of persons under common control.

11 (B) RELATIONSHIP OF PERSONS TO DE-
12 CENTRALIZED GOVERNANCE SYSTEMS.—With
13 respect to a decentralized governance system,
14 the decentralized governance system and any
15 persons participating in the decentralized gov-
16 ernance system shall be treated as separate per-
17 sons unless such persons are under common
18 control or acting pursuant to an agreement to
19 act in concert.

20 (C) LEGAL ENTITIES FOR DECENTRALIZED
21 GOVERNANCE SYSTEMS.—The term “decentral-
22 ized governance system” shall include a legal
23 entity, including a decentralized unincorporated
24 nonprofit association created pursuant to State
25 law, used to implement the rules-based system

1 described in subparagraph (A), provided that
2 the legal entity does not operate pursuant to
3 centralized management. For the purposes of
4 this subparagraph, the delegation of ministerial
5 or administrative authority at the direction of
6 the participants in a decentralized governance
7 system shall not be construed to be centralized
8 management.

9 (6) DIGITAL ASSET.—The term “digital asset”
10 means any digital representation of value that is re-
11 corded on a cryptographically-secured distributed
12 ledger.

13 (7) DIGITAL ASSET SERVICE PROVIDER.—The
14 term “digital asset service provider” has the mean-
15 ing given the term in section 2 of the GENIUS Act
16 (Public Law 119–27; 139 Stat. 419).

17 (8) DIGITAL COMMODITY.—The term “digital
18 commodity” has the meaning given the term in sec-
19 tion [] of the Commodity Exchange Act.

20 (9) DISTRIBUTED LEDGER.—The term “distrib-
21 uted ledger” means technology—

22 (A) through which data is shared across a
23 network that creates a public digital ledger of
24 verified transactions or information among net-
25 work participants; and

1 (B) in which cryptography is used to link
2 the data described in subparagraph (A) to—

3 (i) maintain the integrity of the dig-
4 ital ledger described in that subparagraph;
5 and

6 (ii) execute other functions.

7 (10) DISTRIBUTED LEDGER APPLICATION.—

8 The term “distributed ledger application” means
9 any executable software that is deployed to a distrib-
10 uted ledger and composed of source code that is
11 publicly available and open-source, including a smart
12 contract or any network of smart contracts, or other
13 similar technology.

14 (11) DISTRIBUTED LEDGER PROTOCOL.—The

15 term “distributed ledger protocol” means publicly
16 available source code of a distributed ledger that is
17 executed by the network participants of a distributed
18 ledger to facilitate its functioning, or other similar
19 technology.

20 (12) DISTRIBUTED LEDGER SYSTEM.—The

21 term “distributed ledger system” means any distrib-
22 uted ledger, together with its distributed ledger pro-
23 tocol or any distributed ledger application or net-
24 work of distributed ledger applications.

1 (13) SECURITIES LAWS.—The term “securities
2 laws” has the meaning given the term in section
3 3(a) of the Securities Exchange Act of 1934 (15
4 U.S.C. 78c(a)).

5 (14) SMART CONTRACT.—The term “smart con-
6 tract” means a self-executing contract or program
7 that—

8 (A) is stored on a distributed ledger sys-
9 tem; and

10 (B) automatically performs or enforces
11 digital asset transactions when explicit, pre-de-
12 termined conditions are encoded in the contract
13 or program, without intervention by any entity
14 or natural person.

15 **TITLE I—RESPONSIBLE** 16 **SECURITIES INNOVATION**

17 **SEC. 101. DISCLOSURE REQUIREMENTS FOR CERTAIN** 18 **TRANSACTIONS INVOLVING ANCILLARY AS-** 19 **SETS.**

20 The Securities Act of 1933 (15 U.S.C. 77a et seq.)
21 is amended by inserting after section 4A (15 U.S.C. 77d–
22 1) the following:

1 **“SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN**
2 **TRANSACTIONS INVOLVING ANCILLARY AS-**
3 **SETS.**

4 “(a) DEFINITIONS.—In this section:

5 “(1) ANCILLARY ASSET.—

6 “(A) IN GENERAL.—The term ‘ancillary
7 asset’ means an intangible asset, including a
8 digital commodity, that is offered, sold, or oth-
9 erwise distributed to a person pursuant to the
10 purchase and sale of a security through an ar-
11 rangement that constitutes an investment con-
12 tract, as that term is used in section 2(a)(1)
13 and as further clarified by the Commission
14 through the final rule adopted under section
15 105 of the Responsible Financial Innovation
16 Act of 2025.

17 “(B) DISQUALIFYING FINANCIAL
18 RIGHTS.—The term ‘ancillary asset’ does not
19 include any of the following:

20 “(i) Any security, other than an in-
21 vestment contract or a certificate of inter-
22 est or participation in any profit-sharing
23 agreement.

24 “(ii) An investment contract or a cer-
25 tificate of interest or participation in any

1 profit-sharing agreement that represents or
2 gives the holder any of the following:

3 “(I) A debt or equity interest, or
4 an option on a debt or equity interest,
5 in the ancillary asset originator or an-
6 other person.

7 “(II) Liquidation rights with re-
8 spect to the ancillary asset originator
9 or another person.

10 “(III) An entitlement to an inter-
11 est, dividend, or other payment from
12 the ancillary asset originator or an-
13 other person.

14 “(IV) An express or implied fi-
15 nancial interest in (including a limited
16 partner interest or interest in intellec-
17 tual property of), or provided by, the
18 ancillary asset originator or another
19 person, as provided by notice and
20 comment rulemaking of the Commis-
21 sion, provided that an indirect finan-
22 cial interest shall not exist if the an-
23 cillary asset originator has expressly
24 and unambiguously disclaimed in writ-

1 ing that no such financial interest ex-
2 ists.

3 “(iii) Any interest that is, represents,
4 or is functionally equivalent to an interest
5 in an investment company, as defined in
6 section 3(a) of the Investment Company
7 Act of 1940 (15 U.S.C. 80a-3(a)), or a
8 company (as defined in section 2 of that
9 Act (15 U.S.C. 80a-2)) that would be an
10 investment company under such section
11 3(a) but for the exclusions provided from
12 that definition by section 3(c) of that Act
13 (15 U.S.C. 80a-3(c)).

14 “(iv) An intangible asset that rep-
15 resents or is functionally equivalent to an
16 interest in any entity or person that is not
17 an investment company, as defined in sec-
18 tion 3(a) of the Investment Company Act
19 of 1940 (15 U.S.C. 80a-3(a)), but holds or
20 will hold assets other than securities.

21 “(2) ANCILLARY ASSET ORIGINATOR.—

22 “(A) IN GENERAL.—Consistent with para-
23 graph (3), the term ‘ancillary asset originator’
24 means, with respect to a particular ancillary
25 asset, a person that (whether directly or

1 through 1 or more subsidiary or controlled enti-
2 ties)—

3 “(i) initially offers, sells, or distributes
4 the ancillary asset; or

5 “(ii) during the 12-month period be-
6 ginning on the date on which the ancillary
7 asset is initially offered, sold, or distrib-
8 uted, controls or causes the initial offer,
9 sale, or distribution of that ancillary asset.

10 “(B) JOINT AND SEVERAL CONSIDER-
11 ATION.—For the purposes of this paragraph, if
12 the person that initially offered, sold, or distrib-
13 uted an ancillary asset (or otherwise sold, dis-
14 tributed, controlled, or caused the initial offer,
15 sale, or distribution of the ancillary asset) did
16 not receive the largest amount of those ancillary
17 assets distributed in the 12-month period fol-
18 lowing the commencement of that offer, sale, or
19 distribution, then any person that—

20 “(i) is a related person (as defined in
21 section 103(a) of the Responsible Financial
22 Innovation Act of 2025) or under common
23 control (as defined in section 2 of that
24 Act) with the person that initially offered,
25 sold, or distributed such ancillary asset (or

1 otherwise sold, distributed, controlled, or
2 caused the initial offer, sale, or distribution
3 of the ancillary asset); and

4 “(ii) received the largest amount of
5 those ancillary assets in that period, other
6 than in an intermediary capacity, solely
7 through a gratuitous distribution, through
8 an offer or sale of an investment contract
9 to the public registered under section 5, or
10 otherwise in a broad and public manner
11 that the Commission determines, pursuant
12 to rule or regulation, should not subject
13 the entity to disclosure requirements under
14 subsection (c), shall be jointly and sever-
15 ally considered to be an ancillary asset
16 originator with respect to that ancillary
17 asset (with the person that controlled such
18 offer, sale, or distribution) solely for pur-
19 poses of subsection (c).

20 “(C) RULE OF CONSTRUCTION.—Nothing
21 in this section shall be construed as requiring
22 more than 1 person to furnish the disclosures
23 required under subsection (d).

24 “(D) REQUIRED GUIDANCE.—Not later
25 than 360 days after the date of enactment of

1 this section, the Commission shall issue guid-
2 ance regarding the circumstances under which
3 persons who are jointly and severally considered
4 an ancillary asset originator pursuant to (B)
5 are responsible for furnishing the disclosures re-
6 quired under subsection (d) on behalf of the an-
7 cillary asset originator.

8 “(3) DIGITAL NETWORK PARAMETERS MANAGE-
9 MENT.—The term ‘digital network parameters man-
10 agement’ means 1 or more non-discretionary mecha-
11 nisms, implemented in code and executed on a dig-
12 ital network, that—

13 “(A) collect, receive, or accrue consider-
14 ation involved in the operational function of the
15 digital network, which may accrue without cre-
16 ating a disqualifying financial right specified in
17 paragraph (1)(B);

18 “(B) execute pre-disclosed, non-discre-
19 tionary transactions relating to ancillary assets
20 which are derived from consideration involved
21 in the operational function of the digital net-
22 work;

23 “(C) set, adjust, or apply parameters gov-
24 erning fees, consideration and other activities

1 involved in operational functioning of the digital
2 network; and

3 “(D) operate solely pursuant to publicly
4 specified rules.

5 “(4) FOREIGN ORIGINATOR.—

6 “(A) IN GENERAL.—The term ‘foreign
7 originator’ means an ancillary asset originator
8 incorporated or organized outside of the United
9 States that has, as of the last business day of
10 the most recently completed fiscal quarter of
11 the ancillary asset originator, only offered, sold,
12 or distributed ancillary assets outside of the
13 United States or, to the knowledge of the ancil-
14 lary asset originator, only to persons other than
15 United States persons.

16 “(B) EXCLUSIONS.—Notwithstanding
17 paragraph (A), the term ‘foreign originator’
18 shall not include—

19 “(i) a foreign government;

20 “(ii) an ancillary asset originator
21 that—

22 “(I) does not have shareholders,
23 members, or other equity owners;

24 “(II) the formation of which was
25 directed or caused by 1 or more citi-

1 zens or residents of the United States,
2 or entities formed under the laws of a
3 State or Indian Tribe; or

4 “(III) the business of the ancil-
5 lary asset originator is principally ad-
6 ministered in the United States; or

7 “(iii) an ancillary asset originator for
8 which—

9 “(I) more than 50 percent of the
10 outstanding voting securities of the
11 ancillary asset originator are directly
12 or indirectly owned by residents of the
13 United States; and

14 “(II)(aa) the majority of the ex-
15 ecutive officers or directors of the an-
16 cillary asset originator are citizens or
17 residents of the United States;

18 “(bb) more than 50 percent of
19 the assets of the ancillary asset origi-
20 nator are located in the United States
21 or owned by persons located in the
22 United States; or

23 “(cc) the business of the ancillary
24 asset originator is principally adminis-
25 tered in the United States.

1 “(5) GRATUITOUS DISTRIBUTION.—

2 “(A) IN GENERAL.—The term ‘gratuitous
3 distribution’—

4 “(i) means a distribution of ancillary
5 assets or digital assets, without a disquali-
6 fying financial interest described in para-
7 graph (1)(B), including a distribution ef-
8 fected by an agent or other service pro-
9 vider engaged solely in an administrative
10 or ministerial capacity, in exchange for not
11 more than a nominal value of cash, prop-
12 erty, services, or other assets in a broad,
13 equitable, and non-discretionary manner or
14 in a manner reasonably designed to facili-
15 tate the consumption of goods or services
16 involving use of the ancillary asset or dig-
17 ital asset without a disqualifying financial
18 interest; and

19 “(ii) includes the mechanisms and
20 methods of distribution described in sub-
21 paragraph (B).

22 “(B) MECHANISMS AND METHODS OF DIS-
23 TRIBUTION.—The mechanisms and methods of
24 distribution described in this subparagraph are
25 the following:

1 “(i) SELF STAKING.—The distribution
2 of a unit of an ancillary asset or digital
3 asset, as a programmatic result of vali-
4 dating or staking activity for a distributed
5 ledger system’s consensus mechanism, in-
6 cluding the staking of a digital asset or an-
7 cillary asset, and the operation of a node
8 or validator for such activity where the
9 owner of the staked ancillary asset and op-
10 erator of the node or validator are the
11 same person or entity.

12 “(ii) SELF-CUSTODIAL STAKING WITH
13 A THIRD PARTY.—The distribution of a
14 unit of a digital asset or ancillary asset, as
15 a programmatic result of validating or
16 staking activity for a distributed ledger
17 system’s consensus mechanism, including
18 the staking of either a digital asset or an-
19 cillary asset, and the operation of a node
20 or validator for such activity in which—

21 “(I) the owner of the staked dig-
22 ital asset or ancillary asset, and oper-
23 ator of the node or validator for such
24 activity are different persons or enti-
25 ties; and

1 “(II) the operator of the node or
2 validator does not maintain custody or
3 control of the staked digital asset or
4 ancillary asset.

5 “(iii) LIQUID STAKING.—The distribu-
6 tion of digital assets or ancillary assets,
7 and the issuance, transfer or redemption of
8 liquid staking tokens representing a pro
9 rata interest in staked digital assets or an-
10 cillary assets, and their associated rewards,
11 provided that such tokens are issued as ad-
12 ministrative or ministerial receipts and not
13 pursuant to investment contracts or discre-
14 tionary management.

15 “(iv) CUSTODIAL AND ANCILLARY
16 STAKING SERVICES.—

17 “(I) IN GENERAL.—Subject to
18 the rules issued pursuant to subclause
19 (II), the provision of custodial or an-
20 cillary staking services enabling the
21 owner of a digital asset or ancillary
22 asset, to participate in validating or
23 staking activity for a distributed ledg-
24 er system’s consensus mechanism that
25 results in the programmatic distribu-

1 tion of a unit of a digital asset or an-
2 cillary asset, provided that such custo-
3 dial or ancillary services are exclu-
4 sively administrative or ministerial in
5 nature.

6 “(II) RULEMAKING TO DEFINE
7 THE CUSTODIAL AND ANCILLARY
8 STAKING SERVICES.—The Commission
9 shall issue rules defining the custodial
10 and ancillary staking services de-
11 scribed in subclause (I) that are exclu-
12 sively administrative or ministerial in
13 nature, consistent with what is nec-
14 essary or appropriate for the public
15 interest or for the protection of inves-
16 tors.

17 “(v) PROGRAMMATIC AND AUTO-
18 MATED DISTRIBUTIONS.—The automated,
19 programmatic, protocol-defined, or rules-
20 based distribution of digital assets, or an-
21 cillary assets achieved through the trans-
22 parent functioning of distributed ledger
23 system, distributed ledger, or distributed
24 ledger applications, in which—

1 “(I) distributions occur pursuant
2 to public, transparent, rules-based pa-
3 rameters set forth in publicly avail-
4 able, open-source code and accessible
5 on a permissionless basis, without in-
6 dividualized or real-time negotiation
7 with recipients;

8 “(II) recipients receive ancillary
9 assets or digital assets, as a direct,
10 programmatic result of objective,
11 verifiable network participation, con-
12 sumption, or contribution, including
13 consensus participation, data avail-
14 ability, bandwidth, governance, or use
15 and interaction with the protocol or
16 application;

17 “(III) the number of ancillary as-
18 sets or digital assets received is pro-
19 portionate to the verifiable service,
20 usage, or contribution;

21 “(IV) any expected utility or
22 value of the ancillary assets or digital
23 assets arises primarily from decentral-
24 ized network participation and market
25 forces, rather than the discretionary

1 actions of any single person or affili-
2 ated group; and

3 “(V) no person or group has uni-
4 lateral authority to alter, restrict, or
5 direct the issuance parameters or dis-
6 tribution mechanisms of the digital
7 network, and any modification occurs
8 only through rules-based, transparent,
9 governance-constrained processes.

10 “(vi) TECHNOLOGY-NEUTRAL
11 CLAUSE.—The distribution employing a
12 mechanism, protocol, or technology not
13 specifically described in clauses (i) through
14 (v), without regard to whether such mecha-
15 nism, protocol, or technology is in exist-
16 ence at the time of enactment of this sec-
17 tion, and without regard to terminology or
18 underlying technical framework, provided
19 such distribution—

20 “(I) meets the principles of
21 broad, equitable, and non-discrimina-
22 tory access;

23 “(II) is not subject to discretion;
24 and

1 “(III) is transparent, open, and
2 objective in programmatic implemen-
3 tation.

4 “(b) TREATMENT OF ANCILLARY ASSETS AND
5 TRANSACTIONS.—

6 “(1) IN GENERAL.—Notwithstanding any other
7 provision of law, and subject to paragraph (2), an
8 ancillary asset shall not be a security under—

9 “(A) section 2(a)(1);

10 “(B) section 3(a) of the Securities Ex-
11 change Act of 1934 (15 U.S.C. 78c(a));

12 “(C) section 2(a) of the Investment Com-
13 pany Act of 1940 (15 U.S.C. 80a-2(a));

14 “(D) section 202(a) of the Investment Ad-
15 visers Act of 1940 (15 U.S.C. 80b-2(a));

16 “(E) section 16 of the Securities Investor
17 Protection Act of 1970 (15 U.S.C. 78lll); or

18 “(F) any applicable requirement of State
19 law, including any provision of State law that
20 directly or indirectly prohibits, limits, or im-
21 poses any conditions on the use, offer, sale,
22 transfer, or disposition of an ancillary asset in
23 a manner that is—

24 “(i) not substantially similar to prohi-
25 bitions, limitations, or conditions imposed

1 by that State relating to assets that are
2 commodities under the laws of that State;
3 and

4 “(ii) inconsistent with this section.

5 “(2) SECONDARY MARKET TREATMENT.—Not-
6 withstanding any other provision of law, the offer or
7 sale of an ancillary asset that was originally sold as
8 part of an investment contract by a person other
9 than the ancillary asset originator, or an underwriter
10 with respect to the investment contract pursuant to
11 which such ancillary asset was originally sold, shall
12 be deemed not to be an offer or sale of that invest-
13 ment contract between the ancillary asset originator
14 involving the ancillary asset, or an underwriter
15 thereof, and the purchaser of that ancillary asset
16 under—

17 “(A) section 2(a)(1);

18 “(B) the Investment Advisers Act of 1940
19 (15 U.S.C. 80b–1 et seq.);

20 “(C) the Investment Company Act of 1940
21 (15 U.S.C. 80a–1 et seq.);

22 “(D) the Securities Exchange Act of 1934
23 (15 U.S.C. 78a et seq.);

24 “(E) the Securities Investor Protection Act
25 of 1970 (15 U.S.C. 78aaa et seq.); and

1 “(F) any applicable requirement of State
2 law, including any provision of State law that
3 directly or indirectly prohibits, limits, or im-
4 poses any conditions on the use, offer, sale,
5 transfer, or disposition of an ancillary asset in
6 a manner that is—

7 “(i) not substantially similar to prohi-
8 bitions, limitations, or conditions imposed
9 by that State relating to assets that are
10 commodities under the laws of that State;
11 and

12 “(ii) inconsistent with this section.

13 “(3) GRATUITOUS DISTRIBUTION NOT AN
14 OFFER OR SALE OF A SECURITY.—

15 “(A) IN GENERAL.—A gratuitous distribu-
16 tion shall not be considered an offer or sale of
17 a security.

18 “(B) SAVINGS CLAUSE.—Nothing in this
19 paragraph shall be construed to—

20 “(i) limit, impair, or otherwise affect
21 the anti-fraud or anti-manipulation au-
22 thorities of the Securities and Exchange
23 Commission or the Commodity Futures
24 Trading Commission or a State regulator;
25 or

1 “(ii) limit the application of section
2 105 of the Responsible Financial Innova-
3 tion Act of 2025 or any rule adopted
4 thereunder defining ‘investment contract,’
5 nor create any presumption regarding
6 whether any arrangement constitutes an
7 investment contract under that section.

8 “(4) DIGITAL NETWORK PARAMETERS MANAGE-
9 MENT TREATMENT.—

10 “(A) IN GENERAL.—Notwithstanding any
11 other provision of law, the establishment, oper-
12 ation, or modification of digital network param-
13 eters management, provided all conditions de-
14 scribed in subparagraph (B) are met, shall not
15 solely by itself, cause a digital asset to be ex-
16 cluded from the definition of ancillary asset,
17 nor cause any ancillary asset (including a dig-
18 ital commodity) to be treated as—

19 “(i) an offer or sale of a security, or
20 an investment contract;

21 “(ii) a dividend, redemption, distribu-
22 tion, or the equivalent by an issuer; or

23 “(iii) broker, dealer, exchange, alter-
24 native trading system, market making,
25 transfer agent activity, or the equivalent.

1 “(B) CONDITIONS DESCRIBED.—The con-
2 ditions described in this subparagraph are the
3 following:

4 “(i) TRANSPARENCY.—A description
5 of the mechanism, including sources and
6 sinks of funds, triggers, rate or size limits,
7 price-sensitivity logic, and any circuit
8 breakers, shall be published and made freely
9 and publicly available, and any material
10 change shall be published on a timely
11 basis.

12 “(ii) NO COMMON CONTROL.—The
13 digital network parameters management
14 shall not be subject to common control, as
15 defined in section 2 of the Responsible Fi-
16 nancial Innovation Act of 2025.

17 “(5) SELF-CERTIFICATION.—

18 “(A) SUBMISSION.—An ancillary asset
19 originator may, in connection with an offer,
20 sale, or distribution of the related ancillary
21 asset, submit to the Commission a written self-
22 certification, supported by reasonable evidence,
23 that such ancillary asset does not provide the
24 owner of the asset with a right described in
25 subsection (a)(1)(B).

1 “(B) AUTOMATIC EFFECTIVENESS.—A
2 self-certification submitted under subparagraph
3 (A) by an ancillary asset originator shall be-
4 come effective upon the earlier of—

5 “(i) the date on which the Commis-
6 sion notifies the ancillary asset originator
7 in writing that the Commission does not
8 object to the self-certification; or

9 “(ii) if the Commission has not issued
10 a rebuttal to the ancillary asset originator
11 in accordance with subparagraph (C), 60
12 days after the date on which the ancillary
13 asset originator submits the self-certifi-
14 cation.

