To provide for consumer protection and responsible financial innovation, to bring crypto assets within the regulatory perimeter, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Ms. LUMMIS (for herself and Mrs. GILLIBRAND) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To provide for consumer protection and responsible financial innovation, to bring crypto assets within the regulatory perimeter, and for other purposes.

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the “Lummis-Gillibrand Responsible Financial Innovation Act.”

(b) Table of Contents.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Definitions.
TITLE I—DEFINITIONS

Sec. 101. Definitions.

TITLE II—PUTTING CONSUMER PROTECTION FIRST

Sec. 201. Sense of Congress relating to crypto asset enforcement powers.
Sec. 202. Enforcement of consumer protection requirements.
Sec. 203. Mandatory proof of reserves; annual verification.
Sec. 204. Plain language crypto asset customer agreements.
Sec. 205. Basic consumer protection standards for crypto assets.
Sec. 206. Cleaning up crypto asset lending.
Sec. 207. Settlement finality.
Sec. 208. Advertisements of crypto asset intermediaries and certain other persons.
Sec. 209. Cybersecurity standards for crypto asset intermediaries.

TITLE III—COMBATING ILLICIT FINANCE

Sec. 301. Higher penalties for crypto asset crimes.
Sec. 302. Anti-money laundering examination standards.
Sec. 303. Crypto asset kiosks.
Sec. 304. Independent Financial Technology Working Group to Combat Terrorism and Illicit Financing.
Sec. 305. Sanctions compliance responsibilities of payment stablecoin issuers.
Sec. 306. Crypto asset mixers and tumblers.
Sec. 307. Financial Crimes Enforcement Network Innovation Laboratory.

TITLE IV—RESPONSIBLE COMMODITIES REGULATION

Sec. 401. Definitions.
Sec. 402. Reporting and recordkeeping.
Sec. 403. Jurisdiction over crypto asset transactions.
Sec. 404. Registration of crypto asset exchanges.
Sec. 405. Supervision of affiliates.
Sec. 406. Violations.
Sec. 407. Market reports.
Sec. 408. Bankruptcy treatment of crypto assets.
Sec. 409. Identified banking products.
Sec. 410. Financial institutions definition.
Sec. 411. Offsetting the costs of crypto asset regulation.

TITLE V—RESPONSIBLE SECURITIES REGULATION

Sec. 501. Securities offerings involving certain intangible assets.
Sec. 502. Guidance relating to satisfactory control location.

TITLE VI—CUSTOMER PROTECTION AND MARKET INTEGRITY AUTHORITY

Sec. 601. Customer protection and market integrity authority.
Sec. 602. Registration, rulemaking, and supervision of customer protection and market integrity authorities.
Sec. 603. Records and reports; duties and powers of customer protection and market integrity authorities.

TITLE VII—RESPONSIBLE PAYMENTS INNOVATION
Sec. 701. Issuance of payment stablecoins.
Sec. 702. Treatment of endogenously referenced crypto assets.
Sec. 703. Certificate of authority to commence banking.
Sec. 704. Holding company supervision of covered depository institutions.
Sec. 705. Codifying custodial principles for financial institutions.
Sec. 706. Implementation rules to preserve adequate competition in payment stablecoins.
Sec. 707. Study on use of distributed ledger technology for reduction of risk in depository institutions.
Sec. 708. Clarifying application review times with respect to the Federal banking agencies.
Sec. 709. Conforming amendments.

TITLE VIII—RESPONSIBLE TAXATION OF CRYPTO ASSETS
Sec. 801. De minimis gain from sale or exchange of crypto assets.
Sec. 802. Information reporting requirements imposed on brokers with respect to crypto assets.
Sec. 803. Sources of income.
Sec. 804. Tax treatment of crypto asset lending agreements and related matters.
Sec. 805. Loss from wash sales of crypto assets.
Sec. 806. Mark-to-market election.
Sec. 807. Forks, airdrops, and subsidiary value.
Sec. 808. Crypto asset mining and staking.
Sec. 809. Charitable contributions and qualified appraisals.

TITLE IX—RESPONSIBLE INTERAGENCY COORDINATION
Sec. 901. Timeline for interpretive guidance issued by Federal financial agencies.
Sec. 902. State money transmission coordination relating to crypto assets.
Sec. 903. Information sharing among Federal and State financial regulators.
Sec. 904. Report on energy consumption in crypto asset markets.
Sec. 905. Analysis of energy consumption by distributed ledger technologies.
Sec. 906. Report on distributed ledger applications in energy.
Sec. 907. Permitting Federal Government employees to gain experience with crypto asset technologies.
Sec. 908. Advisory Committee on Financial Innovation.

TITLE X—EQUIPPING AGENCIES TO PROTECT CONSUMERS AND PROMOTE RESPONSIBLE INNOVATION
Sec. 1001. Executive Office of the President appropriations.
Sec. 1002. Financial Crimes Enforcement Network appropriations.
Sec. 1003. Commodity Futures Trading Commission appropriations.
Sec. 1004. Securities and Exchange Commission appropriations.
Sec. 1005. Federal Trade Commission appropriations.
Sec. 1006. Advisory Commission on Financial Innovation appropriations.