15 “(C) SEC DENIAL.—The Commission may
16 deny a self-certification submitted under sub-
17 paragraph (A) by an ancillary asset origi-
18 nator—

19 “(i) only during the 60-day period de-
20 scribed in subparagraph (B)(ii); and

21 “(ii) by providing to the ancillary
22 asset originator 10 days notice of the in-
23 tent of the Commission to deny that self-
24 certification, during which period inter-
25 ested persons shall have an opportunity to

1 submit written data, views, and arguments
2 relating to that self-certification, and after
3 which the Commission shall—

4 “(I) upon request of the ancillary
5 asset originator, provide an oppor-
6 tunity for the oral presentation of
7 data, views, and arguments by inter-
8 ested persons; and

9 “(II) have a vote of the Commis-
10 sion to deny the self-certification after
11 a finding that the related asset pro-
12 vides the owner of the asset with a
13 right described in subsection
14 (a)(1)(B).

15 “(D) FINAL AGENCY ACTION.—Denial
16 under this paragraph constitutes final agency
17 action reviewable under applicable law.

18 “(E) VOLUNTARY.—Submission of a self-
19 certification under this paragraph is voluntary
20 and shall not be a precondition to any offer,
21 sale, or distribution otherwise permitted by law.

22 “(F) NO ADVERSE INFERENCE.—Failure
23 to submit a self-certification under this para-
24 graph shall not be used to infer the status of
25 any asset under the Federal securities laws or

1 the Commodity Exchange Act (7 U.S.C. 1 et
2 seq.), or to infer that any person has violated
3 those laws or any other applicable law.

4 “(c) DISCLOSURE REQUIREMENTS FOR CERTAIN
5 TRANSACTIONS INVOLVING ANCILLARY ASSETS.—

6 “(1) SPECIFIED INITIAL AND PERIODIC DISCLO-
7 SURE REQUIREMENTS.—

8 “(A) IN GENERAL.—Any offer, sale, or dis-
9 tribution of an ancillary asset by, or caused by,
10 an ancillary asset originator (other than a for-
11 eign originator) pursuant to an exemption from
12 registration that is provided under this Act
13 (and was added to this Act by the Responsible
14 Financial Innovation Act of 2025), shall be sub-
15 ject to the initial and periodic disclosure re-
16 quirements under subsection (d).

17 “(B) EXCLUSION.—Subparagraph (A)
18 shall not apply if—

19 “(i) the aggregate value raised by the
20 ancillary asset originator through the offer,
21 sale, or distribution of the security to
22 which the ancillary asset relates was
23 \$5,000,000 or less (adjusted for inflation)
24 during the 12-month period immediately

1 following the date of the first such offer,
2 sale, or distribution; or

3 “(ii) provided there is trading activity
4 in the ancillary asset, the average daily ag-
5 gregate value of trading in the ancillary
6 asset in all United States domiciled spot
7 markets for which trading volume is gen-
8 erally available is \$5,000,000 or less (ad-
9 justed for inflation) during the 12-month
10 period (or such shorter period as the Com-
11 mission may determine) immediately pre-
12 ceding the reporting date specified by
13 paragraph (2), based on the knowledge of
14 the ancillary asset originator after due in-
15 quiry.

16 “(C) CALCULATION.—For the purposes of
17 this paragraph, the calculation of daily aggre-
18 gate value shall be based on a reasonable cal-
19 culation of public data.

20 “(2) COMMENCEMENT OF COMPLIANCE WITH
21 SPECIFIED INITIAL AND PERIODIC DISCLOSURE RE-
22 QUIREMENTS.—

23 “(A) IN GENERAL.—An ancillary asset
24 originator subject to the requirements of para-

1 graph (1) shall comply with the disclosure re-
2 quirements under subsection (d)—

3 “(i) prior to any initial offer, sale, or
4 distribution of an ancillary asset pursuant
5 to an exemption from registration under
6 this Act, or otherwise involving a public se-
7 curities offering occurring within the
8 United States that occurs after the imple-
9 mentation date specified in the applicable
10 rulemaking required under section 102 of
11 the Responsible Financial Innovation Act
12 of 2025; and

13 “(ii) and semiannually thereafter.

14 “(B) EXCLUSION.—The requirements of
15 this paragraph shall not apply to an offer, sale,
16 or distribution of an ancillary asset that occurs
17 after the date of enactment of this section if an
18 ancillary asset originator has submitted a cer-
19 tification under subsection (d)(3)(B) and the
20 Commission has not denied that certification
21 within a 60-day period following the process
22 under that subsection.

23 “(3) TRANSITION RULE.—

24 “(A) IN GENERAL.—An ancillary asset
25 originator, other than a foreign originator, that

1 initially offered, sold, or distributed (or other-
2 wise controlled or caused the offer, sale, or dis-
3 tribution of) an ancillary asset before the date
4 of enactment of this section, shall avail itself of
5 the periodic disclosure requirement under sub-
6 section (d), if applicable, beginning on the im-
7 plementation date of the applicable rulemaking
8 required in section 102 of the Responsible Fi-
9 nancial Innovation Act of 2025.

10 “(B) EFFECT ON CERTIFICATION.—An an-
11 cillary asset originator subject to this para-
12 graph that meets the requirements of sub-
13 section (d)(3) may furnish a certification as
14 provided in that subsection without complying
15 with the periodic disclosure requirements under
16 subsection (d).

17 “(4) APPLICATION TO OTHER TRANSACTIONS.—

18 “(A) IN GENERAL.—For any initial offer,
19 sale, or distribution of an ancillary asset occur-
20 ring after the date of enactment of this section
21 that is conducted pursuant to sections 230.500
22 through 230.508 of title 17, Code of Federal
23 Regulations (commonly known as ‘Regulation
24 D’), or another private placement exemption
25 under this Act, the disclosures required under

1 subsection (d) shall be furnished upon resale to
2 the public in the United States (or when such
3 resale is reasonably expected to occur) in a
4 manner that would be subject to section
5 230.144 of title 17 (referred to in this para-
6 graph as ‘Rule 144’), and on a semiannual
7 basis thereafter until terminated under sub-
8 section (d)(3), regardless of whether such trans-
9 action would be considered a transaction in a
10 security.

11 “(B) CURRENT PUBLIC INFORMATION.—If
12 Rule 144 is applicable to a transaction de-
13 scribed in subparagraph (A), the disclosures re-
14 quired under subsection (d) shall be deemed to
15 constitute current public information for pur-
16 poses of Rule 144.

17 “(d) SPECIFIED INITIAL AND PERIODIC DISCLOSURE
18 REQUIREMENTS.—

19 “(1) IN GENERAL.—

20 “(A) FURNISHING OF INFORMATION.—An
21 ancillary asset originator that is subject to the
22 requirements of paragraph (1) or (3) of sub-
23 section (c) shall furnish the Commission with,
24 in connection with an initial offer, sale or dis-
25 tribution of an ancillary asset in reliance on an

1 exemption from registration under this Act, and
2 on a semiannual basis thereafter, in such form
3 as the Commission may prescribe by rule after
4 notice and comment, and until the requirement
5 terminates under paragraph (3) of this sub-
6 section, the information described in paragraph
7 (2) of this subsection, to the extent that the in-
8 formation is material and known, or reasonably
9 knowable, to the ancillary asset originator.

10 “(B) REQUIREMENTS FOR RULES.—A rule
11 prescribed under subparagraph (A) shall be rea-
12 sonably tailored based on the size of the appli-
13 cable ancillary asset originator in accordance
14 with section 109(b) of the Responsible Finan-
15 cial Innovation Act of 2025.

16 “(2) CATEGORIES OF INFORMATION.—The in-
17 formation required under paragraph (1) shall in-
18 clude the following with respect to the applicable an-
19 cillary asset originator and the related ancillary
20 asset:

21 “(A) Basic corporate information regard-
22 ing the ancillary asset originator and the ancil-
23 lary asset activities of the ancillary asset origi-
24 nator, which may include the following items, as
25 the Commission shall determine by rule:

1 “(i) The experience of the ancillary
2 asset originator (or persons controlling the
3 ancillary asset originator) in developing an-
4 cillary assets.

5 “(ii) If the ancillary asset originator
6 (or persons controlling the ancillary asset
7 originator) has previously distributed ancil-
8 lary assets, information on the subsequent
9 distribution history of those ancillary as-
10 sets, including price history, if the infor-
11 mation is publicly available.

12 “(iii) The activities that the ancillary
13 asset originator has taken in the relevant
14 disclosure period, and is projecting to take
15 in the 1-year period following the submis-
16 sion of the disclosure, with respect to pro-
17 moting the use, value, or resale of the an-
18 cillary asset (including any activity to fa-
19 cilitate the creation or maintenance of a
20 trading market for the ancillary asset and
21 any digital network, application, or system
22 that uses the ancillary asset).

23 “(iv) The anticipated cost of the ac-
24 tivities of the ancillary asset originator de-
25 scribed in clause (iii), whether the ancillary

1 asset originator has unencumbered, liquid
2 funds equal to that amount, and, if the an-
3 cillary asset originator does not have those
4 funds, the anticipated plan of operations of
5 the ancillary asset originator for the por-
6 tion of time where those liquid funds are
7 less than the anticipated cost of the activi-
8 ties of the ancillary asset originator.

9 “(v) To the extent the ancillary asset
10 involves the use of a digital network or
11 other technology, the experience of the an-
12 cillary asset originator with the use of that
13 network or technology.

14 “(vi) The identities and expertise of
15 the board of directors (or equivalent body),
16 senior management, and key employees of
17 the ancillary asset originator, the experi-
18 ence or functions of whom are material to
19 the development or value of the ancillary
20 asset, as well as any personnel changes re-
21 lating to the ancillary asset originator dur-
22 ing the period covered by the disclosure.

23 “(vii) A concise narrative description
24 of the assets and liabilities of the ancillary

1 asset originator, to the extent material to
2 the value of the ancillary asset.

3 “(viii) A description of any legal pro-
4 ceedings in which the ancillary asset origi-
5 nator is engaged.

6 “(ix) Risk factors arising from the ac-
7 tivities of the ancillary asset originator
8 with respect to the ancillary asset, and not
9 generally applicable to other kinds of ancil-
10 lary assets, that may limit the utility or li-
11 quidity of the ancillary asset, investor de-
12 mand with respect to the ancillary asset, or
13 the market price or value of the ancillary
14 asset.

15 “(x) Information relating to owner-
16 ship of the ancillary asset by—

17 “(I) persons owning not less than
18 10 percent of any class of equity secu-
19 rity of the ancillary asset originator;
20 and

21 “(II) the senior management of
22 the ancillary asset originator.

23 “(xi) For any transaction involving
24 the ancillary asset between the ancillary
25 asset originator and any related person,

1 promoter, control person, or employee, a
2 description of the parties, the number of
3 ancillary assets involved, and a summary
4 of any material features of the transaction,
5 including any material terms or ongoing
6 obligations.

7 “(xii) A summary, in the aggregate by
8 year, of transactions in ancillary assets
9 during the 4-year period preceding the fur-
10 nishing of the disclosure, by the ancillary
11 asset originator and persons that directly
12 or indirectly control the ancillary asset
13 originator.

14 “(xiii) Purchases or similar acquisi-
15 tions of ancillary assets by the ancillary
16 asset originator and affiliates of the ancil-
17 lary asset originator.

18 “(xiv) A statement, made in good
19 faith, from the chief financial officer of the
20 ancillary asset originator or equivalent offi-
21 cial, stating whether the ancillary asset
22 originator reasonably expects to maintain
23 or have the financial resources to continue
24 business as a going concern for the 12-
25 month period following the furnishing of

1 the disclosure, absent a change in cir-
2 cumstances.

3 “(B) Economic and technical information
4 relating to the ancillary asset, which may in-
5 clude the following items, as the Commission
6 shall determine by rule:

7 “(i) A general description of the ancil-
8 lary asset and any digital network, applica-
9 tion, or system that uses the ancillary
10 asset, including—

11 “(I) a plain-English description
12 of how the digital network, applica-
13 tion, or system functions;

14 “(II) the intended or known
15 functionality and uses of the ancillary
16 asset and any associated fees for use
17 or disposition of the ancillary asset;

18 “(III) the market for the ancil-
19 lary asset;

20 “(IV) other assets or services
21 that may compete with the ancillary
22 asset;

23 “(V) the total supply of the ancil-
24 lary asset or the manner and rate of

1 the ongoing production or creation of
2 the ancillary asset; and

3 “(VI) the governance and con-
4 sensus mechanism for the ancillary
5 asset and any digital network, applica-
6 tion, or system that uses the ancillary
7 asset, as applicable, including for vali-
8 dating transactions, method of gener-
9 ating or mining ancillary assets, and
10 any process for burning or destroying
11 units of the ancillary asset on the dig-
12 ital network, application, or system
13 that uses the ancillary asset.

14 “(ii) If the ancillary asset originator
15 has offered, sold, or otherwise provided an-
16 cillary assets to affiliates, investors, em-
17 ployees, intermediaries, or resellers, a de-
18 scription of the amount of assets offered,
19 sold, or otherwise provided to such person
20 and a summary of any material resale re-
21 strictions or other material obligations
22 arising from related contracts, agreements,
23 or other arrangements.

24 “(iii) If ancillary assets were distrib-
25 uted by the ancillary asset originator with-

1 out charge or upon meeting certain condi-
2 tions, a description of each distribution, in-
3 cluding the identity of any recipient that
4 received more than 5 percent of the total
5 amount of ancillary assets (calculated as a
6 percentage of the total supply of such asset
7 at the time of distribution).

8 “(iv) The amount of ancillary assets
9 owned by the ancillary asset originator.

10 “(v) For the 12-month period fol-
11 lowing the furnishing of the disclosure, a
12 description of the current state and antici-
13 pated timeline for the development of any
14 digital network, application, or system that
15 uses the ancillary asset, including—

16 “(I) plans of the ancillary asset
17 originator to support (or to cease sup-
18 porting) the use or development of the
19 ancillary asset, including markets for
20 the ancillary asset and each digital
21 network, application, or system that
22 uses the ancillary asset;

23 “(II) the various roles that exist
24 or are intended to exist in connection
25 with the digital network, application,

1 or system, such as users, service pro-
2 viders, developers, transaction
3 validators, and governance partici-
4 pants;

5 “(III) a discussion of any mecha-
6 nisms by which control or authority
7 are exerted with respect to the digital
8 network, application, or system, or its
9 related ancillary asset; and

10 “(IV) any critical operational de-
11 pendencies of the distributed ledger
12 system or its related digital com-
13 modity.

14 “(vi) Risk factors that may materially
15 affect the liquidity of the ancillary asset,
16 investor demand with respect to the ancil-
17 lary asset, or the market price or value of
18 the ancillary asset.

19 “(vii) To the extent available to the
20 ancillary asset originator, the average daily
21 price for a constant unit of value of the
22 ancillary asset during the relevant report-
23 ing period, as well as the 12-month high
24 and low prices for the ancillary asset, as
25 calculated based on the 3 largest ex-

1 changes on which the ancillary asset
2 trades.

3 “(viii) If applicable, and subject to cy-
4 bersecurity best practices, information re-
5 lating to any external audit of the code
6 and functionality of the ancillary asset, in-
7 cluding the entity performing the audit
8 and the experience of the entity in con-
9 ducting similar audits.

10 “(ix) Information relating to custodial
11 services available for the ancillary asset.

12 “(x) Information on intellectual prop-
13 erty rights claimed or disputed relating to
14 the ancillary asset.

15 “(xi) A description of the technology
16 underlying the initial distribution and trad-
17 ing of the ancillary asset, including the
18 source code for the ancillary asset, if appli-
19 cable, and technical requirements for hold-
20 ing, accessing, and transferring the ancil-
21 lary asset.

22 “(xii) If applicable, a description of
23 the steps necessary to independently ac-
24 cess, search, and verify the transaction his-
25 tory of the ancillary asset.

1 “(C) In addition to the information ex-
2 pressly required to be included under subpara-
3 graphs (A) and (B), the ancillary asset origi-
4 nator shall provide such further material infor-
5 mation, if any, as may be necessary to ensure
6 that the statements made in the disclosure are
7 not, in light of the circumstances under which
8 the statements are made, materially misleading.

9 “(3) TERMINATION OF REQUIREMENTS.—

10 “(A) IN GENERAL.—The obligation of an
11 ancillary asset originator to provide disclosures
12 under paragraph (1) shall terminate on the
13 date that is 90 days (or such shorter period as
14 the Commission may determine) after the date
15 on which the ancillary asset originator submits
16 a certification under subparagraph (B) of this
17 paragraph unless the Commission has denied
18 that certification.

19 “(B) CERTIFICATION.—

20 “(i) IN GENERAL.—An ancillary asset
21 originator may submit to the Commission
22 a certification, based on the knowledge of
23 the ancillary asset originator after due in-
24 quiry and supported by reasonable evi-
25 dence, that states—

1 “(I) that during the 1-year pe-
2 riod preceding the date on which the
3 ancillary asset originator submits the
4 certification, and as of the date of
5 submission, the ancillary asset origi-
6 nator including a subsidiary or related
7 party (as defined in section 103(a) of
8 the Responsible Financial Innovation
9 Act of 2025) of the ancillary asset
10 originator or any entity that directly
11 or indirectly controls or is controlled
12 by a common entity with the ancillary
13 asset originator (collectively referred
14 to in this subparagraph as ‘certifi-
15 cation covered parties’) did not en-
16 gage in more than a nominal level of
17 entrepreneurial or managerial efforts,
18 and any such efforts were not a pri-
19 mary factor in determining the value
20 of the related ancillary asset (which
21 may include that any essential prom-
22 ises made by the ancillary asset origi-
23 nator have been fulfilled), except that
24 providing administrative services shall
25 not alone be considered entrepre-

1 neurial or managerial efforts for the
2 purposes of this clause; and

3 “(II) in good faith that the ancil-
4 lary asset originator does not reason-
5 ably expect there to be any efforts
6 that would render the ancillary asset
7 originator unable to provide a new
8 certification following the date of the
9 certification.

10 “(ii) AUTOMATIC EFFECTIVENESS.—A
11 certification submitted under clause (i) by
12 an ancillary asset originator shall become
13 effective upon the earlier of—

14 “(I) the date on which the Com-
15 mission notifies the ancillary asset
16 originator in writing that the Commis-
17 sion does not object to the certifi-
18 cation; or

19 “(II) if the Commission has not
20 issued a notice of rebuttal under
21 clause (iii), 60 days after the date on
22 which the ancillary asset originator
23 submits the certification.

24 “(iii) CHANGE IN CIRCUMSTANCES.—

1 “(I) EFFECTIVENESS OF THE
2 CERTIFICATION.—A certification
3 under this clause shall remain effec-
4 tive until the date on which any cer-
5 tification covered parties engaged in
6 efforts that would render the ancillary
7 asset originator unable to meet the
8 standards of the certification.

9 “(II) NEW CERTIFICATION RE-
10 QUIRED.—On and after the date de-
11 scribed in subclause (I), the covered
12 party undertaking efforts described in
13 that subclause shall be responsible for
14 furnishing to the Commission the dis-
15 closures required under paragraph
16 (1), including a description of the
17 change in circumstances.

18 “(III) PERIODIC DISCLOSURES.—
19 The furnishing of disclosures pursu-
20 ant to subclause (II) shall restart the
21 schedule for periodic disclosures under
22 paragraph (1).

23 “(IV) PRIOR CERTIFICATIONS.—
24 A certification filed under this sub-
25 paragraph prior to a change in cir-

1 cumstances shall not be deemed false
2 or misleading solely by reason of sub-
3 sequent reengagement under this
4 clause.

5 “(iv) SEC DENIAL.—The Commission
6 may deny a certification submitted under
7 clause (i) by an ancillary asset originator—

8 “(I)(aa) during the 60-day period
9 described in clause (ii)(II); or

10 “(bb) with respect to any certifi-
11 cation covered parties, upon deter-
12 mining that more than a nominal level
13 of entrepreneurial or managerial ef-
14 forts has been undertaken by such
15 person after the filing of the certifi-
16 cation; and

17 “(II) by providing to the ancil-
18 lary asset originator 10 days’ notice of
19 the intent of the Commission to deny
20 that certification, during which period
21 interested persons shall have an op-
22 portunity to submit written data,
23 views, and arguments relating to that
24 certification, and after which the
25 Commission shall—

1 “(aa) upon the request of
2 the ancillary asset originator,
3 provide an opportunity for the
4 oral presentation of data, views,
5 and arguments by interested per-
6 sons; and

7 “(bb) have a vote of the
8 Commission to deny the certifi-
9 cation after a finding that the
10 applicable ancillary asset does
11 not meet the standard for certifi-
12 cation under clause (i) .

13 “(v) FINAL AGENCY ACTION.—A de-
14 nial under this paragraph constitutes final
15 agency action reviewable under applicable
16 law.

17 “(4) VOLUNTARY DISCLOSURE.—An ancillary
18 asset originator may voluntarily furnish with the
19 Commission the information required under this
20 subsection if the ancillary asset originator deter-
21 mines that it is reasonably likely that the ancillary
22 asset originator will become subject to the require-
23 ments of paragraph (1) or (3) of subsection (e) in
24 the future.

1 “(5) RULEMAKING CONSIDERATIONS.—In pro-
2 mulgating rules under this subsection, the Commis-
3 sion shall—

4 “(A) require only such information as the
5 Commission finds to be necessary and appro-
6 priate to protect investors, maintain fair, or-
7 derly, and efficient markets, and facilitate cap-
8 ital formation, innovation, and efficiency; and

9 “(B) include in any final versions of those
10 rules a cost–benefit analysis evaluating the ef-
11 fects of any rule on innovation, efficiency, com-
12 petition, and capital formation.

13 “(6) LIMITATIONS.—Rules promulgated under
14 this subsection shall not require the inclusion of fi-
15 nancial statements of an ancillary asset originator,
16 except with respect to the disclosure of financial in-
17 formation under paragraph (2).

18 “(e) EXEMPTIONS.—The Commission may, by order,
19 exempt an ancillary asset originator, or any class of ancil-
20 lary asset originators, from specified requirements under
21 subsection (d) if it is in the public interest or for the pro-
22 tection of investors.

23 “(f) CONFIDENTIAL TREATMENT OF CERTAIN IN-
24 FORMATION.—Notwithstanding any other provision of law,
25 an ancillary asset originator required to furnish the Com-

1 mission with disclosures under subsection (c) may submit
2 a request for confidential treatment of information in-
3 cluded in such disclosures pursuant to procedures the
4 Commission shall establish and that are modeled on or
5 identical to section 230.406 of title 17, Code of Federal
6 Regulations, or any successor regulation.

7 “(g) EFFECT OF FAILURE TO COMPLY.—The failure
8 of an ancillary asset originator to comply with a provision
9 of this section shall not cause an ancillary asset offered,
10 sold, or distributed by that ancillary asset originator to
11 be a security under any applicable law.

12 “(h) LIABILITY FOR FALSE OR MISLEADING STATE-
13 MENTS.—

14 “(1) IN GENERAL.—It shall be unlawful for an
15 ancillary asset originator, in any disclosure, certifi-
16 cation, or other document furnished under this sec-
17 tion, to make an untrue statement of a material fact
18 or omit to state a material fact required to be stated
19 therein or necessary to make the statements therein
20 not misleading.

21 “(2) RULE OF CONSTRUCTION.—Nothing in
22 this subsection may be construed as creating a pri-
23 vate right of action.

24 “(i) SPECIAL DISPOSITION RESTRICTIONS BY RE-
25 LATED PERSONS.—The Commission shall adopt rules,

1 consistent with section 103 of the Responsible Financial
2 Innovation Act of 2025, establishing limitations on the
3 disposition of certain ancillary assets with specified char-
4 acteristics by related persons, as defined in such section
5 103.

6 “(j) SAFE HARBOR FOR FORWARD-LOOKING STATE-
7 MENTS.—No liability shall arise with respect to any for-
8 ward-looking statement (including any statement of plans,
9 objectives, projections, expectations, or assumptions con-
10 cerning future performance, financial position, develop-
11 ment milestones, asset utility, network adoption, or mar-
12 ket conditions) made in an ancillary asset disclosure,
13 statement, or other document furnished pursuant to this
14 section, if the statement is—

15 “(1) identified as forward-looking; and

16 “(2) accompanied by meaningful cautionary
17 language that identifies important factors that could
18 cause actual results to differ materially.

19 “(k) TRANSACTIONS PRIOR TO EFFECTIVE DATE.—

20 “(1) PRIMARY TRANSACTIONS.—Notwith-
21 standing any other provision of law, neither the
22 Commission nor any private plaintiff shall initiate,
23 pursue, or maintain any action, or its appeal, for
24 violations of sections 5 or 12 of this Act, arising
25 from any offer, sale, or distribution of ancillary as-

1 sets occurring before the effective date of the Re-
2 sponsible Financial Innovation Act of 2025, provided
3 that the ancillary asset originator complies with the
4 requirements under subsection (c)(3).

5 “(2) SECONDARY TRANSACTIONS.—Notwith-
6 standing any other provision of law, the offer, sale,
7 or distribution of an ancillary asset by a person
8 other than an ancillary asset originator that oc-
9 curred before the effective date of the Responsible
10 Financial Innovation Act of 2025 shall be deemed to
11 not be an offer, sale, or transfer of a security
12 under—

13 “(A) section 2(a)(1);

14 “(B) section 3(a) of the Securities Ex-
15 change Act of 1934 (15 U.S.C. 77b);

16 “(C) section 2(a) of the Investment Com-
17 pany Act of 1940 (15 U.S.C. 80a–2(a));

18 “(D) section 202(a) of the Investment Ad-
19 visers Act of 1940 (15 U.S.C. 80b–2(a));

20 “(E) section 16 of the Securities Investor
21 Protection Act of 1970 (15 U.S.C. 78lll); or

22 “(F) any applicable provision of State law.

23 “(3) NO INFERENCE OF LIABILITY.—The limi-
24 tations under paragraphs (1) and (2) shall not be
25 construed as an admission, acknowledgment, or in-

1 ference of liability for any act, transaction, or con-
2 duct occurring before the effective date of the Re-
3 sponsible Financial Innovation Act of 2025.

4 “(4) LIMITATION ON RETROACTIVE APPLICA-
5 TION.—No provision herein shall be construed to im-
6 pair vested rights or contractual obligations lawfully
7 established before the effective date of the Respon-
8 sible Financial Innovation Act of 2025.

9 “(1) RULES OF CONSTRUCTION.—Nothing in this sec-
10 tion may be construed to—

11 “(1) preclude the Commission from bringing an
12 appropriate action or entering into a settlement
13 agreement relating to a violation or alleged violation
14 of this section;

15 “(2) permit compliance with this section to be
16 used in any administrative or judicial proceeding as
17 evidence that an ancillary asset is a security; or

18 “(3) prohibit the offer, sale, or distribution of
19 a digital asset in reliance on an exemption from reg-
20 istration under this Act, other than Regulation
21 Crypto (as described in section 102 of the Respon-
22 sible Financial Innovation Act of 2025).”.

1 **SEC. 102. EXEMPTION AND RULEMAKING FOR CERTAIN**
2 **TRANSACTIONS INVOLVING ANCILLARY AS-**
3 **SETS.**

4 (a) **PROMULGATION OF REGULATION CRYPTO.**—The
5 Commission shall adopt rules under the Securities Act of
6 1933 (15 U.S.C. 77a et seq.) and the Securities Exchange
7 Act of 1934 (15 U.S.C. 78a et seq.), which shall be re-
8 ferred to collectively as “Regulation Crypto”, to imple-
9 ment subsections (b), (c), and (d) of this section.

10 (b) **EXEMPTION FOR CERTAIN TRANSACTIONS IN-**
11 **VOLVING ANCILLARY ASSETS.**—

12 (1) **IN GENERAL.**—Rules adopted by the Com-
13 mission under this section shall provide that the Se-
14 curities Act of 1933 (15 U.S.C. 77a et seq.) (other
15 than the provisions of sections 12(a)(2) and section
16 17 of that Act (15 U.S.C. 77l(a)(2), 77q)) shall not
17 apply to an offer or sale of an investment contract
18 involving an ancillary asset, if the offer or sale does
19 not exceed the greater of—

20 (A) \$75,000,000 in gross proceeds per cal-
21 endar year for a period of not longer than 4
22 years; or

23 (B) 10 percent of the total dollar value of
24 those ancillary assets that are outstanding, as
25 of the date of that offer or sale.

1 (2) REVIEW AND ADJUSTMENT FOR INFLA-
2 TION.—

3 (A) IN GENERAL.—Not later than 2 years
4 after the date of enactment of this Act, and
5 every 2 years thereafter, the Commission
6 shall—

7 (i) review the amount described in
8 paragraph (1)(A);

9 (ii) adjust the amount described in
10 paragraph (1)(A) to account for inflation;
11 and

12 (iii) increase the amount described in
13 paragraph (1)(A) as the Commission deter-
14 mines appropriate, if that action would be
15 in the public interest and consistent with
16 the protection of investors.

17 (B) REPORT.—If the Commission, after
18 conducting a review under subparagraph (A),
19 determines not to increase the amount de-
20 scribed in paragraph (1)(A) (other than to ad-
21 just that amount for inflation, as required
22 under subparagraph (A)(ii) of this paragraph),
23 the Commission shall submit to the Committee
24 on Banking, Housing, and Urban Affairs of the
25 Senate and the Committee on Financial Serv-

1 ices of the House of Representatives a report
2 detailing the reasons that the Commission did
3 not increase that amount.

4 (3) NO PRESUMPTION CREATED.—The failure
5 to use or satisfy the exemption under this subsection
6 may not be construed or deemed to create a pre-
7 sumption that an offer, sale, or distribution of an
8 ancillary asset by any party is an offer or sale of a
9 security.

10 (c) CONDITIONS FOR EXEMPTION.—The following
11 conditions shall apply to the exemption provided under
12 subsection (b):

13 (1) INITIAL DISCLOSURES.—Not later than 30
14 days before the date on which the applicable ancil-
15 lary asset originator, any affiliate of the ancillary
16 asset originator, or any underwriter of the invest-
17 ment contract, offers or sells an ancillary asset in re-
18 liance on Regulation Crypto, the ancillary asset
19 originator shall furnish with the Commission the dis-
20 closures required under section 4B(d) of the Securi-
21 ties Act of 1933, as added by this Act, subject to
22 the ongoing semiannual disclosure requirements of
23 that section.

24 (2) COMMON CONTROL.—If the applicable ancil-
25 lary asset is reliant on a digital network that is sub-

1 ject to common control by related persons, as de-
2 fined in section 103(a), the restrictions on disposi-
3 tion under section 103 shall apply.

4 (3) CRITERIA.—The applicable ancillary asset
5 originator may not be—

6 (A) a development stage company that ei-
7 ther—

8 (i) has no specific business plan or
9 purpose; or

10 (ii) has indicated that the business
11 plan of the company is to merge with or
12 acquire an unidentified company;

13 (B) an investment company, as defined in
14 section 3 of the Investment Company Act of
15 1940 (15 U.S.C. 80a-3), or excluded from the
16 definition of the term “investment company” by
17 subsection (c) of such section 3, provided that
18 an ancillary asset originator shall not be
19 deemed to be an investment company solely by
20 virtue of investing, reinvesting, owning, holding,
21 or trading ancillary assets, including ancillary
22 assets offered for sale by the ancillary asset
23 originator;

24 (C) a person issuing fractional undivided
25 interests in other commodities;

1 (D) a person that is or has been subject to
2 any order of the Commission entered pursuant
3 to section 12(j) of the Securities Exchange Act
4 of 1934 (15 U.S.C. 78l(j)) after the date of en-
5 actment of this Act and during the 5-year pe-
6 riod preceding the offer and sale; or

7 (E) a person that is or has been disquali-
8 fied pursuant to section 230.506(d) of title 17,
9 Code of Federal Regulations, or any successor
10 regulation, unless waived by order of the Com-
11 mission.

12 (4) FURNISHING NOTICE OF RELIANCE.—The
13 applicable ancillary asset originator shall electroni-
14 cally furnish with the Commission a notice of reli-
15 ance on Regulation Crypto not fewer than 30 days
16 before the date on which the ancillary asset origi-
17 nator first offers, sells, or distributes an ancillary
18 asset in reliance on Regulation Crypto, which shall
19 contain the following information:

20 (A) The name of the ancillary asset origi-
21 nator.

22 (B) A statement by a person duly author-
23 ized by the ancillary asset originator that the
24 conditions of Regulation Crypto are satisfied.

1 (C) The website where the white paper, if
2 any, of the ancillary asset originator may be
3 found.

4 (D) An email address at which the ancil-
5 lary asset originator may be contacted.

6 (d) STATUS UNDER SECURITIES LAWS.—

7 (1) IN GENERAL.—An ancillary asset disclosure
8 under section 4B of the Securities Act of 1933, as
9 added by this Act, and any other document fur-
10 nished under Regulation Crypto, shall be deemed to
11 be—

12 (A) a “prospectus” solely—

13 (i) for purposes of section 12(a)(2) of
14 the Securities Act of 1933 (15 U.S.C.
15 77l(a)(2)); and

16 (ii) with respect to the person that is
17 the purchasing party in a transaction made
18 in reliance on Regulation Crypto; and

19 (B) a “statement” solely for purposes of
20 section 10(b) of the Securities Exchange Act of
21 1934 (15 U.S.C. 78j(b)) and section 240.10b5-
22 1 of title 17, Code of Federal Regulations, or
23 any successor regulation.

24 (2) REGISTRATION STATEMENT.—

1 (A) IN GENERAL.—An ancillary asset dis-
2 closure under section 4B of the Securities Act
3 of 1933, as added by this Act, or any other doc-
4 ument furnished under Regulation Crypto, shall
5 not be deemed to be a “registration statement”
6 for purposes of section 11 of the Securities Act
7 of 1933 (15 U.S.C. 77k) or to have been fur-
8 nished under the Securities Exchange Act of
9 1934 (15 U.S.C. 78a et seq.).

10 (B) CIVIL LIABILITY.—Liability under sec-
11 tion 12(a)(2) of the Securities Act of 1933 (15
12 U.S.C. 77l(a)(2)) relating to an ancillary asset
13 disclosure or any other document furnished
14 under Regulation Crypto shall only apply to the
15 person making statements in that disclosure or
16 other document and only a person that pur-
17 chased an ancillary asset in a transaction made
18 in reliance on Regulation Crypto shall have a
19 claim under such section 12(a)(2).

20 (3) FORWARD-LOOKING STATEMENTS.—No li-
21 ability shall arise with respect to any forward-look-
22 ing statement (including a statement of plans, objec-
23 tives, projections, expectations, or assumptions con-
24 cerning future performance, financial position, devel-
25 opment milestones, token utility, network adoption,

1 or market conditions) made in an ancillary asset dis-
2 closure, statement, or other document furnished pur-
3 suant to section 4B of the Securities Act of 1933,
4 as added by this Act, or this section, if the state-
5 ment is—

6 (A) identified as forward-looking; and

7 (B) accompanied by meaningful cautionary
8 language that identifies important factors that
9 could cause actual results to differ materially.

10 **SEC. 103. SPECIAL DISPOSITION RESTRICTIONS BY RE-**
11 **LATED PERSONS.**

12 (a) DEFINITION.—In this section, the term “related
13 person”—

14 (1) means—

15 (A) any person that is, or was, a founder,
16 executive officer, director, trustee, general part-
17 ner, owner of more than 5 percent of any class
18 of equity shares of the ancillary asset origi-
19 nator, or person serving in a similar capacity
20 with respect to an ancillary asset originator; or

21 (B) any person or group of persons under
22 common control that beneficially owns 1 percent
23 or more of the outstanding units of an ancillary
24 asset, if those units were acquired from—

1 (i) the applicable ancillary asset origi-
2 nator; or

3 (ii) persons acting on behalf of the ap-
4 plicable ancillary asset originator; and

5 (2) does not include a decentralized governance
6 system

7 (b) COMMON CONTROL.—

8 (1) IN GENERAL.—The Commission shall pro-
9 mulgate clear and specific rules, based on the cri-
10 teria described in paragraph (2), to define the cir-
11 cumstances under which a digital network is consid-
12 ered to be under common control by related persons
13 for the purposes of sections 101(a)(2) and
14 102(c)(2).

15 (2) CONSIDERATIONS.—In promulgating rules
16 under paragraph (1), the Commission shall consider
17 criteria with respect to a digital network described
18 in that paragraph, including the following:

19 (A) OPEN DIGITAL SYSTEM.—Whether the
20 digital network is—

21 (i) a distributed ledger, the protocol of
22 which is freely and publicly available open-
23 source code;

24 (ii) a distributed ledger smart con-
25 tract, the source code of which is—

1 (I) freely and publicly available
2 open-source code; and

3 (II) recorded on a distributed
4 ledger described in clause (i);

5 (iii) an analogue to a ledger or con-
6 tract described in clause (i) or (ii), as de-
7 termined by the Commission by rule or
8 order.

9 (B) PERMISSIONLESS DIGITAL SYSTEM.—

10 Whether person or group of persons under com-
11 mon control has—

12 (i) the unilateral authority, via oper-
13 ation of the network, to restrict, censor, or
14 prohibit use of the network, including any
15 applicable system-based user activity; or

16 (ii) private permissions, hard-coded
17 privileges, or similar rights granted by the
18 source code of the network that provides
19 preferential treatment compared to other
20 similarly situated persons.

21 (C) DISTRIBUTED DIGITAL NETWORK.—

22 Whether a person or group of persons under
23 common control has—

24 (i) the unilateral authority to direct
25 the voting of, in the aggregate, not less

1 than 25 percent of the then outstanding
2 voting power of any governance system
3 that relates to the network; or

4 (ii) beneficial ownership of, in the ag-
5 gregate, not less than 25 percent of the
6 outstanding ancillary assets.

7 (D) AUTONOMOUS DIGITAL NETWORK.—

8 Whether—

9 (i) the network has reached an auton-
10 omous state; and

11 (ii) a person or group of persons
12 under common control has the unilateral
13 authority, directly or indirectly, to alter or
14 change the functionality, operation, or
15 rules of consensus or agreement of the net-
16 work.

17 (E) ECONOMIC INDEPENDENCE.—Whether
18 the primary programmatic mechanisms of the
19 network that are intended to facilitate substan-
20 tial value accrual to the ancillary asset through
21 the functioning of the network are functional.

22 (3) SAFE HARBORS.—

23 (A) IN GENERAL.—The Commission shall
24 establish safe harbors under which a digital net-
25 work will not be considered to be under com-

1 mon control by related persons for the purposes
2 of section 102(c)(2).

3 (B) NONEXCLUSIVE.—The safe harbors es-
4 tablished under subparagraph (A) shall not be
5 exclusive and the Commission shall consider
6 such other circumstances as the Commission
7 finds in the public interest or for the protection
8 of investors.

9 (4) EVIDENCE.—The Commission may, in pro-
10 mulgating rules under this subsection, require such
11 certifications, third party verifications, or other evi-
12 dence as the Commission determines necessary or
13 appropriate to determine whether a digital network
14 is under common control by related persons for the
15 purposes of section 102(c)(2).

16 (c) CERTAIN RESTRICTIONS ON SALE.—The Com-
17 mission shall adopt rules that provide that, with respect
18 to transactions involving an ancillary asset conducted pur-
19 suant to the exemption under section 102(b), when a sale
20 of that ancillary asset is made by a related person, the
21 following restrictions on that sale shall apply:

22 (1) SALES PRIOR TO CERTIFICATION.—If the
23 ancillary asset relies on a digital network, the ancil-
24 lary asset may be sold by a related person before
25 that digital network is certified as not subject to

1 common control by related persons, pursuant to sub-
2 section (d), if—

3 (A) with respect to that digital network,
4 disclosures have been furnished pursuant to
5 section 4B(d) of the Securities Act of 1933, as
6 added by this Act;

7 (B) the holder of the ancillary asset has
8 held the units for not less than 12 months;

9 (C) the net amount of ancillary assets sold
10 in any 12 month period by the related person
11 in any calendar year is not greater than 20 per-
12 cent of the total amount of ancillary assets ac-
13 quired from the applicable ancillary asset origi-
14 nator; and

15 (D) not later than 5 business days after
16 that sale, the related person furnishes the Com-
17 mission with a public report with such informa-
18 tion as the Commission may require by rule
19 consistent with reports required under section
20 16(a) of the Securities Exchange Act of 1934
21 (15 U.S.C. 78p(a)), relating to the number of
22 ancillary assets sold and the material terms of
23 that sale.

24 (2) SALES AFTER CERTIFICATION.—The ancil-
25 lary asset may be sold by a related person after the

1 digital network on which the ancillary asset relies is
2 certified as not subject to common control by related
3 persons, pursuant to subsection (d), if—

4 (A) with respect to that digital network,
5 disclosures have been furnished pursuant to
6 section 4B(d) of the Securities Act of 1933, as
7 added by this Act;

8 (B) the holder of the ancillary asset has
9 held the units for not less than 12 months;

10 (C) the net amount of ancillary assets sold
11 in any 12 month period by the related person
12 in any calendar year is not greater than 10 per-
13 cent of the total amount of outstanding units of
14 such ancillary assets; and

15 (D) in the case of a related person that
16 beneficially owns 5 percent or more of the out-
17 standing ancillary assets, the related person,
18 not later than 5 business days after that sale,
19 furnishes the Commission with a public report
20 with such information as the Commission may
21 require by rule relating to the assets sold and
22 the circumstances surrounding that sale.

23 (d) CERTIFICATION OF NON-CONTROL BY RELATED
24 PERSONS.—

1 (1) SUBMISSION.—With respect to an ancillary
2 asset that satisfies the conditions for an exemption
3 under section 102(b) and that relies on a digital net-
4 work, the ancillary asset originator may furnish to
5 the Commission a written certification, in such form
6 and manner as the Commission may specify by rule
7 consistent with subsection (b), stating that the dig-
8 ital network is not under the common control of re-
9 lated persons.

10 (2) AUTOMATIC EFFECTIVENESS.—A certifi-
11 cation furnished under paragraph (1) shall become
12 effective, and the digital network shall be deemed
13 not to be under the common control of related per-
14 sons, on the date that is the earlier of—

15 (A) the date on which the Commission no-
16 tifies the ancillary asset originator in writing
17 that the Commission does not object to the cer-
18 tification; or

19 (B) if the Commission has not denied the
20 certification under paragraph (3), the date that
21 is 90 days after the date on which the certifi-
22 cation is furnished, or such shorter period as
23 the Commission may determine by rule.

24 (3) DENIAL.—

1 (A) IN GENERAL.—The Commission may
2 deny a certification furnished under paragraph
3 (1)—

4 (i) only during the 90-day period be-
5 ginning on the date on which the certifi-
6 cation is furnished, or such shorter period
7 as the Commission may determine by rule;
8 and

9 (ii) by providing to the ancillary asset
10 originator 10 days notice of the intent of
11 the Commission to deny that certification,
12 after which the Commission shall—

13 (I) conduct a hearing before the
14 Commission; and

15 (II) vote to deny the certification
16 after a finding that the applicable an-
17 cillary asset does not meet the stand-
18 ard for certification that the digital
19 network is not under such common
20 control.

21 (B) FINAL AGENCY ACTION.—Denial under
22 this paragraph constitutes final agency action
23 reviewable under applicable law.

1 (4) VERIFICATION.—The Commission may, by
2 rule, require appropriate third-party verification of a
3 self-certification furnished under paragraph (1).

4 (e) DISGORGEMENT.—

5 (1) IN GENERAL.—Any profit realized by a re-
6 lated person from the sale of an ancillary asset in
7 violation of the restrictions under subsection (b),
8 shall inure to, and be recoverable by, the holders of
9 the ancillary asset, irrespective of any intention of
10 holding the asset.

11 (2) ENFORCEMENT.—An action to recover prof-
12 it described in subparagraph (A)—

13 (A) may be instituted at law or in equity
14 in any court of competent jurisdiction of the
15 United States by—

16 (i) the applicable ancillary asset origi-
17 nator; or

18 (ii) the owner of any units of the ap-
19 plicable ancillary asset, in the name and on
20 behalf of the ancillary asset originator, if
21 the ancillary asset originator—

22 (I) fails or refuses to bring the
23 action within 60 days after a written
24 request by any owner of not less than

1 5 percent of the units of that ancillary
2 asset; or

3 (II) fails to diligently prosecute
4 the action; and

5 (B) shall be brought not later than 2 years
6 after the date that profit was realized.

7 (3) EXPENSES.—If an action under this sub-
8 section is brought by a person described in para-
9 graph (2)(A)(ii) and that action is unsuccessful, the
10 person that brought the action shall be responsible
11 for the fees and expenses incurred by the person
12 against which the action is brought.

13 **SEC. 104. FINANCIAL INTERESTS OF ANCILLARY ASSETS.**

14 (a) IN GENERAL.—Not later than 1 year after the
15 date of enactment of this Act, the Commission shall pro-
16 mulgate regulations that provide that an ancillary asset
17 shall not be considered as meeting a disqualifying financial
18 interest under section 4B(a)(1)(B) of the Securities Act
19 of 1933, as added by this Act, when the market value of
20 the asset is primarily derived, or is reasonably expected
21 to be primarily derived, from its system-based utility on
22 a digital network (including where the ancillary asset is
23 used within, facilitates access to, enables participation in,
24 or is otherwise incorporated into the operation of a distrib-

1 uted ledger system) or from the broader adoption and use
2 of such a system.

3 (b) **RULING BEFORE DATE OF ENACTMENT.**—If, be-
4 fore the date of enactment of this Act, a court of the
5 United States, in a non-appealable final judgment, finds
6 that a digital asset transaction was not an offer or sale
7 of a security, a digital asset transferred pursuant to that
8 offer or sale shall not, be considered to be a security under
9 any provision of law described in subsection (b)(1) of sec-
10 tion 4B of the Securities Act of 1933, as added by this
11 Act.

12 **SEC. 105. INVESTMENT CONTRACT RULEMAKING.**

13 (a) **IN GENERAL.**—Not later than 2 years after the
14 date of enactment of this Act, the Commission shall adopt
15 a final rule specifying clear criteria and definitions gov-
16 erning the term “investment contract”, which shall apply
17 to the term “investment contract”, as used in—

18 (1) section 2(a)(1) of the Securities Act of 1933
19 (15 U.S.C. 77b(a)(1));

20 (2) section 3(a)(10) of the Securities Exchange
21 Act of 1934 (15 U.S.C. 78c(a)(10));

22 (3) section 2(a)(36) of the Investment Company
23 Act of 1940 (15 U.S.C. 80a-2(a)(36)); and

24 (4) section 202(a)(18) of the Investment Advis-
25 ers Act of 1940 (15 U.S.C. 80b-2(a)(18)).

1 (b) REQUIREMENTS.—The rule adopted under sub-
2 section (a) shall provide that a contract shall be considered
3 an investment contract only if the contract meets the fol-
4 lowing elements:

5 (1) An investment of money by an investor,
6 which shall include more than a de minimis amount
7 of cash (or its equivalent), property, or services.

8 (2) An investment described in paragraph (1) is
9 made in an enterprise or venture, whether incor-
10 porated, unincorporated, organized, or unorganized.

11 (3) An express or implied agreement or ar-
12 rangement is required whereby the issuer makes, di-
13 rectly or indirectly, certain promises to perform en-
14 trepreneurial or managerial efforts on behalf of the
15 enterprise.

16 (4) The investor reasonably expects profits such
17 as a direct share or participation in the income of
18 the enterprise, return on investment, earnings, oper-
19 ating results, and capital appreciation of the enter-
20 prise, and may provide for a fixed, adjustable, or
21 floating rate of return, based on the terms of the
22 agreement or arrangement itself and the totality of
23 statements by the counterparty and its agents, when
24 it is clear from the context that such statements—

1 (A) are made by or authorized by the en-
2 terprise; and

3 (B) are accessible to the investor.

4 (5) Profits under paragraph (4) are derived
5 from the entrepreneurial or managerial efforts of the
6 counterparty or its agents on behalf of the enter-
7 prise, where such efforts—

8 (A) are post-sale and essential to the oper-
9 ation or success of the enterprise; and

10 (B) do not include ministerial, technical, or
11 administrative activities.

12 (c) FURTHER REQUIREMENTS.—The rule adopted
13 under subsection (a) shall—

14 (1) provide that an investment contract shall
15 require an investment in an enterprise, but does not
16 require commonality;

17 (2) clarify what constitutes more than a nomi-
18 nal level of entrepreneurial or managerial efforts, in-
19 cluding for purposes of compliance with section
20 101(d)(3)(B) of this Act;

21 (3) provide that interests in a limited partner-
22 ship interest, a non-managing interest in a limited
23 liability company, and an interest in a managed
24 trust or in a trust the corpus of which includes secu-
25 rities or commodities is an investment contract; and

1 (4) provide that a certificate of interest in a
2 profit-sharing arrangement is an investment con-
3 tract that is evidenced by a certificate, document, or
4 other instrument.

5 (d) **RETENTION OF COMMISSION AUTHORITY.**—The
6 Commission shall retain authority to further define the
7 terms used within the investment contract definition
8 adopted under subsection (a), consistent with this section.

9 (e) **PROCEDURE.**—Rules adopted by the Commission
10 under subsection (a) shall be adopted pursuant to notice
11 and comment rulemaking, with a public comment period
12 of not less than 180 days.

13 **SEC. 106. EXEMPTIVE AUTHORITY.**

14 (a) **CONTINUED APPLICABILITY.**—Nothing in this
15 Act, or any amendment made by this Act, may be con-
16 strued to amend, limit, impair, or otherwise affect the au-
17 thority of the Commission to grant an exemption pursuant
18 to any provision of law that is in effect on the day before
19 the date of enactment of this Act, including pursuant to
20 any of the following:

21 (1) Section 28 of the Securities Act of 1933 (15
22 U.S.C. 77z-3).

23 (2) Section 36 of the Securities Exchange Act
24 of 1934 (15 U.S.C. 78mm).

1 (3) Section 6(c) of the Investment Company
2 Act of 1940 (15 U.S.C. 80a-6(c)).

3 (4) Section 206A of the Investment Advisers
4 Act of 1940 (15 U.S.C. 80b-6a).

5 (5) Section 304(d) of the Trust Indenture Act
6 of 1939 (15 U.S.C. 77ddd(d)).

7 (6) Section 4(g) of the Securities Investor Pro-
8 tection Act of 1970 (15 U.S.C. 78ddd(g)).

9 (b) GENERAL EXEMPTIVE AUTHORITY.—Section 28
10 of the Securities Act of 1933 (15 U.S.C. 77z-3) is amend-
11 ed, in the matter preceding to the matter relating to
12 Schedule A—

13 (1) by striking “by rule or regulation” and in-
14 serting “by rule, regulation, or order”; and

15 (2) by adding at the end the following: “The
16 Commission shall, by rule or regulation, determine
17 the procedures under which an exemptive order
18 under this section shall be granted and may, in the
19 sole discretion of the Commission, decline to enter-
20 tain any application for an order of exemption under
21 this section.”.

22 **SEC. 107. MODERNIZATION OF THE SECURITIES AND EX-**
23 **CHANGE COMMISSION MISSION.**

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

1 (1) in the subsection heading, by inserting “In-
2 novation,” after “Efficiency,”; and

3 (2) by inserting “innovation,” after “effi-
4 ciency,”.

5 (b) SECURITIES EXCHANGE ACT OF 1934.—Section
6 3(f) of the Securities Exchange Act of 1934 (15 U.S.C.
7 78c(f)) is amended—

8 (1) in the subsection heading, by inserting “In-
9 novation,” after “Efficiency,”; and

10 (2) by inserting “innovation,” after “effi-
11 ciency,”.

12 (c) INVESTMENT ADVISERS ACT OF 1940.—Section
13 202(c) of the Investment Advisers Act of 1940 (15 U.S.C.
14 80b–2(c)) is amended—

15 (1) in the subsection heading, by inserting “In-
16 novation,” after “Efficiency,”; and

17 (2) by inserting “innovation,” after “effi-
18 ciency,”.

19 (d) INVESTMENT COMPANY ACT OF 1940.—Section
20 2(c) of the Investment Company Act of 1940 (15 U.S.C.
21 80a–2(c)) is amended—

22 (1) in the subsection heading, by inserting “In-
23 novation,” after “Efficiency,”; and

24 (2) by inserting “innovation,” after “effi-
25 ciency,”.

1 **SEC. 108. MODERNIZATION OF RECORDKEEPING REQUIRE-**
2 **MENTS.**

3 (a) IN GENERAL.—The Commission shall promulgate
4 rules to modernize the books and records requirements
5 under the Securities Exchange Act of 1934 (15 U.S.C.
6 78a et seq.), the Investment Advisers Act of 1940 (15
7 U.S.C. 80b–1 et seq.), and the Investment Company Act
8 of 1940 (15 U.S.C. 80a–1 et seq.), including to allow a
9 person to consider records from a distributed ledger sys-
10 tem to satisfy such books and records requirements.

11 (b) TAILORING.—To ensure transparency and ac-
12 countability, the Commission shall tailor the regulations
13 regarding recordkeeping, including regulations promul-
14 gated under subsection (a), to what is reasonably nec-
15 essary in the public interest or for the protection of inves-
16 tors.

17 **SEC. 109. MODERNIZATION OF SECURITIES REGULATIONS**
18 **FOR DIGITAL ASSET ACTIVITIES.**

19 (a) TAILORING OF EXISTING REQUIREMENTS.—

20 (1) DEFINITION.—In this subsection:

21 (A) DIGITAL ASSET RECEIPT; LIQUIDITY
22 PROVIDER TOKEN; VAULT TOKEN.—The terms
23 “digital asset receipt”, “liquidity provider
24 token”, and “vault token” mean a digital token
25 or electronic receipt that—

1 (i) is issued by a vault or a smart con-
2 tract to a user depositing digital assets;
3 and

4 (ii) evidences the proportionate inter-
5 est of the user in, or the right of the user
6 to redeem, the underlying digital assets
7 and any accrued yield or profits.

8 (B) VAULT.—The term “vault” means a
9 programmable, self-custodial smart contract on
10 a distributed ledger system—

11 (i) that deploys digital assets accord-
12 ing to pre-defined code;

13 (ii) the strategies governing which are
14 not subject to control by any single person
15 or entity; and

16 (iii) under which the user retains own-
17 ership of the digital assets described in
18 clause (i), as evidenced by digital asset re-
19 cepts, liquidity provider tokens, or vault
20 tokens.

21 (2) REQUIREMENT.—The Commission shall
22 amend, rescind, replace, or supplement by rule,
23 order, guidance, exemptive relief, or any other ap-
24 propriate action (provided such action is consistent
25 with chapter 5 of title 5, United States Code, and

1 other applicable law) each regulation, form, interpre-
2 tive statement, or other requirement within the ju-
3 risdiction of the Commission that is not otherwise
4 amended by this Act (or required to be amended be-
5 cause of a provision of this Act or an amendment
6 made by this Act), to the extent that such provision
7 applies to any digital asset activity, including any
8 activity involving a security that is issued, recorded,
9 or transferred using distributed ledger technology, so
10 that the provision is no longer outdated, unneces-
11 sary, or unduly burdensome in light of the unique
12 technological characteristics of digital assets, which
13 may include regulatory provisions governing—

14 (A) the custody and possession or control
15 of digital assets;

16 (B) transfer agent or recordkeeping obliga-
17 tions;

18 (C) clearing, settlement, and net-capital or
19 customer protection requirements;

20 (D) broker-dealer, alternative trading sys-
21 tem, and exchange registration or conduct
22 standards (including market access, trans-
23 parency regarding trading operations, fees, con-
24 flicts, pre and post trade data, fair access, sys-

1 tems security and integrity, compliance, and
2 trading venue obligations);

3 (E) issuer disclosure and ongoing reporting
4 requirements tailored to digital asset securities;
5 and

6 (F) the use of vaults, digital asset receipts,
7 vault tokens, or liquidity provider tokens.

8 (b) REQUIREMENTS.—In tailoring the provisions to
9 which subsection (a) applies, and in imposing future obli-
10 gations as those obligations relate to digital assets, the
11 Commission shall ensure that the regulatory obligations
12 applicable to a digital asset activity are not more burden-
13 some (in cost, complexity, or operational constraints) than
14 those applicable to a functionally analogous activity con-
15 ducted without the use of digital assets that presents a
16 similar risk profile.

17 (c) RULE OF CONSTRUCTION.—Nothing in this sec-
18 tion may be construed to limit the authority of the Com-
19 mission to pursue fraud, manipulation, or deceptive prac-
20 tices involving digital assets.

21 (d) USE OF EXISTING AUTHORITY.—When consid-
22 ering, proposing, adopting, or engaging in any rule or pro-
23 gram or developing new rules or programs, including those
24 mandated or authorized under this Act, or any amend-
25 ment made by this Act, the activities of the Commission

1 (which may include the solicitation of data and other input
2 from investors, regulated entities, and market participants
3 or the representatives of any of those persons) shall be
4 considered actions taken under subsection (e) of section
5 19 of the Securities Act of 1933 (15 U.S.C. 77s) and shall
6 be subject to subsection (f) of that section.

7 (e) PREEMPTION FOR EXEMPTIONS AND DIGITAL
8 ASSET ACTIVITIES UNDER THE SECURITIES ACT.—Sec-
9 tion 18 of the Securities Act of 1933 (15 U.S.C. 77r) is
10 amended—

11 (1) in subsection (b)—

12 (A) in paragraph (3)—

13 (i) in the heading, by inserting “IN
14 QUALIFIED TRANSACTIONS OR” after
15 “SALES”;

16 (ii) in the first sentence, by inserting
17 “in a qualified transaction or” after “the
18 security”; and

19 (iii) in the second sentence—

20 (I) by striking “term ‘qualified
21 purchaser’” and inserting “term
22 ‘qualified transaction’ and ‘qualified
23 purchaser’”;

1 (II) by inserting “and categories
2 of transactions, including secondary
3 transactions,” after “securities”; and

4 (III) by inserting “and with due
5 regard to the facilitation of capital
6 formation and the promotion of inno-
7 vation” before the period at the end;
8 and

9 (B) in paragraph (4)—

10 (i) in subparagraph (A), by inserting
11 “or, if the issuer does not file such reports,
12 where the Commission otherwise deter-
13 mines, consistent with the public interest
14 and the protection of investors and with
15 due regard to the facilitation of capital for-
16 mation and the promotion of innovation”
17 before the semicolon at the end;

18 (ii) in subparagraph (D)(ii) after “of-
19 fered or sold” by inserting “in a qualified
20 transaction or”;

21 (iii) in subparagraph (F), by striking
22 “or” at the end;

23 (iv) in subparagraph (G), by striking
24 the period at the end and inserting “; or”;
25 and

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

2 “(H) Commission rules or regulations
3 issued under section 28, except that this sub-
4 paragraph does not apply to rules or regula-
5 tions adopted prior to the date of enactment of
6 this subparagraph.”.

7 (f) PREEMPTION FOR ANCILLARY ASSET ACTIVITIES
8 UNDER THE SECURITIES EXCHANGE ACT.—Section 15 of
9 the Securities Exchange Act of 1934 (15 U.S.C. 78o) is
10 amended by adding at the end the following:

11 “(p) LIMITATIONS ON STATE LAW REGARDING AN-
12 CILLARY ASSETS.—

13 “(1) DEFINITIONS.—In this subsection, the
14 terms ‘ancillary asset’ and ‘digital asset’ have the
15 meanings given those terms in section 2 of the Re-
16 sponsible Financial Innovation Act of 2025.

17 “(2) LIMITATIONS.—No law, rule, regulation,
18 or order, or other administrative action of any State
19 or political subdivision thereof shall establish any li-
20 censing, registration, money transmitter, ancillary
21 asset, capital, custody, margin, financial responsi-
22 bility, recordkeeping, bonding, financial or oper-
23 ational reporting, or any other regulatory require-
24 ment on any person registered with the Commission
25 (or, with respect to such persons registered with the

1 Commission, on any supervised person, as defined in
2 section 202(a) of the Investment Advisers Act of
3 1940 (15 U.S.C. 80b–2(a)), or person associated
4 with a broker or dealer) in connection with that per-
5 son’s business in digital assets.

6 “(3) ENFORCEMENT PERMITTED.—Nothing in
7 this subsection shall prohibit any State or political
8 subdivision thereof from investigating and bringing
9 enforcement actions with respect to fraud or deceit
10 in connection with a business in digital assets.”.

11 **SEC. 110. SECURITIES INVESTOR PROTECTION CORPORA-**
12 **TION APPLICABILITY.**

13 Section 16(14) of the Securities Investor Protection
14 Act of 1970 (15 U.S.C. 78ll(14)) is amended, in the sec-
15 ond sentence, by adding “The term ‘security’ does not in-
16 clude a digital commodity.” after the period at the end.

17 **TITLE II—PROTECTING AGAINST**
18 **ILLICIT FINANCE**

19 **SEC. 201. TREATMENT UNDER THE BANK SECRECY ACT**
20 **AND SANCTIONS LAWS.**

21 (a) IN GENERAL.—A digital asset service provider
22 shall—

23 (1) be treated as a financial institution for pur-
24 poses of the Bank Secrecy Act; and

1 verification of sanctions lists, consistent with
2 Federal law.

3 (b) RULEMAKING.—The Secretary of the Treasury
4 shall adopt rules, tailored to the size and complexity of
5 digital asset service provider, to implement this section.

6 (c) RESERVATION OF AUTHORITY.—Nothing in this
7 section shall restrict the authority of the Secretary of the
8 Treasury to implement, administer, and enforce the provi-
9 sions of subchapter II of chapter 53 of title 31, United
10 States Code.

11 **SEC. 202. DIGITAL ASSET EXAMINATION STANDARDS.**

12 (a) DEFINITIONS.—In this section:

13 (1) FEDERAL FUNCTIONAL REGULATOR.—The
14 term “Federal functional regulator” has the mean-
15 ing given the term in section 509 of the Gramm-
16 Leach-Bliley Act (15 U.S.C. 6809).

17 (2) FINANCIAL INSTITUTION.—The term “fi-
18 nancial institution” has the meaning given the term
19 in section 5312(a)(2) of title 31, United States
20 Code.

21 (b) EXAMINATION AND REVIEW.—The Secretary of
22 the Treasury, in consultation with Federal functional reg-
23 ulators, shall establish risk-based examination standards
24 for financial institutions to assess the following relating
25 to digital assets:

1 (3) DIRECTOR.—The term “Director” means
2 the Director of the Financial Crimes Enforcement
3 Network.

4 (4) ILLICIT FINANCE VIOLATION.—The term
5 “illicit finance violation” means the illicit use of dig-
6 ital assets.

7 (5) ILLICIT USE.—The term “illicit use” in-
8 cludes fraud, darknet marketplace transactions,
9 money laundering, the purchase and sale of illicit
10 goods, sanctions evasion, theft of funds, funding of
11 illegal activities, transactions related to child sexual
12 abuse material, and any other financial transaction
13 involving the proceeds of specified unlawful activity,
14 as defined in section 1956(e) of title 18, United
15 States Code.

16 (6) MONEY SERVICES BUSINESS.—The term
17 “money services business” has the meaning given
18 the term in section 1010.100 of title 31, Code of
19 Federal Regulations (or any corresponding similar
20 regulation).

21 (7) SECRETARY.—The term “Secretary” means
22 the Secretary of Homeland Security.

23 (b) ESTABLISHMENT OF PROGRAM.—The Attorney
24 General shall establish a pilot program under which cov-
25 ered agencies and designated private sector entities se-

1 curely share information about potential illicit finance vio-
2 lations and threats and emerging risks relating to illicit
3 finance violations.

4 (c) DESIGNATION OF PRIVATE SECTOR ENTITIES.—

5 (1) REQUIRED ACTION.—

6 (A) INITIAL COMPANIES.—Not later than
7 90 days after the date of enactment of this Act,
8 the Attorney General, in consultation with the
9 Director and the Secretary, shall designate 10
10 private sector entities that are money services
11 businesses and 10 private sector entities from
12 the digital asset industry to participate in the
13 pilot program established under subsection (b),
14 if such entities agree to participate in the pro-
15 gram.

16 (B) BIENNIAL REVIEW.—Not less fre-
17 quently than once every 6 months, the Attorney
18 General, in consultation with the Director and
19 the Secretary, shall review and, as appropriate,
20 replace the private sector entities designated
21 under this paragraph.

22 (C) RULE OF CONSTRUCTION.—Nothing in
23 this paragraph shall be construed as—

1 (i) requiring an entity to participate
2 in the pilot program established under this
3 section; or

4 (ii) enabling the Attorney General to
5 select an entity to participate in the pilot
6 program without the consent of such enti-
7 ty.

8 (2) OPTIONAL DESIGNATION.—In addition to
9 the 20 private sector entities designated under para-
10 graph (1), the Attorney General, in consultation
11 with the Director and the Secretary, may designate
12 1 or more information sharing and analysis centers
13 to participate in the pilot program.

14 (d) INFORMATION SHARING WITH PRIVATE SECTOR
15 ENTITIES.—A covered agency that initiates an investiga-
16 tion into a potential illicit finance violation, or identifies
17 a threat or emerging risk relating to an illicit finance vio-
18 lation, may share with any designated private sector entity
19 such information about the investigation, threat, or
20 emerging risk as the covered agency determines is appro-
21 priate.

22 (e) USE OF INFORMATION BY PRIVATE SECTOR EN-
23 TITIES.—Information received by a designated private sec-
24 tor entity under this section may not be used for any pur-
25 pose other than identifying and reporting on activities that

1 may involve illicit finance violations or threats and emerg-
2 ing risks relating to illicit finance violations.

3 (f) MEANS OF SHARING INFORMATION.—The covered
4 agencies and designated private sector entities may share
5 information about potential illicit finance violations, or
6 threats and emerging risks relating to illicit finance viola-
7 tions, with each other—

8 (1) through a portal established by the Attorney
9 General or a similar mechanism determined appro-
10 priate by the Attorney General;

11 (2) through secure email; or

12 (3) at monthly meetings, which shall be facili-
13 tated by the Attorney General.

14 (g) LIMITATION ON LIABILITY.—A designated pri-
15 vate sector entity that transmits, receives, or shares infor-
16 mation for the purposes of identifying and reporting ac-
17 tivities that may constitute illicit finance violations, or
18 threats and emerging risks relating to illicit finance viola-
19 tions, shall not be liable to any person for such disclosure
20 or for any failure to provide notice of such disclosure to
21 the person who is the subject of such disclosure or any
22 other person identified in such disclosure.

23 (h) SUNSET.—The pilot program established under
24 subsection (b) shall terminate on the date that is 5 years
25 after the date of enactment of this Act.

1 **SEC. 204. FINANCIAL TECHNOLOGY PROTECTION.**

2 (a) DEFINITIONS.—In this section:

3 (1) APPROPRIATE CONGRESSIONAL COMMIT-
4 TEES.—The term “appropriate congressional com-
5 mittees” means—

6 (A) the Committee on Banking, Housing,
7 and Urban Affairs, the Committee on Finance,
8 the Committee on Foreign Relations, the Com-
9 mittee on Homeland Security and Govern-
10 mental Affairs, the Committee on the Judiciary,
11 and the Select Committee on Intelligence of the
12 Senate; and

13 (B) the Committee on Financial Services,
14 the Committee on Foreign Affairs, the Com-
15 mittee on Homeland Security, the Committee
16 on the Judiciary, the Committee on Ways and
17 Means, and the Permanent Select Committee
18 on Intelligence of the House of Representatives.

19 (2) DIGITAL ASSET.—The term “digital asset”
20 means any digital representation of value that is re-
21 corded on a cryptographically secured digital ledger
22 or any similar technology.

23 (3) DISTRIBUTED LEDGER ANALYTICS COM-
24 PANY.—The term “distributed ledger analytics com-
25 pany” means any business providing software, re-
26 search, or other services (such as tracing tools,

1 geofencing, transaction screening, the collection of
2 business data, and sanctions screening) that—

3 (A) support private and public sector in-
4 vestigations and risk management activities;
5 and

6 (B) involve cryptographically secured dis-
7 tributed ledgers or any similar technology or
8 implementation.

9 (4) EMERGING TECHNOLOGIES.—The term
10 “emerging technologies” means the critical and
11 emerging technology areas listed in the Critical and
12 Emerging Technologies List developed by the Fast
13 Track Action Subcommittee on Critical and Emerg-
14 ing Technologies of the National Science and Tech-
15 nology Council, including any updates to such list.

16 (5) FOREIGN TERRORIST ORGANIZATION.—The
17 term “foreign terrorist organization” means an or-
18 ganization that is designated as a foreign terrorist
19 organization under section 219 of the Immigration
20 and Nationality Act (8 U.S.C. 1189).

21 (6) ILLICIT USE.—The term “illicit use” in-
22 cludes fraud, darknet marketplace transactions,
23 money laundering, the purchase and sale of illicit
24 goods, sanctions evasion, theft of funds, funding of
25 illegal activities, transactions related to child sexual

1 abuse material, and any other financial transaction
2 involving the proceeds of specified unlawful activity
3 (as defined in section 1956(c) of title 18, United
4 States Code).

5 (7) **TERRORIST.**—The term “terrorist” includes
6 a person carrying out domestic terrorism or inter-
7 national terrorism (as such terms are defined, re-
8 spectively, under section 2331 of title 18, United
9 States Code).

10 (b) **INDEPENDENT FINANCIAL TECHNOLOGY WORK-**
11 **ING GROUP TO COMBAT TERRORISM AND ILLICIT FI-**
12 **NANCING.**—

13 (1) **ESTABLISHMENT.**—There is established the
14 Independent Financial Technology Working Group
15 to Combat Terrorism and Illicit Financing (in this
16 section referred to as the “Working Group”), which
17 shall consist of the following:

18 (A) The Secretary of the Treasury or their
19 designee, who shall serve as the chair of the
20 Working Group.

21 (B) A senior-level representative from each
22 of the following:

23 (i) The Department of the Treasury.

24 (ii) The Office of Terrorism and Fi-
25 nancial Intelligence.

- 1 (iii) The Internal Revenue Service.
- 2 (iv) The Department of Justice.
- 3 (v) The Federal Bureau of Investiga-
- 4 tion.
- 5 (vi) The Drug Enforcement Adminis-
- 6 tration.
- 7 (vii) The Department of Homeland
- 8 Security.
- 9 (viii) The United States Secret Serv-
- 10 ice.
- 11 (ix) The Department of State.
- 12 (x) The Office of the Director of Na-
- 13 tional Intelligence.
- 14 (C) At least 5 individuals appointed by the
- 15 Secretary of the Treasury to represent the fol-
- 16 lowing:
- 17 (i) Digital asset companies.
- 18 (ii) Distributed ledger analytics com-
- 19 panies.
- 20 (iii) Financial institutions.
- 21 (iv) Institutions or organizations en-
- 22 gaged in research.
- 23 (v) Institutions or organizations fo-
- 24 cused on individual privacy and civil lib-
- 25 erties.

1 (D) Such additional individuals as the Sec-
2 retary of the Treasury may appoint as nec-
3 essary to accomplish the duties described in
4 paragraph (2).

5 (2) DUTIES.—The Working Group shall—

6 (A) conduct research on terrorist and illicit
7 use of digital assets and other related emerging
8 technologies; and

9 (B) develop legislative and regulatory pro-
10 posals to improve anti-money laundering,
11 counter-terrorist, and other counter-illicit fi-
12 nancing efforts in the United States.

13 (3) REPORTS.—

14 (A) IN GENERAL.—Not later than 1 year
15 after the date of enactment of this Act, and an-
16 nually for the 3 years thereafter, the Working
17 Group shall submit to the Secretary of the
18 Treasury, the heads of each agency represented
19 in the Working Group pursuant to paragraph
20 (1)(B), and the appropriate congressional com-
21 mittees a report containing the findings and de-
22 terminations made by the Working Group in
23 the previous year and any legislative and regu-
24 latory proposals developed by the Working
25 Group.

1 (B) FINAL REPORT.—Before the date on
2 which the Working Group terminates under
3 paragraph (4)(A), the Working Group shall
4 submit to the appropriate congressional com-
5 mittees a final report detailing the findings,
6 recommendations, and activities of the Working
7 Group, including any final results from the re-
8 search conducted by the Working Group.

9 (4) SUNSET.—

10 (A) IN GENERAL.—The Working Group
11 shall terminate on the later of—

12 (i) the date that is 4 years after the
13 date of enactment of this Act; or

14 (ii) the date on which the Working
15 Group completes any wind-up activities de-
16 scribed in subparagraph (B).

17 (B) AUTHORITY TO WIND UP ACTIVI-
18 TIES.—If there are ongoing research, proposals,
19 or other related activities of the Working Group
20 ongoing as of the date that is 4 years after the
21 date of enactment of this Act, the Working
22 Group may temporarily continue working in
23 order to wind-up such activities.

24 (C) RETURN OF APPROPRIATED FUNDS.—
25 On the date on which the Working Group ter-

1 minates under subparagraph (A), any unobli-
2 gated funds appropriated to carry out this sub-
3 section shall be transferred to the Treasury.

4 (c) PREVENTING ROGUE AND FOREIGN ACTORS
5 FROM EVADING SANCTIONS.—

6 (1) REPORT AND STRATEGY WITH RESPECT TO
7 DIGITAL ASSETS AND OTHER RELATED EMERGING
8 TECHNOLOGIES.—

9 (A) IN GENERAL.—Not later than 180
10 days after the date of enactment of this Act,
11 the President, acting through the Secretary of
12 the Treasury and in consultation with the head
13 of each agency represented on the Working
14 Group, shall submit to the appropriate congress-
15 sional committees a report that describes—

16 (i) the potential uses of digital assets
17 and other related emerging technologies by
18 States, non-State actors, foreign terrorist
19 organizations, and other terrorist groups to
20 evade sanctions, finance terrorism, or laun-
21 der monetary instruments, and threaten
22 the national security of the United States;
23 and

24 (ii) a strategy for the United States to
25 mitigate and prevent the illicit use of dig-

1 ital assets and other related emerging tech-
2 nologies.

3 (B) FORM OF REPORT; PUBLIC AVAIL-
4 ABILITY.—

5 (i) IN GENERAL.—The report required
6 by subparagraph (A) shall be submitted in
7 unclassified form, but may include a classi-
8 fied annex.

9 (ii) PUBLIC AVAILABILITY.—The un-
10 classified portion of each report required
11 by subparagraph (A) shall be made avail-
12 able to the public and posted on a publicly
13 accessible website of the Department of the
14 Treasury—

15 (I) in precompressed, easily
16 downloadable versions, in all appro-
17 priate formats; and

18 (II) in machine-readable format,
19 if applicable.

20 (C) SOURCES OF INFORMATION.—In pre-
21 paring the reports required by subparagraph
22 (A), the President may utilize any credible pub-
23 lication, database, or web-based resource, and
24 any credible information compiled by any gov-
25 ernment agency, nongovernmental organization,

1 or other entity that is made available to the
2 President.

3 (2) BRIEFING.—Not later than 2 years after
4 the date of enactment of this Act, the Secretary of
5 the Treasury shall brief the appropriate congress-
6 sional committees on the implementation of the
7 strategy required by paragraph (1).

8 **SEC. 205. SANCTIONS COMPLIANCE RESPONSIBILITIES OF**
9 **PAYMENT STABLECOIN ISSUERS.**

10 (a) IN GENERAL.—Not later than 120 days after the
11 date of enactment of this Act, the Secretary of the Treas-
12 ury shall issue guidance clarifying the sanctions compli-
13 ance responsibilities and liability of an issuer of a payment
14 stablecoin with respect to downstream transactions relat-
15 ing to the stablecoin that take place after the stablecoin
16 is first provided to a customer of the issuer.

17 (b) CONTENTS OF GUIDANCE.—The guidance issued
18 under subsection (a) shall include that a payment
19 stablecoin issuer shall not be held strictly liable for sanc-
20 tions violations due to downstream transactions that take
21 place within a certain transaction interval, frequency, or
22 time period after the stablecoin is first provided to a non-
23 sanctioned customer of the issuer, so long as the payment
24 stablecoin issuer maintains—

1 (1) processes to conduct due diligence on its
2 primary customers on a risk-based basis;

3 (2) processes and controls to prevent digital ad-
4 dresses listed on an applicable sanctions list from ac-
5 cumulating the payment stablecoin; and

6 (3) the technological ability to freeze or prevent
7 the transfer of payment stablecoins in a digital ad-
8 dress upon the discovery that the digital address
9 holding the payment stablecoin is owned by a sanc-
10 tioned person.

11 **TITLE III—RESPONSIBLE**
12 **BANKING INNOVATION**

13 **SEC. 301. PERMISSIBILITY OF DIGITAL ASSET ACTIVITIES.**

14 (a) DEFINITIONS.—In this section:

15 (1) FINANCIAL HOLDING COMPANY.—The term
16 “financial holding company” has the meaning given
17 the term in section 2 of the Bank Holding Company
18 Act of 1956 (12 U.S.C. 1841).

19 (2) STATE MEMBER BANK.—The term “State
20 member bank” has the meaning given the term in
21 section 3 of the Federal Deposit Insurance Act (12
22 U.S.C. 1813).

23 (b) AUTHORIZED ACTIVITIES FOR FINANCIAL HOLD-
24 ING COMPANIES.—

1 (1) IN GENERAL.—A financial holding company
2 may use a digital asset or distributed ledger system
3 to perform, provide, or deliver any activity, function,
4 product, or service that the financial holding com-
5 pany is otherwise authorized by law to perform, pro-
6 vide, or deliver.

7 (2) FINANCIAL IN NATURE.—The activities de-
8 scribed in subsection (f) are financial in nature for
9 purposes of section 4(k) of the Bank Holding Com-
10 pany Act of 1956 (12 U.S.C. 1843(k)).

11 (3) RULE OF CONSTRUCTION.—Nothing in this
12 subsection may be construed to exempt the perform-
13 ance, provision, or delivery by a financial holding
14 company of an activity, function, product, or service
15 from a requirement that would apply if the activity
16 were not performed, provided, or delivered using a
17 digital asset or distributed ledger system.

18 (c) AUTHORIZED ACTIVITIES FOR NATIONAL
19 BANKS.—

20 (1) IN GENERAL.—

21 (A) AUTHORIZED ACTIVITIES.—A national
22 bank may use a digital asset or distributed
23 ledger system to perform, provide, or deliver
24 any activity, function, product, or service that

1 the national bank is otherwise authorized by
2 law to perform, provide, or deliver.

3 (B) FEDERAL-LICENSED BRANCHES AND
4 STATE-LICENSED BRANCHES.—The activities
5 authorized for a national bank under subpara-
6 graph (A) shall be permissible for a Federal-li-
7 censed branch and a State-licensed branch, re-
8 spectively, to engage in as a principal.

9 (2) BUSINESS OF BANKING.—The activities de-
10 scribed in subsection (f) are authorized as part of,
11 or incidental to, the business of banking under the
12 paragraph designated as the “Seventh” of section
13 5136 of the Revised Statutes (12 U.S.C. 24).

14 (3) RULE OF CONSTRUCTION.—Nothing in this
15 subsection may be construed to exempt the perform-
16 ance, provision, or delivery by a national bank of an
17 activity, function, product, or service from a require-
18 ment that would apply if the activity were not per-
19 formed, provided, or delivered using a digital asset
20 or distributed ledger system.

21 (d) INSURED STATE BANKS AND SUBSIDIARIES OF
22 INSURED STATE BANKS.—For purposes of subsections (a)
23 and (d) of section 24 of the Federal Deposit Insurance
24 Act (12 U.S.C. 1831a), the activities authorized for a na-
25 tional bank under subsection (c)(1) shall be permissible

1 for an insured State bank and any subsidiary of an in-
2 sured State bank to engage in as principal.

3 (e) STATE MEMBER BANKS AND SUBSIDIARIES OF
4 STATE MEMBER BANKS.—For purposes of the 13th un-
5 designated paragraph of section 9 of the Federal Reserve
6 Act (12 U.S.C. 330), the activities authorized for a na-
7 tional bank under subsection (c)(1) shall be permissible
8 for a State member bank and any subsidiary of a State
9 member bank to engage in as principal.

10 (f) AUTHORIZED ACTIVITIES.—The activities de-
11 scribed in this subsection are—

12 (1) providing custodial, fiduciary, or safe-
13 keeping services for digital assets;

14 (2) providing related custodial services for dig-
15 ital assets and distributed ledgers, including staking,
16 facilitating digital asset lending, distributed ledger
17 governance services, and advancing funds for the
18 purchase of digital assets or in respect of distribu-
19 tions on digital assets, whether as principal or agent;

20 (3) facilitating customer purchases and sales of
21 digital assets;

22 (4) making loans collateralized by digital assets;

23 (5) engaging in payment activities involving dig-
24 ital assets;

1 (6) holding digital assets as principal or agent
2 for any investment or trading purpose, including to
3 make a market in digital assets;

4 (7) operating a node on a distributed ledger;

5 (8) providing self-custodial wallet software;

6 (9) engaging in derivatives transactions, includ-
7 ing related hedging activities, in a manner consistent
8 with section 7.1030 of title 12, Code of Federal Reg-
9 ulations, as in effect as of the date of enactment of
10 this Act;

11 (10) providing brokerage services, including
12 clearing and execution services, whether alone or in
13 combination with other incidental activities;

14 (11) facilitating transactions in the secondary
15 market for all types of digital assets on the order of
16 customers as a riskless principal to the extent of en-
17 gaging in a transaction in which a company, after
18 receiving an order to buy or sell a digital asset from
19 a customer, purchases or sells the digital asset for
20 its own account to offset a contemporaneous sale to
21 or purchase from the customer;

22 (12) holding as principal digital assets to the
23 extent incidental to an otherwise permissible activity,
24 which shall include, without limitation, holding dig-

1 ital assets as principal in order to pay fees arising
2 from interactions with a distributed ledger system;

3 (13) underwriting, dealing in, or making a mar-
4 ket in digital assets; and

5 (14) exercising all such incidental powers as are
6 necessary to carry out any of the activities described
7 in paragraphs (1) through (13).

8 (g) OTHER REQUIREMENTS.—There shall be no
9 other prior notice or approval requirements to engage in
10 the activities described in subsections (b) through (f) of
11 this section other than those required under the National
12 Bank Act (12 U.S.C. 38 et seq.), the Federal Reserve Act
13 (12 U.S.C. 226 et seq.), or the Bank Holding Company
14 Act of 1956 (12 U.S.C. 1841 et seq.).

15 (h) RULE OF CONSTRUCTION.—Nothing in this sec-
16 tion may be construed to—

17 (1) exclude other possible permissible activities
18 that are not listed under subsection (f);

19 (2) imply that inclusion of an activity on the
20 list under subsection (f) means that the activity is
21 otherwise impermissible; or

22 (3) limit the authority of a Federal banking
23 agency to determine that activities other than those
24 listed under subsection (f) are permissible through
25 interpretations, guidance, or rulemaking.

1 (i) APPLICATION.—The authorities described in this
2 section shall not apply to non-fungible assets.

3 **SEC. 302. JOINT RULES FOR PORTFOLIO MARGINING DE-**
4 **TERMINATIONS.**

5 (a) IN GENERAL.—The Commodity Futures Trading
6 Commission and the Commission shall jointly issue rules
7 to facilitate portfolio margining of securities (including re-
8 lated extensions of credit), security-based swaps, futures
9 contracts for future delivery, options on futures contracts
10 for future delivery, swaps, and digital commodities, or any
11 subset thereof, for persons registered with either such
12 Commission, in—

13 (1) a securities account carried by a registered
14 broker or dealer or a security-based swap account
15 carried by a registered security-based swap dealer;

16 (2) a futures or cleared swap account carried by
17 a registered futures commission merchant;

18 (3) a swap account carried by a swap dealer; or

19 (4) a digital commodity account carried by a
20 registered digital commodity broker or digital com-
21 modity dealer that is also registered in such other
22 capacity as is necessary to also carry the other cus-
23 tomer or counterparty positions being held in the ac-
24 count.

1 (b) PROCESS.—The rules required to be jointly issued
2 under subsection (a) shall—

3 (1) describe the treatment of any account to
4 which the rules relate, and any assets that may be
5 held therein, in a proceeding under title 11, United
6 States Code, the Securities Investor Protection Act
7 of 1970 (15 U.S.C. 78aaa et seq.), title II of the
8 Dodd-Frank Wall Street Reform and Consumer Pro-
9 tection Act (12 U.S.C. 5381 et seq.), or other appli-
10 cable insolvency law with respect to the person car-
11 rying the account;

12 (2) be issued only if that issuance is in the pub-
13 lic interest and provides for the appropriate protec-
14 tion of customers, including appropriate disclosures
15 to each current and potential customer concerning
16 the treatment of any account to which the rules re-
17 late, and any assets that may be held therein, in a
18 proceeding under title 11, United States Code, the
19 Securities Investor Protection Act of 1970 (15
20 U.S.C. 78aaa et seq.), title II of the Dodd-Frank
21 Wall Street Reform and Consumer Protection Act
22 (12 U.S.C. 5381 et seq.), or other applicable insol-
23 vency law with respect to the person carrying the ac-
24 count;

1 (3) require the Commission and the Commodity
2 Futures Trading Commission to consider the public
3 interest of, and the protection of investors by, those
4 rules through the solicitation of public comments;
5 and

6 (4) require the Commission and the Commodity
7 Futures Trading Commission to—

8 (A) consult with other relevant foreign or
9 domestic regulators, including the Board of
10 Governors of the Federal Reserve System, the
11 Federal Deposit Insurance Corporation, and the
12 Office of the Comptroller of the Currency and
13 State bank supervisors, as appropriate; and

14 (B) if the rules pertain to a securities ac-
15 count carried by a registered broker or dealer
16 that is a member of the Securities Investor Pro-
17 tection Corporation, consult with the Securities
18 Investor Protection Corporation.

19 **SEC. 303. CAPITAL REQUIREMENTS TO ADDRESS NETTING**
20 **AGREEMENTS.**

21 (a) **DEFINITIONS.**—In this section, the terms “depos-
22 itory institution holding company” and “insured deposi-
23 tory institution” have the meanings given those terms in
24 section 3 of the Federal Deposit Insurance Act (12 U.S.C.
25 1813).

1 (b) CAPITAL REQUIREMENTS.—Not later than 360
2 days after the date of enactment of this Act, the Board
3 of Governors of the Federal Reserve System, the Comp-
4 troller of the Currency, and the Chair of the Federal De-
5 posit Insurance Corporation shall develop risk-based and
6 leverage capital requirements for insured depository insti-
7 tutions, depository institution holding companies, and
8 nonbank financial companies supervised by the Board of
9 Governors of the Federal Reserve System that address
10 netting agreements that provide for termination and close-
11 out netting across multiple types of financial transactions,
12 consistent with section 302, in the event of the default
13 of a counterparty.

14 **TITLE IV—RESPONSIBLE**
15 **REGULATORY INNOVATION**

16 **SEC. 401. CFTC-SEC MICRO-INNOVATION SANDBOX.**

17 (a) DEFINITIONS.—In this section:

18 (1) COMMISSION.—The term “Commission”
19 means either of the Commissions, as the context re-
20 quires.

21 (2) COMMISSIONS.—The term “Commissions”
22 means the Securities and Exchange Commission and
23 the Commodity Futures Trading Commission.

24 (3) ELIGIBLE FIRM.—The term “eligible firm”
25 means a person that is eligible to participate in the

1 Sandbox, in accordance with the requirements under
2 this section.

3 (4) INNOVATIVE.—The term “innovative”
4 means new or emerging technology, or a new use of
5 existing technology, that—

6 (A) provides a financial product, service,
7 business model, or delivery mechanism to the
8 public; and

9 (B) has no substantially comparable, wide-
10 ly available analogue in common use in the
11 United States.

12 (5) SANDBOX.—The term “Sandbox” means
13 the CFTC-SEC Micro-Innovation Sandbox estab-
14 lished under subsection (b).

15 (6) SELF-REGULATORY ORGANIZATION.—The
16 term “self-regulatory organization” means a self-
17 regulatory organization, as defined in—

18 (A) section 3(a) of the Securities Exchange
19 Act of 1934 (15 U.S.C. 78c(a)); or

20 (B) section 1.52(a)(2) of title 17, Code of
21 Federal Regulations, or any successor regula-
22 tion.

23 (b) ESTABLISHMENT.—Not later than 360 days after
24 the date of enactment of this Act, the Commissions shall,
25 by joint notice and comment rulemaking, establish a

1 CFTC-SEC Micro-Innovation Sandbox to enable eligible
2 firms described in subsection (c) to test innovative activi-
3 ties within the United States, subject to existing Federal
4 and State statutory anti-fraud prohibitions and the limita-
5 tions of this section.

6 (c) ELIGIBLE FIRM.—Any person may participate in
7 the Sandbox upon filing a notice of participation under
8 subsection (e) if the person—

9 (1) seeks to conduct an eligible innovative activi-
10 ty in the United States; and

11 (2) is not subject to a bad actor disqualification
12 under the securities laws or State law; and

13 (3) does not have a criminal conviction for
14 fraud.

15 (d) ELIGIBLE ACTIVITIES AND ACTIVITY CEIL-
16 INGS.—

17 (1) LIST OF ELIGIBLE ACTIVITIES.—

18 (A) IN GENERAL.—The Commissions shall
19 maintain and publish a list of eligible innovative
20 activities, which shall be—

21 (i) updated from time to time based
22 on public comment;

23 (ii) reasonably tailored to include ac-
24 tivities that further the purposes of this
25 section;

1 (iii) sufficiently flexible to accommo-
2 date evolving technological developments,
3 including distributed ledger-based products
4 and services; and

5 (iv) focused on activities for which
6 specific provisions of the securities laws
7 may create a material impediment to the
8 proposed innovative activity.

9 (B) IDENTIFICATION OF REQUIRE-
10 MENTS.—

11 (i) IN GENERAL.—For each eligible
12 innovative activity, the Commissions shall,
13 consistent with existing statutory and reg-
14 ulatory precedent concerning the respective
15 jurisdiction of each Commission, identify
16 the requirements that each Commission
17 will administer.

18 (ii) JOINT JURISDICTION.—With re-
19 spect to an eligible innovative activity that
20 is subject to the jurisdiction of both Com-
21 missions, the rulemaking under subsection
22 (b) shall specify which requirements each
23 Commission will administer and any co-
24 ordinated conditions needed to protect in-
25 vestors and market integrity.

1 (2) **ACTIVITY CEILINGS.**—For each eligible in-
2 novative activity, the Commissions shall, after public
3 input and consultation, establish customer and mon-
4 etary ceilings, which—

5 (A) the Commissions may extend on an in-
6 dividual basis, as the Commissions determine
7 may be necessary for the protection of investors
8 or in the public interest; and

9 (B) shall be designed to permit meaningful
10 market testing while protecting investors, main-
11 taining market integrity, and ensuring that
12 Sandbox activity remains limited in scale rel-
13 ative to the broader applicable market.

14 (e) **NOTICE OF PARTICIPATION.**—

15 (1) **IN GENERAL.**—An eligible firm seeking to
16 participate in the Sandbox shall submit to the Com-
17 mission or Commissions, as applicable, a notice
18 that—

19 (A) describes the proposed innovative ac-
20 tivity and the desired outcomes;

21 (B) identifies the provisions of law from
22 which the eligible firm proposes to be exempt,
23 subject to approval of the Commission, which
24 shall not include any Federal or State anti-
25 fraud law;

1 (C) sets forth how current law presents a
2 significant barrier to the innovative activity;

3 (D) identifies material risks to investors,
4 customers, or market integrity and how the eli-
5 gible firm will mitigate those risks;

6 (E) certifies that the eligible firm will com-
7 ply with applicable Federal and State anti-fraud
8 laws; and

9 (F) states the exit objective of the eligible
10 firm, which may include registration, an exemp-
11 tive order, interpretive or no-action relief, or a
12 rulemaking petition, together with milestones
13 and metrics the eligible firm will use to dem-
14 onstrate readiness for that exit.

15 (2) EFFECTIVE DATE.—A notice submitted
16 under this subsection that is substantially complete
17 (as provided by rule of the applicable Commission or
18 the Commissions) shall be deemed effective 10 busi-
19 ness days after the date on which the notice is sub-
20 mitted to the applicable Commission or Commis-
21 sions, after which the eligible firm submitting the
22 notice may commence eligible activities in the Sand-
23 box.

24 (3) UPDATES AND STATUS REPORTS.—Each eli-
25 gible firm shall submit to the applicable Commission

1 or to the Commissions, on a semi-annual basis while
2 participating in the Sandbox, an updated notice
3 that—

4 (A) describes any material changes to the
5 information originally provided under para-
6 graph (1); and

7 (B) reports the progress of the eligible
8 firm toward the stated exit objective described
9 in paragraph (1)(F), including milestones
10 achieved, remaining impediments, and any
11 pending requests for official action before the
12 applicable Commission or the Commissions.

13 (4) UNREDACTED AND REDACTED VERSIONS.—

14 (A) IN GENERAL.—An eligible firm that
15 submits an initial or updated notice under this
16 subsection may submit to the applicable Com-
17 mission or the Commissions an unredacted
18 version, together with a request for confidential
19 treatment, pursuant to procedures the applica-
20 ble Commission shall establish that are modeled
21 on the rules of that Commission relating to the
22 confidential treatment of information, which
23 shall include—

24 (i) for the Securities and Exchange
25 Commission, sections 200.83, 230.406, and

1 2402.24b–2 of title 17, Code of Federal
2 Regulation, or any successor regulations;
3 and

4 (ii) for the Commodity Futures Trad-
5 ing Commission, section 145.9 of title 17,
6 Code of Federal Regulations, or any suc-
7 cessor regulations.

8 (B) OMITTED INFORMATION.—An eligible
9 firm may omit information granted confidential
10 treatment under subparagraph (A) from any
11 public posting under subsection (h) in accord-
12 ance with the procedures established under sub-
13 paragraph (A).

14 (C) INDICATION OF CONFIDENTIAL INFOR-
15 MATION.—Any omission in a public posting
16 under subsection (h) shall be clearly indicated
17 by brackets with a prominent legend stating
18 that—

19 (i) confidential information has been
20 omitted; and

21 (ii) an unredacted version has been
22 furnished to the applicable Commission or
23 the Commissions.

24 (f) DURATION OF PARTICIPATION.—

1 (1) DURATION.—Except as provided in para-
2 graph (2), an eligible firm may participate in the
3 Sandbox for a period of not more than 2 years, pro-
4 vided that the eligible firm does not exceed the ceil-
5 ings established under subsection (d)(2).

6 (2) EXTENSION.—

7 (A) SOLE JURISDICTION.—Where an eligi-
8 ble innovative activity is subject only to the ju-
9 risdiction of 1 Commission, that Commission
10 may extend participation by an eligible firm in
11 the Sandbox by not more than 1 additional year
12 (or such other time as the Commission deter-
13 mines may be necessary for the protection of in-
14 vestors or in the public interest) if the eligible
15 firm is actively pursuing permanent rulemaking
16 or exemptive or other relief.

17 (B) JOINT JURISDICTION.—Where an eligi-
18 ble innovative activity is subject to the jurisdic-
19 tion of both Commissions, an extension of par-
20 ticipation by an eligible firm in the Sandbox
21 shall be by joint order of the Commissions.

22 (3) COMMISSIONS PRE-EXIT FACILITATION.—
23 Prior to the completion of Sandbox participation by
24 an eligible firm, including any extension, the Com-
25 missions shall aim, to the extent practicable and

1 consistent with the securities laws and the Com-
2 modity Exchange Act (7 U.S.C. 1 et seq.), to take
3 appropriate steps designed to facilitate a transition
4 to Commission-level relief or other action consistent
5 with the stated exit objective of the eligible firm, so
6 as to avoid undue disruption of the innovative activ-
7 ity, which may include—

8 (A) issuing an order granting, denying, or
9 conditionally granting requested exemptive re-
10 lief;

11 (B) providing interpretive or no-action re-
12 lief;

13 (C) issuing a responsive rulemaking;

14 (D) providing conditional or time-limited
15 relief to bridge to final Commission action; or

16 (E) issuing a written statement explaining
17 why such action is not appropriate at that time.

18 (g) CONDITIONS AND ENFORCEMENT.—

19 (1) CONDITIONS.—An eligible firm shall comply
20 with applicable regulatory conditions approved by
21 the applicable Commission or the Commissions
22 under subsection (e)(1)(B), which shall be consistent
23 with applicable Federal and State anti-fraud laws.

24 (2) MONITORING.—The Commissions shall
25 monitor Sandbox activities and enforce compliance

1 with applicable regulatory conditions and Federal
2 and State anti-fraud laws.

3 (3) COORDINATION.—The Commissions shall
4 coordinate supervision, information requests, and ex-
5 aminations to avoid duplication while each Commis-
6 sion retains full authority under the provisions of
7 law that such Commission administers.

8 (4) SELF-REGULATORY ORGANIZATIONS.—Each
9 self-regulatory organization shall recognize and re-
10 spect Sandbox conditions that are applicable to a
11 participant in the Sandbox.

12 (h) PUBLIC DISCLOSURE.—

13 (1) INITIAL POSTING.—Each eligible firm shall
14 post, in a prominent location on a public website of
15 the eligible firm, the information required under
16 subsection (e)(1), subject to confidential treatment
17 under subsection (e)(5), not later than the date on
18 which the notice becomes effective under subsection
19 (e)(3).

20 (2) UPDATES.—Each eligible firm shall post, in
21 the same manner as under paragraph (1), the infor-
22 mation required under subsection (e)(4), subject to
23 confidential treatment under subsection (e)(5), con-
24 currently with submission to the applicable Commis-
25 sion or the Commissions.

1 (3) DISCLOSURE REQUIREMENTS.—Each post
2 under this subsection shall satisfy the disclosure re-
3 quirements of both Commissions where the jurisdic-
4 tions of both Commissions are implicated.

5 (i) USE OF DATA BY COMMISSIONS.—Each Commis-
6 sion may collect and share data from Sandbox activities
7 with the other Commission to inform permanent, prin-
8 ciples-based regulatory frameworks that promote effi-
9 ciency, competition, capital formation, and investor protec-
10 tion.

11 (j) PUBLICATION BY COMMISSIONS.—Not less fre-
12 quently than annually, each Commission shall publish on
13 the public website of the Commission a report summa-
14 rizing the activities conducted under this section, includ-
15 ing—

16 (1) the number and general nature of eligible
17 firms participating in the Sandbox;

18 (2) the categories of innovative activities tested;

19 (3) the impact of Sandbox participation on in-
20 novation, investor protection, market integrity, and
21 the public interest; and

22 (4) exit outcomes, including the types of relief
23 requested and actions taken by the Commissions.

1 **SEC. 402. INTERNATIONAL COOPERATION.**

2 (a) IN GENERAL.—In order to promote United States
3 leadership in effective, reciprocal, and innovative global
4 regulation of digital assets, and to advance the strategic
5 economic and policy interests of the United States, the
6 Commission, as appropriate—

7 (1) shall consult and coordinate with foreign
8 regulatory authorities or other relevant international
9 organizations on the application of consistent inter-
10 national standards with respect to the regulation of
11 digital assets;

12 (2) may enter into such information sharing ar-
13 rangements as may be determined to be necessary or
14 appropriate in the public interest or for the protec-
15 tion of investors, customers, and users of digital as-
16 sets;

17 (3) shall pursue reciprocal arrangements with
18 foreign regulatory authorities that ensure United
19 States-based digital asset firms, exchanges, and in-
20 frastructure providers receive treatment equivalent
21 to that granted to foreign counterparts operating
22 within the United States;

23 (4) shall advocate in international fora for the
24 development and adoption of technology-neutral,
25 open standards that preserve lawful access to public
26 distributed ledger infrastructure, support dollar-de-

1 nominated digital asset usage, and safeguard indi-
2 vidual rights, including self-custody and privacy; and
3 (5) may, as appropriate, engage in, at the least,
4 cooperative enforcement, supervisory coordination,
5 and joint technical assistance, in a manner that pro-
6 motes responsible innovation in digital financial
7 markets.

8 (b) **CROSS-BORDER SANDBOX.**—The Commission
9 may leverage the activities described in paragraphs (1)
10 through (5) of subsection (a) to establish or participate
11 in cross-border regulatory sandboxes that build upon the
12 Micro-Innovation Sandbox established pursuant to section
13 401.

14 **SEC. 403. AUTOMATED REGULATORY COMPLIANCE STUDY.**

15 (a) **SENSE OF CONGRESS.**—Congress finds that—

16 (1) distributed ledger technology may make
17 compliance data natively transparent and machine-
18 readable, enabling new forms of “embedded” or
19 code-based compliance with existing regulatory obli-
20 gations, such as proof-of-reserves, on-chain audit-
21 trail logging, and anti-money laundering screenings;
22 and

23 (2) smart-contract functionality can, as of the
24 date of enactment of this Act, automate contractual
25 terms, meaning that embedding applicable disclosure

1 and compliance obligations in similar smart-contract
2 code could lower costs, cut lag times, and improve
3 investor protection.

4 (b) STUDY REQUIRED.—Not later than 2 years after
5 the date of enactment of this Act, the Comptroller General
6 of the United States shall submit to the Committee on
7 Banking, Housing, and Urban Affairs of the Senate and
8 the Committee on Financial Services of the House of Rep-
9 resentatives a report that—

10 (1) maps the landscape of existing (as of the
11 date on which the report is submitted) distributed
12 ledger-based compliance tools, including open-source
13 libraries, standard schemas, and smart-contract tem-
14 plates for—

15 (A) statutory disclosures;

16 (B) real-time reporting and audit-trail log-
17 ging; and

18 (C) anti-money-laundering practices, sanc-
19 tions screening, and customer-identification
20 checks;

21 (2) evaluates the feasibility, benefits, and risks
22 of allowing or requiring registrants to satisfy appli-
23 cable regulatory obligations through on-chain, code-
24 based mechanisms;

1 (3) assesses interoperability with current (as of
2 the date on which the report is submitted) Commis-
3 sion data collection systems and identifies standards
4 or taxonomies, if any, the Commission could publish
5 to ensure consistency;

6 (4) analyzes the costs and benefits to issuers of
7 different sizes, secondary market intermediaries, in-
8 vestors, and other applicable parties;

9 (5) recommends pilot programs, guidance, or
10 rule changes, and specifies any statutory amend-
11 ments, needed to implement automated compliance;
12 and

13 (6) benchmarks international efforts and
14 consults with any appropriate State, Federal, or for-
15 eign regulators.

16 **SEC. 404. REPORT ON LEGISLATIVE RECOMMENDATIONS.**

17 (a) DEFINITIONS.—In this section:

18 (1) APPROPRIATE COMMITTEES OF CON-
19 GRESS.—The term “appropriate committees of Con-
20 gress” means—

21 (A) the Committee on Banking, Housing
22 and Urban Affairs of the Senate;

23 (B) the Committee on Agriculture, Nutri-
24 tion, and Forestry of the Senate;

1 (C) the Committee on Financial Services of
2 the House of Representatives; and

3 (D) the Committee on Agriculture of the
4 House of Representatives.

5 (2) FEDERAL FINANCIAL REGULATOR.—The
6 term “Federal financial regulator” means—

7 (A) the Board of Governors of the Federal
8 Reserve System;

9 (B) the Commodity Futures Trading Com-
10 mission;

11 (C) the Department of the Treasury;

12 (D) the Federal Deposit Insurance Cor-
13 poration;

14 (E) the Federal Housing Finance Agency;

15 (F) the National Credit Union Administra-
16 tion;

17 (G) the Office of the Comptroller of the
18 Currency;

19 (H) the Bureau of Consumer Financial
20 Protection; and

21 (I) the Commission.

22 (b) REQUIREMENT.—Not later than 1 year after the
23 date of enactment of this Act, and every 3 years thereafter
24 for a total of not fewer than 12 years after the date of
25 enactment of this Act, each Federal financial regulator

1 shall submit to the appropriate committees of Congress
2 a report that includes—

3 (1) a description of the implementation of this
4 Act and the amendments made by this Act (includ-
5 ing the adoption of rules and guidance, and the ap-
6 proval or rejection of applications submitted, under
7 this Act and the amendments made by this Act),
8 where applicable to the Federal financial regulator;
9 and

10 (2) any legislative recommendations for the fur-
11 ther effective implementation of this Act and the
12 amendments made by this Act.

13 **SEC. 405. OFFICE OF THE OMBUDSMAN FOR INNOVATION.**

14 Section 4 of the Securities Exchange Act of 1934 (15
15 U.S.C. 78d) is amended—

16 (1) by redesignating subsection (j) as sub-
17 section (k); and

18 (2) by inserting after subsection (i) the fol-
19 lowing:

20 “(j) OFFICE OF THE OMBUDSMAN FOR INNOVA-
21 TION.—

22 “(1) DEFINITIONS.—In this subsection:

23 “(A) COVERED REQUESTER.—The term
24 ‘covered requester’ means—

1 “(i) any person, or representative of a
2 person, that is, or seeks to be, subject to
3 the securities laws;

4 “(ii) any person seeking to register
5 with the Commission or a self-regulatory
6 organization to—

7 “(I) obtain exemptive relief; or

8 “(II) determine applicable obliga-
9 tions under the securities laws;

10 “(iii) a self-regulatory organization,
11 national securities exchange, national secu-
12 rities association, alternative trading sys-
13 tem, or clearing agency; or

14 “(iv) an industry consortium or a
15 standards body engaging the Commission
16 on innovative matters.

17 “(B) INNOVATIVE.—The term ‘innovative’
18 means new or emerging technology, or a new
19 use of existing technology, that—

20 “(i) provides a financial product, serv-
21 ice, business model, or delivery mechanism
22 to the public; and

23 “(ii) lacks a substantially comparable
24 analogue that is widely available in com-
25 mon use in the United States.

1 “(C) OFFICE.—The term ‘Office’ means
2 the Office of the Ombudsman for Innovation es-
3 tablished under paragraph (2).

4 “(D) OMBUDSMAN.—The term ‘Ombuds-
5 man’ means the Ombudsman for Innovation de-
6 scribed in paragraph (2).

7 “(2) ESTABLISHMENT.—There is established in
8 the Commission the Office of the Ombudsman for
9 Innovation, which shall be headed by the Ombuds-
10 man for Innovation.

11 “(3) APPOINTMENT AND DUTIES OF THE OM-
12 BUDSMAN.—

13 “(A) IN GENERAL.—The Ombudsman
14 shall—

15 “(i) be appointed, and may only be re-
16 moved, by a majority vote of the Commis-
17 sion;

18 “(ii) report directly to the Commis-
19 sion; and

20 “(iii) carry out the functions of the
21 Office independently of any other officer,
22 employee, or division of the Commission.

23 “(B) MISSION.—The mission of the Om-
24 budsman shall be to—

1 “(i) assist covered requesters in ob-
2 taining timely, coordinated, and clear re-
3 sponses from the Commission, and offices
4 and divisions of the Commission, regarding
5 innovative matters, including by—

6 “(I) convening and coordinate
7 across offices and divisions of the
8 Commission;

9 “(II) escalating unresolved proc-
10 ess delays or conflicts for timely reso-
11 lution;

12 “(III) shepherding matters into
13 the appropriate channels for Commis-
14 sion or staff guidance, including inter-
15 pretive guidance, no-action relief, ex-
16 emptive relief, or rulemaking, while
17 monitoring progress and actively fol-
18 lowing up with staff to seek timely
19 resolution; and

20 “(IV) facilitating clear 2-way
21 communication between Commission
22 staff and covered requesters, including
23 appropriate channels of feedback to
24 covered requesters;

1 “(ii) assist covered requesters in re-
2 solving significant problems covered re-
3 questers may have with the Commission or
4 self-regulatory organizations;

5 “(iii) identify, report on, and make
6 recommendations in areas in which covered
7 requesters would benefit from changes in
8 the regulations of the Commission or the
9 rules of self-regulatory organizations, con-
10 sistent with the public interest and the
11 protection of investors, including related
12 process delays or conflicts and systemic
13 issues;

14 “(iv) analyze the potential impact on
15 covered requesters of—

16 “(I) proposed regulations of the
17 Commission that are likely to have a
18 significant economic impact on cov-
19 ered requesters; and

20 “(II) proposed rules of self-regu-
21 latory organizations registered under
22 the securities laws that are likely to
23 have a significant economic impact on
24 covered requesters; and

1 with a request made by a covered requester
2 shall be nonpublic and treated in accordance
3 with section 24.

4 “(B) NO WAIVER.—Submission of mate-
5 rials to the Ombudsman does not waive any ap-
6 plicable privilege or protection, including attor-
7 ney-client privilege and work-product protec-
8 tion.

9 “(C) WHISTLEBLOWER & REFERRALS PRE-
10 SERVED.—Nothing in this paragraph may be
11 construed to limit—

12 “(i) the rights of whistleblowers under
13 section 21F; or

14 “(ii) the ability of the Ombudsman to
15 make referrals in accordance with para-
16 graph (7).

17 “(7) REFERRAL TO ENFORCEMENT.—

18 “(A) IN GENERAL.—The Ombudsman may
19 refer a matter to the Division of Enforcement
20 of the Commission only upon a brief written de-
21 termination that there is credible and specific
22 information indicating—

23 “(i) ongoing or imminent conduct pos-
24 ing a material risk of significant investor
25 or market-integrity harm; or

1 “(ii) a knowing or reckless violation of
2 the securities laws.

3 “(B) REVIEW.—The Ombudsman shall ob-
4 tain review by the Office of the General Counsel
5 of the Commission of any referral under sub-
6 paragraph (A) for legal sufficiency.

7 “(C) NOTIFICATION.—Where practicable
8 and not prejudicial to an investigation, the Om-
9 budsman shall notify the applicable covered re-
10 quester that a referral has been made under
11 subparagraph (A).

12 “(D) ROLE OF PARTICIPATION.—Partici-
13 pation by a covered requester in an Ombuds-
14 man process is not an admission of guilt and
15 shall not be used as evidence against the cov-
16 ered requester except for false statements, ob-
17 struction, or independent wrongdoing.

18 “(8) METRICS; TRANSPARENCY; ANNUAL RE-
19 PORT.—The Ombudsman shall—

20 “(A) track, and publish not less frequently
21 than annually, anonymized metrics relating to
22 the Office, including intake volumes, subject
23 matter categories, median days-to-first-re-
24 sponse, median days-to-resolution (and per-
25 centile bands), counts of cross-Division matters

1 convened, and counts by outcome type (such as
2 staff-level letters, no-action letters, exemptive
3 relief, frequently asked questions and
4 advisories, and measures relating to the level of
5 satisfaction of covered requesters);

6 “(B) submit to the Committee on Banking,
7 Housing, and Urban Affairs of the Senate and
8 the Committee on Financial Services of the
9 House of Representatives, and publish on a
10 public website, an annual report—

11 “(i) identifying systemic process
12 delays or conflicts;

13 “(ii) that includes aggregate observa-
14 tions regarding the consistency of the
15 Commission with promoting innovation
16 while protecting investors, maintaining fair
17 and orderly markets, and serving the pub-
18 lic interest; and

19 “(iii) that includes non-binding rec-
20 ommendations regarding process improve-
21 ments at the Commission along with rec-
22 ommendations for such changes to the reg-
23 ulations, guidance, and orders of the Com-
24 mission and such legislative actions as may
25 be appropriate to resolve problems with the

1 Commission and self-regulatory organiza-
2 tions encountered by covered requesters;
3 and

4 “(C) submit each annual report required
5 under subparagraph (B) to the committees of
6 Congress described in that subparagraph with-
7 out any prior review or comment from the Com-
8 mission, any commissioner, any other officer or
9 employee of the Commission, or the Office of
10 Management and Budget.

11 “(9) RESPONSE.—The Commission shall estab-
12 lish procedures requiring a formal response to all
13 recommendations submitted to the Commission by
14 the Office by not later than 90 days after the date
15 of the submission.

16 “(10) LIMITATIONS.—

17 “(A) IN GENERAL.—The Ombudsman has
18 no authority to—

19 “(i) compel agency action;

20 “(ii) require a particular interpretive
21 or enforcement outcome;

22 “(iii) adjudicate rights;

23 “(iv) create binding precedent; or

1 “(v) engage in any activities which
2 constitute legal representation for any cov-
3 ered requesters.

4 “(B) RULES OF CONSTRUCTION.—Nothing
5 in this subsection may be construed to—

6 “(i) create a private right of action; or

7 “(ii) limit the authorities of the Com-
8 mission.”.

9 **SEC. 406. TOKENIZATION OF SECURITIES AND OTHER**
10 **REAL-WORLD ASSETS.**

11 (a) DEFINITIONS.—In this section:

12 (1) QUALIFIED THIRD-PARTY CUSTODIAN.—The
13 term “qualified third-party custodian” means an
14 independent entity that—

15 (A) is registered or regulated in a manner
16 consistent with qualified custodians under the
17 securities laws;

18 (B) meets standards for asset verification,
19 custody, and audit, as established by the Com-
20 mission pursuant to subsection (c); and

21 (C) is authorized to verify the legal exist-
22 ence, title, and ongoing status of real-world as-
23 sets represented by digital tokens.

24 (2) REAL-WORLD ASSET.—The term “real-
25 world asset”—

1 (A) means any tangible property or prop-
2 erty right, including real estate, a physical com-
3 modity, equipment, or a contractual right; and

4 (B) does not include—

5 (i) a security, as defined under any of
6 the securities laws; or

7 (ii) a commodity interest, as defined
8 in section 4m(3) of the Commodity Ex-
9 change Act (7 U.S.C. 6m(3)) and in regu-
10 lations promulgated by the Commodity Fu-
11 tures Trading Commission.

12 (3) **TOKENIZATION.**—The term “tokenization”
13 means the process of creating a unique digital rep-
14 resentation of rights or interests in a real-world
15 asset on a distributed ledger.

16 (4) **TOKENIZED.**—The term “tokenized”, with
17 respect to an asset, means that the asset has under-
18 gone tokenization.

19 (b) **SENSE OF CONGRESS.**—It is the sense of Con-
20 gress that States should promptly consider and adopt com-
21 mercial law frameworks under the Uniform Commercial
22 Code that provide clear and uniform rules for the owner-
23 ship, control, or enforceability of rights in digital assets.

24 (c) **JOINT STUDY AND RULEMAKING.**—

25 (1) **JOINT STUDY.**—

1 (A) IN GENERAL.—Not later than 360
2 days after the date of enactment of this Act,
3 the Commission, in coordination with the Com-
4 modity Futures Trading Commission, shall con-
5 duct a comprehensive study of the regulatory
6 treatment of tokenized real-world assets.

7 (B) CONTENTS.—The study required
8 under subparagraph (A) shall—

9 (i) address standards for the
10 verification, custody, audit, and reporting
11 of underlying real-world assets issued as
12 digital tokens, including setting criteria for
13 qualified third-party custodians and how to
14 address fraud and false claims; and

15 (ii) assess the Federal jurisdictional
16 treatment of tokenized real-world assets,
17 how State and international regulatory re-
18 gimes may interact with that treatment,
19 and mechanisms for interagency coordina-
20 tion, cross-border cooperation, and enforce-
21 ment with respect to tokenized real-world
22 assets.

23 (2) RULEMAKING.—

24 (A) IN GENERAL.—After completing the
25 study required under paragraph (1), the Com-

1 mission and the Commodity Futures Trading
2 Commission may initiate notice and comment
3 rulemaking to establish tailored regulatory
4 pathways for tokens that represent real-world
5 assets.

6 (B) LIMITATION.—In issuing rules under a
7 rulemaking carried out under subparagraph
8 (A), the Commission and the Commodity Fu-
9 tures Trading Commission shall ensure that a
10 qualified third-party custodian that serves solely
11 as an asset verifier—

12 (i) shall be subject only to those
13 standards that may be necessary for
14 verification integrity, audit, and independ-
15 ence of those assets; and

16 (ii) shall not be required to meet re-
17 quirements applicable exclusively to the
18 safekeeping, transfer, or administration of
19 securities.

20 (3) SECURITIES.—Notwithstanding any other
21 provision of law or regulation—

22 (A) any instrument that is a security
23 under the securities laws shall not cease to be
24 a security because that instrument is issued, re-

1 corded, represented, or transferred using dis-
2 tributed ledger technology; and

3 (B) the tokenization of a real-world asset
4 that is not otherwise a security under Federal
5 law shall not, solely by reason of that
6 tokenization, be deemed to be a security under
7 Federal law.

8 **SEC. 407. VOLUNTARY ADOPTION OF NATIONAL INSTITUTE**
9 **OF STANDARDS AND TECHNOLOGY POST-**
10 **QUANTUM CRYPTOGRAPHY STANDARDS.**

11 (a) DEFINITIONS.—In this section:

12 (1) APPROPRIATE CONGRESSIONAL COMMIT-
13 TEES.—The term “appropriate congressional com-
14 mittees” means—

15 (A) the Committee on Banking, Housing,
16 and Urban Affairs of the Senate;

17 (B) the Committee on Agriculture, Nutri-
18 tion, and Forestry of the Senate;

19 (C) the Committee on Commerce, Science,
20 and Transportation of the Senate;

21 (D) the Committee on Financial Services
22 of the House of Representatives;

23 (E) the Committee on Agriculture of the
24 House of Representatives; and

1 (F) the Committee on Energy and Com-
2 merce of the House of Representatives.

3 (2) DIRECTOR.—The term “Director” means
4 the Under Secretary of Commerce for Standards
5 and Technology.

6 (b) SENSE OF CONGRESS.—Congress finds the fol-
7 lowing:

8 (1) Technical standards with respect to digital
9 assets ensure quality, interoperability, and reliability
10 in products, processes, and services and facilitate in-
11 novation.

12 (2) The digital asset ecosystem should harness
13 standards to solve coordination problems and foster
14 innovation, not through regulation, but through vol-
15 untary, market-driven measures.

16 (3) Advances in quantum computing threaten
17 existing cryptographic standards and the security of
18 digital assets.

19 (c) VOLUNTARY ADOPTION.—The Secretary of Com-
20 merce, acting through the Director, shall support the vol-
21 untary adoption of post-quantum cryptography standards
22 finalized by the National Institute of Standards and Tech-
23 nology, including Federal Information Processing Stand-
24 ard 203 (relating to module-lattice-based key-encapsula-
25 tion mechanisms), Federal Information Processing Stand-

1 ard 204 (relating to module-lattice-based digital signa-
2 tures), and Federal Information Processing Standard 205
3 (relating to stateless hash-based digital signatures) (or
4 any successor to any such standard), across the digital
5 asset ecosystem.

6 (d) INDUSTRY CONSULTATION.—In carrying out sub-
7 section (c), the Director shall, at a minimum—

8 (1) solicit regular input from a broad range of
9 industry stakeholders regarding the feasibility and
10 practical challenges of adopting the standards de-
11 scribed in that subsection;

12 (2) facilitate ongoing dialogue between the Na-
13 tional Institute of Standards and Technology and in-
14 dustry participants to identify, assess, and address
15 barriers to the adoption of the standards described
16 in that subsection;

17 (3) not later than 2 years after the date of en-
18 actment of this Act, and biennially thereafter until
19 2035, submit to the appropriate congressional com-
20 mittees a report on the carrying out of that sub-
21 section, including stakeholder engagement with re-
22 spect to those actions and continued challenges in
23 adopting the standards described in that subsection;
24 and

1 (4) not later than 5 years after the date of en-
2 actment of this Act, make available to the public a
3 report on stakeholder engagement and lessons
4 learned in carrying out that subsection.

5 **TITLE V—PROTECTING SOFTWARE DEVELOPERS AND**
6 **SOFTWARE INNOVATION**

8 **SEC. 501. PROTECTING SOFTWARE DEVELOPERS.**

9 (a) IN GENERAL.—The Securities Exchange Act of
10 1934 (15 U.S.C. 78a et seq.) is amended by inserting after
11 section 15G (15 U.S.C. 78o–11) the following:

12 **“SEC. 15H. APPLICATION TO SOFTWARE DEVELOPERS.**

13 “(a) DEFINITIONS.—In this section:

14 “(1) DECENTRALIZED FINANCE TRADING PRO-
15 TOCOL.—

16 “(A) IN GENERAL.—The term ‘decentral-
17 ized finance trading protocol’ means a distrib-
18 uted ledger system through which multiple par-
19 ticipants can execute a financial transaction—

20 “(i) in accordance with an automated
21 rule or algorithm that is predetermined
22 and non-discretionary; and

23 “(ii) without reliance on a person
24 other than the user to maintain custody or

1 control of the digital assets subject to the
2 financial transaction.

3 “(B) EXCLUSIONS.—

4 “(i) IN GENERAL.—The term ‘decent-
5 tralized finance trading protocol’ does not
6 include a distributed ledger system if—

7 “(I) a person or group of persons
8 under common control or acting pur-
9 suant to an agreement to act in con-
10 cert has the authority, directly or in-
11 directly, through any contract, ar-
12 rangement, understanding, relation-
13 ship, or otherwise, to control or mate-
14 rially alter the functionality, oper-
15 ation, or rules of consensus or agree-
16 ment of the distributed system; or

17 “(II) the distributed ledger sys-
18 tem does not operate, execute, and en-
19 force its operations and transactions
20 based solely on pre-established, trans-
21 parent rules encoded directly within
22 the source code of the distributed
23 ledger system.

24 “(ii) SPECIAL RULE.—For purposes of
25 clause (i), a decentralized governance sys-

1 tem shall not be considered to be a person
2 or a group of persons under common con-
3 trol or acting pursuant to an agreement to
4 act in concert.

5 “(2) DIGITAL ASSET; DISTRIBUTED LEDGER
6 APPLICATION; DISTRIBUTED LEDGER SYSTEM.—The
7 terms ‘digital asset’, ‘distributed ledger application’,
8 and ‘distributed ledger system’ have the meanings
9 given those terms in section 2 of the Responsible Fi-
10 nancial Innovation Act of 2025.

11 “(b) APPLICATION TO SOFTWARE DEVELOPERS.—
12 Notwithstanding any other provision of this Act, a person
13 shall not be subject to this Act and the regulations pro-
14 mulgated under this Act based on the person directly or
15 indirectly engaging in any of the following activities,
16 whether singly or in combination, in relation to the oper-
17 ation of a distributed ledger system or a distributed ledger
18 application, or in relation to a decentralized finance trad-
19 ing protocol:

20 “(1) Compiling network transactions or relay-
21 ing, searching, sequencing, validating, or acting in a
22 similar capacity with respect to a distributed ledger
23 protocol or distributed ledger system.

24 “(2) Providing computational work, operating a
25 node or oracle service, or procuring, offering, or uti-

1 lizing network bandwidth, or providing other similar
2 incidental services.

3 “(3) Providing a user interface that enables a
4 user to read and access data about a distributed
5 ledger system or distributed ledger application.

6 “(4) Developing, publishing, constituting, ad-
7 ministering, maintaining, or otherwise distributing a
8 distributed ledger system, a decentralized govern-
9 ance system relating to a decentralized finance trad-
10 ing protocol, or a decentralized finance trading pro-
11 tocol.

12 “(5) Developing, publishing, constituting, ad-
13 ministering, maintaining, or otherwise distributing a
14 decentralized finance messaging system or operating
15 or participating in a liquidity pool.

16 “(6) Developing, publishing, constituting, ad-
17 ministering, maintaining, or otherwise distributing
18 software or systems that create or deploy hardware
19 or software, including wallets or other systems, that
20 facilitate the ability of a user to keep, safeguard, or
21 custody the digital assets or related private keys of
22 the user.

23 “(c) EXCEPTIONS.—Subsection (b) shall not apply to
24 the anti-fraud, anti-manipulation, or false reporting en-
25 forcement authorities of the Commission.

1 “(d) FEDERAL PREEMPTION.—

2 “(1) IN GENERAL.—Notwithstanding any other
3 provision of law, no securities, commodities, or dig-
4 ital assets law of any State (or of any political sub-
5 division of a State) shall apply to an activity de-
6 scribed in subsection (b).

7 “(2) RULE OF CONSTRUCTION.—Nothing in
8 paragraph (1) may be construed to apply to the
9 anti-money laundering, anti-fraud, or anti-manipula-
10 tion authorities of a State (or of a political subdivi-
11 sion of a State).”.

12 (b) UNLICENSED MONEY TRANSMITTING BUSI-
13 NESSES.—Section 1960(a) of title 18, United States Code,
14 is amended by inserting “exercises control over currency,
15 funds, or other value that substitutes for currency and”
16 after “knowingly”.

17 (c) APPLICABILITY.—This section, and the amend-
18 ments made by this section, shall apply to conduct occur-
19 ring before, on, or after the date of enactment of this Act.

20 **SEC. 502. SAFE HARBOR FOR NONFUNGIBLE DIGITAL TO-**
21 **KENS.**

22 (a) DEFINITIONS.—In this section:

23 (1) NON-FUNGIBLE TOKEN.—The term “non-
24 fungible token” means a digital unit recorded on a
25 distributed ledger that—

1 (A) is individually identifiable and distin-
2 guishable from any other digital unit;

3 (B) represents ownership of, or rights in,
4 a work of authorship, art, a collectible, a mem-
5 bership, an access credential, a certificate of au-
6 thenticity, an in-game or in-application item, or
7 another similar specific item or discrete digital
8 or physical good, service, or benefit;

9 (C) is not interchangeable on a 1-to-1
10 basis with any other token or digital unit; and

11 (D) may be bought, sold, or transferred for
12 consideration.

13 (2) **PROMOTER.**—The term “promoter” means
14 a person or group that manages, controls, or oper-
15 ates an enterprise in which capital is invested, or
16 any person or group acting on behalf of such a per-
17 son or group with respect to such an enterprise, in-
18 cluding an affiliate, agent, or coordinated actor that
19 contributes to the capital raising efforts of the enter-
20 prise.

21 (b) **SAFE HARBOR.**—

22 (1) **IN GENERAL.**—Except as provided in para-
23 graph (3), the offer, sale, resale, transfer, or convey-
24 ance of a non-fungible token shall not be deemed to
25 constitute an offer or sale of a security or invest-

1 ment contract under the Securities Act of 1933 (15
2 U.S.C. 77a et seq.), the Securities Exchange Act of
3 1934 (15 U.S.C. 78a et seq.), or any equivalent
4 State law, unless the transaction, in substance, in-
5 volves all of the elements of an investment contract.

6 (2) RULES OF CONSTRUCTION.—Neither of the
7 following shall be considered to be a security under
8 the Securities Act of 1933 (15 U.S.C. 77a et seq.)
9 or the Securities Exchange Act of 1934 (15 U.S.C.
10 78a et seq.):

11 (A) The resale or secondary market trans-
12 fer of a non-fungible token, where the payment
13 for that resale or transfer does not flow to a
14 promoter or is not used to raise new capital for
15 an enterprise.

16 (B) A non-fungible token that serves as a
17 collectible, membership right, event ticket, ac-
18 cess credential, or other non-investment-based
19 use case solely because the non-fungible token
20 may appreciate in value or depend in part on
21 continued efforts or the reputation of the cre-
22 ator or issuer of the non-fungible token.

23 (3) EXCEPTIONS.—The safe harbor under para-
24 graph (1) shall not apply to—

1 (A) a mass-minted series of items with
2 substantially similar or nearly identical traits
3 that are marketed or sold interchangeably;

4 (B) a fractionalized interest in a non-fun-
5 gible token; or

6 (C) an interest representing a beneficial or
7 economic claim on a non-fungible token or an
8 asset that a non-fungible token represents.

9 (4) RELIANCE; PROSPECTIVE EFFECT.—

10 (A) RELIANCE.—A person, other than an
11 originator or related person, that reasonably
12 and in good faith relies on the safe harbor
13 under this subsection shall not be subject to
14 any civil or administrative penalties.

15 (B) PROSPECTIVE EFFECT.—Any deter-
16 mination by the Commission that the safe har-
17 bor under this subsection does not apply to a
18 particular circumstance shall—

19 (i) be prospective only; and

20 (ii) take effect not earlier than 60
21 days after the date on which the Commis-
22 sion publicly posts that determination.

1 **SEC. 503. STUDY ON NON-FUNGIBLE TOKENS.**

2 (a) DEFINITION.—In this section, the term “non-fun-
3 gible token” has the meaning given the term in section
4 502.

5 (b) STUDY.—The Comptroller General of the United
6 States shall carry out a study of non-fungible tokens that
7 analyzes—

8 (1) the nature, size, role, purpose, and use of
9 non-fungible tokens;

10 (2) the similarities and differences between non-
11 fungible tokens and other digital commodities, in-
12 cluding digital commodities and payment stablecoins,
13 and how the markets for those digital commodities
14 intersect;

15 (3) how non-fungible tokens are minted by
16 issuers and subsequently administered to purchasers;

17 (4) how non-fungible tokens are stored after
18 being purchased by a consumer;

19 (5) the interoperability of non-fungible tokens
20 between different distributed ledger systems;

21 (6) the scalability of different non-fungible
22 token marketplaces;

23 (7) the benefits of non-fungible tokens, includ-
24 ing verifiable digital ownership;

25 (8) the risks of non-fungible tokens, including—
26 (A) intellectual property rights;

1 (B) cybersecurity risks; and

2 (C) market risks;

3 (9) whether and how non-fungible tokens have
4 been, or could be, integrated with traditional mar-
5 ketplaces, including marketplaces for music, real es-
6 tate, gaming, events, and travel;

7 (10) whether and how non-fungible tokens have
8 been, or could be, used to facilitate commerce or
9 other activities through the representation of docu-
10 ments, identification, contracts, licenses, and other
11 commercial, governmental, or personal records;

12 (11) any risks to traditional markets from the
13 integration described in paragraph (9); and

14 (12) the levels and types of illicit activity in
15 non-fungible token markets.

16 (c) REPORT.—Not later than 1 year after the date
17 of enactment of this Act, the Comptroller General of the
18 United States shall make publicly available a report that
19 includes the results of the study required under subsection
20 (b).

21 **SEC. 504. SAFE HARBOR FOR DECENTRALIZED PHYSICAL**
22 **INFRASTRUCTURE NETWORKS.**

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

1 **“SEC. 4C. EXEMPTION FOR DECENTRALIZED PHYSICAL IN-**
2 **FRASTRUCTURE NETWORKS.**

3 “(a) DEFINITIONS.—In this section:

4 “(1) DECENTRALIZED PHYSICAL INFRASTRUC-
5 TURE NETWORK.—The term ‘decentralized physical
6 infrastructure network’ means a system that uses
7 distributed ledger technology to coordinate and ad-
8 minister the contribution, operation, or maintenance
9 of physical resources, including devices, data stor-
10 age, computing power, connectivity, or energy infra-
11 structure, by multiple independent participants in a
12 manner that is designed to prevent any single person
13 or entity from exercising unilateral control over the
14 operation or governance of the system.

15 “(2) DECENTRALIZED PHYSICAL INFRASTRUC-
16 TURE NETWORK TOKEN.—The term ‘decentralized
17 physical infrastructure network token’ means a dig-
18 ital asset that is—

19 “(A) issued solely for use within, and as an
20 integral part of, a decentralized physical infra-
21 structure network; and

22 “(B) designed to—

23 “(i) facilitate participation in the
24 management, operation, resource provi-
25 sioning, or governance of the decentralized

1 physical infrastructure network described
2 in subparagraph (A); or

3 “(ii) reward participants for the par-
4 ticipation described in clause (i).

5 “(3) DIGITAL ASSET; DISTRIBUTED LEDGER.—

6 The terms ‘digital asset’ and ‘distributed ledger’
7 have the meanings given those terms in section 2 of
8 the Responsible Financial Innovation Act of 2025.

9 “(b) EXEMPTION.—The offer or sale of a digital asset
10 issued or sold in connection with a decentralized physical
11 infrastructure network shall not be considered an offer or
12 sale of a security, if—

13 “(1) the digital asset is issued and administered
14 pursuant to programmatic rules that enable holders
15 of the digital asset or participants in the decentral-
16 ized physical infrastructure network to participate in
17 a nondiscriminatory basis in the governance, oper-
18 ation, or management of the decentralized physical
19 infrastructure network;

20 “(2) the principal purpose of the digital asset is
21 to incentivize or provide compensation for the provi-
22 sion, deployment, operation, or maintenance of phys-
23 ical resources that comprise the decentralized phys-
24 ical infrastructure network;

1 “(3) no person or entity, alone or in concert
2 with others, beneficially owns or controls not less
3 than 20 percent of the outstanding supply of digital
4 assets related to that decentralized physical infra-
5 structure network at any time after the initial dis-
6 tribution of the digital asset; and

7 “(4) before the public launch of the decentral-
8 ized physical infrastructure network—

9 “(A) no core developer or service provider
10 sells, directly or indirectly, that digital asset to
11 the general public or to a digital asset broker;
12 and

13 “(B) the proportion of physical resources
14 deployed or activated by core developers and
15 services providers with respect to the decentral-
16 ized physical infrastructure network, in the ag-
17 gregate, does not exceed the proportion of those
18 resources deployed or activated by unaffiliated
19 participants.

20 “(c) NETWORK REQUIREMENTS.—A decentralized
21 physical infrastructure network shall be eligible for the ex-
22 emption under subsection (b) only if—

23 “(1) the operator of, or relevant participants in,
24 the decentralized physical infrastructure network
25 possess all licenses required by applicable Federal,

1 State, or local law to operate as a utility or infra-
2 structure provider, if those licenses are required for
3 lawful operation;

4 “(2) the architecture of the decentralized phys-
5 ical infrastructure network minimizes single points
6 of failure by distributing essential infrastructure or
7 control functions across multiple, independent par-
8 ticipants;

9 “(3) the decentralized physical infrastructure
10 network demonstrates scalability that is reasonably
11 sufficient to address foreseeable increases in de-
12 mand;

13 “(4) the decentralized physical infrastructure
14 network incorporates technical and operational safe-
15 guards that are reasonably designed to secure infra-
16 structure, participant data, and network operations
17 against unauthorized access and malicious activity;

18 “(5) the decentralized physical infrastructure
19 network includes mechanisms to promote operational
20 reliability and to prevent, detect, and mitigate fraud
21 or abuse; and

22 “(6) the decentralized physical infrastructure
23 network provides for technical integration with exist-
24 ing infrastructure, systems, or users as necessary to
25 promote adoption or utility.

1 “(d) NOTICE OF RELIANCE.—Any person or entity
2 claiming the exemption under this section shall furnish the
3 Commission with a notice of reliance in such form and
4 in such manner as the Commission may prescribe by rule,
5 which shall effective upon filing with the Commission, un-
6 less otherwise provided by the Commission.

7 “(e) RULEMAKING.—The Commission shall issue
8 such rules, forms, or guidance as may be necessary or ap-
9 propriate to carry out this section.”.

10 **SEC. 505. TREATMENT OF CERTAIN NON-CONTROLLING DE-**
11 **VELOPERS WITH RESPECT TO MONEY TRANS-**
12 **MISSION LAWS.**

13 (a) DEFINITIONS.—In this section:

14 (1) DEVELOPER OR PROVIDER.—The term “de-
15 veloper or provider” means any person or business
16 that creates or publishes software to facilitate the
17 creation of, or provide maintenance to, a distributed
18 ledger, or a service associated with a distributed
19 ledger.

20 (2) DISTRIBUTED LEDGER SERVICE.—The term
21 “distributed ledger service” means any information,
22 transaction, or computing service or system that
23 provides or enables access to a distributed ledger
24 network by multiple users, including a service or sys-
25 tem that enables users to send, receive, exchange, or

1 store digital assets described by distributed ledger
2 networks.

3 (3) NON-CONTROLLING DEVELOPER OR PRO-
4 VIDER.—The term “non-controlling developer or pro-
5 vider” means a developer or provider of a distributed
6 ledger service that, in the regular course of oper-
7 ations, does not have the legal right or the unilateral
8 and independent ability to control, initiate upon de-
9 mand, or effectuate transactions involving digital as-
10 sets to which users are entitled, without the ap-
11 proval, consent, or direction of any other third
12 party.

13 (b) TREATMENT.—Notwithstanding any other provi-
14 sion of law, a non-controlling developer or provider—

15 (1) shall not be treated as—

16 (A) a money transmitting business, as de-
17 fined in section 5330 of title 31, United States
18 Code, and the regulations promulgated under
19 that section; or

20 (B) engaged in money transmitting, as de-
21 fined in section 1960 of title 18, United States
22 Code; and

23 (2) on or after the date of enactment of this
24 Act, shall not be otherwise subject to any registra-
25 tion requirement that is substantially similar to a re-

1 requirement (as in effect on the day before the date
2 of enactment of this Act) that applies to an entity
3 described in subparagraph (A) or (B) of paragraph
4 (1), solely on the basis of—

5 (A) creating or publishing software to fa-
6 cilitate the creation of, or providing mainte-
7 nance services to, a distributed ledger or a serv-
8 ice associated with a distributed ledger;

9 (B) providing hardware or software to fa-
10 facilitate a customer’s own custody or safekeeping
11 of the digital assets of the customer; or

12 (C) providing infrastructure support to
13 maintain a distributed ledger service.

14 (c) RULES OF CONSTRUCTION.—Nothing in this sec-
15 tion may be construed—

16 (1) to affect whether a developer or provider of
17 a blockchain service is otherwise subject to classi-
18 fication or treatment as a money transmitter, or as
19 engaged in money transmitting, under applicable
20 Federal or State law, including laws relating to anti-
21 money laundering or countering the financing of ter-
22 rorism, based on conduct outside the scope of sub-
23 section (c);

24 (2) to affect whether a developer or provider is
25 otherwise subject to classification or treatment as a

1 financial institution under subchapter II of chapter
2 53 of title 31, United States Code, this Act, any
3 amendment made by this Act, or any Act enacted
4 after the date of enactment of this Act;

5 (3) to limit or expand any law pertaining to in-
6 tellectual property;

7 (4) to prevent any State from enforcing any
8 State law that is consistent with this section; or

9 (5) to create a cause of action or impose liabil-
10 ity under any State or local law that is inconsistent
11 with this section.

12 **SEC. 506. SELF-CUSTODY.**

13 (a) DEFINITIONS.—In this section:

14 (1) COVERED USER.—The term “covered user”
15 means a person that obtains digital assets to pur-
16 chase goods or services on behalf of that person,
17 without regard to the method in which that person
18 obtained those digital assets.

19 (2) SELF-HOSTED WALLET.—The term “self-
20 hosted wallet” means a digital interface—

21 (A) that is used to secure and transfer dig-
22 ital assets; and

23 (B) under which the owner of digital assets
24 secured and transferred under subparagraph

1 (A) retains independent control over those dig-
2 ital assets.

3 (b) SELF-CUSTODY.—A Federal agency may not pro-
4 hibit, restrict, or otherwise impair the ability of a covered
5 user to self-custody digital assets using a self-hosted wallet
6 or other means to conduct transactions for any lawful pur-
7 pose.

8 **TITLE VI—BANKRUPTCY**

9 **SEC. 601. CUSTOMER PROPERTY PROTECTIONS FOR ANCIL-** 10 **LARY ASSETS AND DIGITAL COMMODITIES IN** 11 **BANKRUPTCY.**

12 (a) DEFINITIONS FOR STOCKBROKER LIQUIDA-
13 TION.—

14 (1) IN GENERAL.—Section 741 of title 11,
15 United States Code, is amended—

16 (A) by redesignating paragraphs (5)
17 through (9) as paragraphs (7) through (11), re-
18 spectively;

19 (B) by redesignating paragraphs (1)
20 through (4) as paragraphs (2) through (5), re-
21 spectively;

22 (C) by inserting before paragraph (2), as
23 so redesignated, the following:

1 “(1) ‘ancillary asset’ has the meaning given
2 that term section 2 of the Responsible Financial In-
3 novation Act of 2025;”;

4 (D) in paragraph (3), as so redesignated—

5 (i) in subparagraph (A)(vi), by strik-
6 ing “and” at the end;

7 (ii) by redesignating subparagraph
8 (B) as subparagraph (C);

9 (iii) by inserting after subparagraph
10 (A) the following:

11 “(B) entity with whom a person deals as
12 principal or agent and that has a claim against
13 such person on account of a digital commodity
14 or an ancillary asset received, acquired, or held
15 by such person from or for the securities ac-
16 count or accounts of such entity for 1 or more
17 of the purposes identified in clauses (i) through
18 (vi) of subparagraph (A) of this paragraph;
19 and”;

20 (iv) in subparagraph (C), as so redesi-
21 gnated—

22 (I) in clause (i)—

23 (aa) by inserting “, ancillary
24 asset, or digital commodity” after

25 “security”; and

1 (bb) by inserting “or (B)”

2 after “subparagraph (A)”; and

3 (II) in clause (ii), by inserting

4 “an ancillary asset, a digital com-
5 modity,” after “a security,”;

6 (E) in paragraph (5), as so redesignated,

7 in the matter preceding subparagraph (A), by

8 inserting “ancillary asset, digital commodity,”

9 after “cash, security,” each place it appears;

10 (F) by inserting after paragraph (5), as so

11 redesignated, the following:

12 “(6) ‘digital commodity’ has the meaning given

13 that term in section 2 of the Responsible Financial

14 Innovation Act of 2025;” and

15 (G) in paragraph (8), as so redesignated,

16 in subparagraph (A)(i), by inserting “, ancillary

17 asset positions, and digital commodities posi-

18 tions” after “securities positions”.

19 (b) EXTENT OF CUSTOMER CLAIMS.—Section 746(b)

20 of title 11, United States Code, is amended, in the matter

21 preceding paragraph (1), by striking “cash or a security”

22 and inserting “cash, a security, an ancillary asset, or a

23 digital commodity”.

1 (c) DEFINITIONS FOR COMMODITY BROKER LIQ-
2 UIDATIONS.—Section 761 of title 11, United States Code,
3 is amended—

4 (1) by redesignating paragraphs (11) through
5 (17) as paragraphs (13) through (19), respectively;

6 (2) by redesignating paragraphs (2) through
7 (10) as paragraphs (3) through (11), respectively;

8 (3) by inserting after paragraph (1) the fol-
9 lowing:

10 “(2) ‘ancillary asset’ has the meaning given
11 that term section 2 of the Responsible Financial In-
12 novation Act of 2025;”;

13 (4) in paragraph (11), as so redesignated, in
14 subparagraph (A)—

15 (A) in clause (viii), by striking “and” at
16 the end;

17 (B) in clause (ix), by striking “but” at the
18 end and inserting “and”; and

19 (C) by adding at the end the following:

20 “(x) any ancillary asset or digital
21 commodity held, controlled, or managed for
22 customers in connection with custody,
23 trading, staking, lending, or related serv-
24 ices, and accurately classified on the pro-
25 vider’s daily records, received, acquired, or

1 held by or for the account of the debtor
2 from or for the account of a customer;
3 but”; and

4 (5) by inserting after paragraph (11), as so re-
5 designated, the following:

6 “(12) ‘digital commodity’ has the meaning
7 given that term in section 2 of the Responsible Fi-
8 nancial Innovation Act of 2025;”.

9 (d) TECHNICAL AND CONFORMING AMENDMENTS.—

10 (1) Section 546(e) of title 11, United States
11 Code, is amended—

12 (A) by striking “section 741(7)” and in-
13 serting “section 741”; and

14 (B) by striking “section 761(4)” and in-
15 serting “section 761”.

16 (2) Section 561 of title 11, United States Code,
17 is amended—

18 (A) in paragraph (1), by striking “section
19 741(7)” and inserting “section 741”; and

20 (B) in paragraph (2), by striking “section
21 761(4)” and inserting “section 761”.

22 (3) Section 752(e) of title 11, United States
23 Code, is amended by striking “section 741(4)(B)”
24 and inserting “section 471(5)(B)”.

25 (e) CLARIFICATION.—For the avoidance of doubt—

1 (1) nothing in this section or an amendment
2 made by this section shall be construed to apply to
3 securities or cash held by a broker-dealer and such
4 assets and related claims shall be governed exclu-
5 sively by the Securities Investor Protection Act of
6 1970 (15 U.S.C. 78aaa et seq.);

7 (2) nothing in this section or an amendment
8 made by this section shall be construed to apply to
9 deposits held by a bank or commodity contracts,
10 which shall be governed by the relevant applicable
11 law; and

12 (3) in any liquidation proceeding under sub-
13 chapter III or IV of chapter 7 of title 11, United
14 States Code, those provisions shall be construed to
15 treat ancillary assets and digital commodities held
16 for customers as customer property governed by title
17 11 and required to be distributed according to such
18 title.

19 **TITLE VII—EFFECTIVE DATE** 20 **AND RULEMAKING**

21 **SEC. 701. JOINT ADVISORY COMMITTEE ON DIGITAL AS-** 22 **SETS.**

23 (a) ESTABLISHMENT.—The Commodity Futures
24 Trading Commission and the Securities and Exchange
25 Commission (referred to collectively in this section as the

1 “Commissions”) shall jointly establish the Joint Advisory
2 Committee on Digital Assets (referred to in this section
3 as the “Committee”).

4 (b) PURPOSE.—

5 (1) IN GENERAL.—The Committee shall—

6 (A) provide the Commissions with official
7 findings and nonbinding recommendations on—

8 (i) the rules, regulations, oversight,
9 and other matters of the Commissions re-
10 lating to digital assets, including with re-
11 spect to regulatory harmonization between
12 the Commissions;

13 (ii) how to further the regulatory har-
14 monization of digital asset policy between
15 the Commissions or areas in which that
16 harmonization should occur; and

17 (iii) the implementation by the Com-
18 missions of this Act, and the amendments
19 made by this Act, including with respect to
20 regulatory harmonization between the
21 Commissions and the Joint Micro-Innova-
22 tion Sandbox established pursuant to sec-
23 tion 401;

24 (B) develop and share objective methods
25 and best practices for evaluating digital asset

1 networks and activities, including, as appro-
2 priate, technical features, economic design, and
3 implications for market integrity, investor pro-
4 tection, and operational resilience; and

5 (C) issue nonbinding recommendations to
6 assist in resolving disputes between the Com-
7 missions, as provided in section 702(b).

8 (c) REVIEW BY THE COMMISSIONS.—Each of the
9 Commissions shall—

10 (1) review the findings and nonbinding rec-
11 ommendations provided under subsection (b)(1)(A);

12 (2) promptly publish a public statement each
13 time the Committee submits a finding or nonbinding
14 recommendation to the applicable Commission under
15 subsection (b)(1)(A) that—

16 (A) assesses the finding or recommenda-
17 tion;

18 (B) if applicable, discloses the action or de-
19 cision not to take action; and

20 (C) if applicable, explains the rationale for
21 the action or decision not to take action; and

22 (3) provide the Committee with a formal writ-
23 ten response not later than 90 days after the date
24 of submission of the finding or nonbinding rec-
25 ommendation under subsection (b)(1)(A).

1 (d) MEMBERSHIP AND LEADERSHIP.—

2 (1) NON-FEDERAL MEMBERS; SIZE AND COM-
3 POSITION.—

4 (A) IN GENERAL.—The Commissions shall
5 appoint to the Committee not more than 14
6 nongovernmental voting members who represent
7 a broad spectrum of interests, equally divided
8 between the Commissions.

9 (B) SPECIFIC MEMBERS.—For each of the
10 Commissions, the appointees under subpara-
11 graph (A) of this paragraph shall include—

12 (i) 2 individuals described in para-
13 graph (2)(A);

14 (ii) 2 individuals described in para-
15 graph (2)(B);

16 (iii) 1 individual described in para-
17 graph (2)(C); and

18 (iv) 2 individuals described in para-
19 graph (2)(D).

20 (2) MEMBERS DESCRIBED.—A member de-
21 scribed in this paragraph is—

22 (A) an individual who is employed by, or is
23 a related person (as defined in section 103(a))
24 with respect to, a digital asset market partici-
25 pant;

1 (B) a person registered with either of the
2 Commissions and that is engaged in activities
3 relating to digital assets;

4 (C) an individual engaged in academic re-
5 search relating to digital assets; and

6 (D) a user of digital assets.

7 (3) NIST.—The Director of the National Insti-
8 tute of Standards and Technology, or the designee
9 of the Director, shall serve in an advisory capacity
10 as a nonvoting, ex officio member of the Committee,
11 and shall not be excluded from any proceedings,
12 meetings, discussions, or deliberations of the Com-
13 mittee, except that the chair of the Committee, upon
14 an affirmative vote of the Committee, may exclude
15 the Director or the designee from any proceedings,
16 meetings, discussions, or deliberations of the Com-
17 mittee when necessary to safeguard and promote the
18 free exchange of confidential information.

19 (4) CO-DESIGNATED FEDERAL OFFICERS; COM-
20 MISSIONER SUPPORT.—

21 (A) CO-DESIGNATED FEDERAL OFFI-
22 CERS.—

23 (i) IN GENERAL.—Each Commission
24 shall designate 1 Federal officer to serve

1 as co-designated Federal officers of the
2 Committee.

3 (ii) SHARED DUTIES.—The duties re-
4 quired by section 1009(e) of title 5, United
5 States Code, to be carried out by a des-
6 ignated Federal officer with respect to the
7 Committee shall be shared by the Federal
8 officers of the Committee who are co-des-
9 ignated under clause (i).

10 (B) COMMISSIONER SUPPORT.—

11 (i) IN GENERAL.—Commissioners of
12 the Commissions may be supported by offi-
13 cers or employees of the respective Com-
14 mission who may prepare or transmit ma-
15 terials, coordinate with agency staff, liaise
16 with Committee leadership, propose agenda
17 items, gather information, and otherwise
18 support the participation of that commis-
19 sioner in Committee business, in an ex
20 officio, nonvoting capacity.

21 (ii) RULE OF CONSTRUCTION.—An of-
22 ficer or employee described in clause (i)
23 shall not be considered to be a member of
24 the Committee for purposes of chapter 10
25 of title 5, United States Code.

1 (5) COMMITTEE LEADERSHIP.—The members
2 of the Committee shall elect, from among the mem-
3 bership of the Committee—

4 (A) a chair;

5 (B) a vice chair;

6 (C) a secretary; and

7 (D) an assistant secretary.

8 (6) ROTATING CHAIR.—The chair and vice
9 chair of the Committee shall rotate annually between
10 the Commissions, with the Commission designating
11 the chair in even-numbered calendar years, the Com-
12 modity Futures Trading Commission designating the
13 chair in odd-numbered calendar years, the Commis-
14 sion designating the vice chair in odd-numbered cal-
15 endar years, and the Commodity Futures Trading
16 Commission designating the vice chair in even-num-
17 bered calendar years.

18 (7) TERMS; VACANCIES; HOLDOVER.—

19 (A) IN GENERAL.—Each non-Federal
20 member of the Committee shall be appointed
21 for a term of 4 years.

22 (B) SERVICE UNTIL NEW APPOINTMENT.—
23 A member of the Committee may continue to
24 serve after the expiration of the term of the
25 member until a successor is appointed.

1 (C) VACANCIES.—A vacancy with respect
2 to membership in the Committee shall be filled
3 only for the remainder of the applicable term.

4 (D) REAPPOINTMENT.—A member of the
5 Committee may be reappointed.

6 (8) STATUS OF MEMBERS.—A member of the
7 Committee appointed under paragraph (1) shall not
8 be deemed to be an employee or agent of either of
9 the Commissions solely by reason of membership on
10 the Committee.

11 (e) NO COMPENSATION FOR COMMITTEE MEM-
12 BERS.—

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

15 (A) serve without compensation; and

16 (B) while away from the home or regular
17 place of business of the member in the perform-
18 ance of services for the Committee, be allowed
19 travel expenses, including per diem in lieu of
20 subsistence, in the same manner as persons em-
21 ployed intermittently in Government service are
22 allowed expenses under section 5703 of title 5,
23 United States Code.

24 (2) NO COMPENSATION FOR CO-DESIGNATED
25 FEDERAL OFFICERS.—The Federal officers co-des-

1 ignated under subsection (d)(4)(A) shall serve with-
2 out compensation in addition to that received for
3 their services as officers or employees of the United
4 States.

5 (f) FREQUENCY OF MEETINGS.—The Committee
6 shall meet—

7 (1) not less frequently than twice annually; and

8 (2) at such other times as either of the Com-
9 missions may request.

10 (g) PROCEDURES; ADVISORY NATURE.—

11 (1) IN GENERAL.—The Committee shall operate
12 pursuant to chapter 10 of title 5, United States
13 Code, except as otherwise expressly provided by this
14 section.

15 (2) ADVISORY NATURE OF RECOMMENDA-
16 TIONS.—The recommendations of the Committee are
17 advisory in nature, shall not create any legal rights
18 or obligations, and shall not limit or delay the inde-
19 pendent authority of either of the Commissions.

20 (h) TIME LIMITS.—The Commissions shall—

21 (1) not later than 90 days after the date of en-
22 actment of this Act, adopt a joint charter for the
23 Committee;

1 (2) not later than 120 days after the date of
2 enactment of this Act, make the appointments re-
3 quired under subsection (d)(1); and

4 (3) not later than 180 days after the date of
5 enactment of this Act, hold the initial meeting of the
6 Committee.

7 (i) FUNDING.—Subject to the availability of funds,
8 the Commissions shall jointly fund the Committee.

9 (j) DURATION AND RENEWAL.—

10 (1) INITIAL PERIOD.—The Committee shall re-
11 main in effect for 10 years beginning on the date of
12 enactment of this section.

13 (2) RENEWAL THEREAFTER.—At the conclu-
14 sion of the 10-year period described in paragraph
15 (1)—

16 (A) the Committee shall be subject to sub-
17 sections (a) and (b) of section 1013 of title 5,
18 United States Code; and

19 (B) the Commissions may renew the Com-
20 mittee for successive 2-year periods by pub-
21 lishing a notice in the Federal Register, con-
22 sistent with chapter 10 of title 5, United States
23 Code.

24 **SEC. 702. RESOLUTION OF DISAGREEMENTS.**

25 (a) FORMAL NOTICE OF DISAGREEMENT.—

1 (1) IN GENERAL.—If the Commission and the
2 Commodity Futures Trading Commission (referred
3 to collectively in this section as the “Commissions”)
4 are unable to resolve a question concerning their re-
5 spective authorities, responsibilities, or regulatory
6 treatment under this Act (or an amendment made
7 by this Act) with respect to digital asset activities,
8 either of the Commissions may initiate a formal no-
9 tice of disagreement.

10 (2) PROCEDURE.—The Commission that initi-
11 ates a formal notice of disagreement under para-
12 graph (1) shall—

13 (A) prepare a draft notice setting forth the
14 matter in dispute, the relevant facts, and the
15 legal position of the Commission; and

16 (B) transmit the draft to the other Com-
17 mission.

18 (3) RESPONSE.—Not later than 30 days after
19 a Commission receives a formal notice of disagree-
20 ment under paragraph (2), that Commission shall
21 provide a response, setting forth the legal position of
22 that Commission.

23 (4) FINAL NOTICE.—Upon receiving a response
24 under paragraph (3), the Commission that initiated
25 a formal notice of disagreement under this sub-

1 section shall finalize and transmit that notice, which
2 shall include the views of both Commissions, to the
3 Secretary of the Treasury, the Joint Advisory Com-
4 mittee on Digital Assets established under section
5 701 (referred to in this section as the “Committee”),
6 and the Chair of the other Commission.

7 (b) JOINT ADVISORY COMMITTEE RECOMMENDA-
8 TION.—Not later than 30 days after the date on which
9 the Committee receives a formal notice of disagreement
10 under subsection (a), the Committee shall issue a non-
11 binding recommendation to the Commissions regarding
12 the disagreement.

13 (c) REFERRAL TO TREASURY; DETERMINATION.—

14 (1) IN GENERAL.—If, as of the date that is 30
15 days after the date on which one of the Commissions
16 issues a formal notice of disagreement under sub-
17 section (a), the Commissions are unable to resolve
18 the disagreement, either Commission may refer the
19 matter to the Secretary of the Treasury for resolu-
20 tion.

21 (2) WRITTEN DETERMINATION.—Not later than
22 30 days after the date on which the Secretary of the
23 Treasury receives a referral under paragraph (1),
24 the Secretary shall issue a written determination re-
25 garding the matter, which—

1 (A) shall be binding on the actions of the
2 Commissions unless and until superseded by a
3 subsequent determination of the Secretary, by
4 joint rulemaking of the Commissions, or by a
5 duly enacted Act of Congress; and

6 (B) shall not otherwise have the force or
7 effect of law.

8 (3) RULE OF CONSTRUCTION.—Nothing in this
9 subsection may be construed to alter, displace, or
10 preclude any procedures, requirements, or remedies
11 applicable under chapter 5 of title 5, United States
12 Code.

13 (d) PUBLICATION.—All formal notices of disagree-
14 ment, recommendations, and determinations under this
15 section shall be published in the Federal Register, except
16 to the extent that such publication would disclose—

17 (1) confidential supervisory information;

18 (2) trade secrets; or

19 (3) commercial or financial information that is
20 obtained from a person and is privileged or confiden-
21 tial or could otherwise compromise market integrity.

22 **SEC. 703. RULEMAKINGS.**

23 Except as otherwise provided, not later than 1 year
24 after the date of enactment of this Act, each applicable
25 regulator shall promulgate regulations to carry out this

1 Act, and the amendments made by this Act, through ap-
2 propriate notice and comment rulemaking.

3 **SEC. 704. EFFECTIVE DATE.**

4 This Act, and the amendments made by this Act,
5 shall take effect on the date that is 360 days after the
6 date of enactment of this Act, except that, if a provision
7 of this Act, or an amendment made by this Act, requires
8 a rulemaking, that provision shall take effect on the later
9 of—

10 (1) the date that is 360 days after the date of
11 enactment of this Act; or

12 (2) the date that is 60 days after the publica-
13 tion in the Federal Register of the final rule imple-
14 menting the provision.