1 SEC. 2. DEFINITIONS.

2 In this Act:
(1) Commodity.—The term “commodity” has the meaning given the term in section 1a of the Commodity Exchange Act (7 U.S.C. 1a).

(2) Crypto asset; crypto asset intermediary; distributed ledger technology; payment stablecoin; smart contract.—The terms “crypto asset”, “crypto asset intermediary”, “distributed ledger technology”, “payment stablecoin” and “smart contract” have the meanings given the terms in section 9801 of title 31, United States Code, as added by section 101 of this Act.

(3) Security.—Except as otherwise expressly provided, the term “security” has the meaning given the term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).

TITLE I—DEFINITIONS

SEC. 101. DEFINITIONS.

(a) In General.—Subtitle VI of title 31, United States Code, is amended by adding after chapter 97 the following:

“CHAPTER 98—CRYPTO ASSETS

"Sec. 9801. Definitions.

§ 9801. Definitions

“In this chapter:
“(1) APPROPRIATE COMMISSION.—The term ‘appropriate commission’ means the Commodity Futures Trading Commission or the Securities and Exchange Commission, or both, if applicable, based on the commission that has statutory jurisdiction over a crypto asset intermediary and acts as the primary registration or licensing authority for that intermediary.

“(2) CRYPTO ASSET.—The term ‘crypto asset’—

“(A) means a natively electronic asset that—

“(i) confers economic, proprietary, or access rights or powers;

“(ii) is recorded using cryptographically secured distributed ledger technology, or any similar analogue; and

“(iii) does not represent, derive value from, or maintain backing by, a financial asset (except other crypto assets); and

“(B) does not include—

“(i) a payment stablecoin, except as otherwise provided by this chapter; and

“(ii) other interests in financial assets (except other crypto assets) represented on
a distributed ledger or any similar analogue.

“(3) CRYPTO ASSET INTERMEDIARY.—The term ‘crypto asset intermediary’—

“(A) means—

“(ii) a person who is required by law
to hold a license, registration, or other
similar authorization described in clause
(i); and
“(B) does not include a depository institu-
tion.
“(4) DEPOSITORY INSTITUTION.—The term ‘de-
pository institution’ has the meaning given the term
in section 19(b)(1) of the Federal Reserve Act (12
U.S.C. 461(b)(1)).
“(5) DISTRIBUTED LEDGER TECHNOLOGY.—
The term ‘distributed ledger technology’ means tech-
nology that enables the operation and use of a ledger
that—
“(A) is shared across a set of distributed
nodes that participate in a network and store a
complete or partial replica of the ledger;
“(B) is synchronized between the nodes;
“(C) has data appended to the ledger by
following the specified consensus mechanism of
the ledger;
“(D) may be accessible to anyone or re-
stricted to a subset of participants; and
“(E) may require participants to have authorization to perform certain actions or require no authorization.

“(6) PAYMENT STABLECOIN.—The term ‘payment stablecoin’ means a claim represented on a distributed ledger or a similar analogue that is—

“(A) redeemable, on demand, on a 1-to-1 basis for instruments denominated in United States dollars;

“(B) issued by a business entity;

“(C) accompanied by a statement from the issuer that the asset is redeemable, as specified in subparagraph (A), from the issuer or another identified person;

“(D) backed by 1 or more financial assets (excluding other crypto assets), consistent with subparagraph (A); and

“(E) intended to be used as a medium of exchange.

“(7) SECURITY.—The term ‘security’ has the meaning given the term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).

“(8) SMART CONTRACT.—The term ‘smart contract’—

“(A) means—
“(i) computer code deployed to a distributed ledger technology network that executes an instruction based on the occurrence or nonoccurrence of specified conditions; or

“(ii) any similar analogue; and

“(B) includes taking possession or control of a crypto asset and transferring the asset or issuing executable instructions for these actions.”.

(b) TECHNICAL AND CONFORMING AMENDMENT.—

The table of contents for subtitle VI of title 31, United States Code, is amended by adding at the end the following:

“98. Crypto assets ................................................................. 9801”.

TITLE II—PUTTING CONSUMER PROTECTION FIRST

SEC. 201. SENSE OF CONGRESS RELATING TO CRYPTO ASSET ENFORCEMENT POWERS.

(1) Congress finds the following relating to the authority of the Commodity Futures Trading Commission:

(A) The Commodity Futures Trading Commission has enforcement tools to ensure compliance with the commodities laws of the United States, which Congress has designed to
promote responsible innovation through a principles-based approach and to police fraud, scams, and wrongdoing.

(B) The authority of the Commodity Futures Trading Commission described in subparagraph (A) includes the following:

(i) Recommending criminal prosecution to the Department of Justice and State prosecutors for fraud and conspiracy.

(ii) Bringing civil actions to enjoin violations of this Act and other commodities laws.

(iii) Seeking civil monetary penalties, disgorgement of benefits, and restitution and freezing assets.

(iv) Revoking exchange trading privileges, registration, licenses, and other authorizations.

(v) Issuing cease and desist orders.

(C) Congress has granted the authorities described in this paragraph to the Commodity Futures Trading Commission to—

(i) ensure fair and transparent commodities markets with accurate price dis-
coverage and appropriate risk management;

and

(ii) facilitate responsible innovation.

(D) The Commodity Futures Trading Commission has a duty to use the authorities provided to the Commission to protect all market participants, regardless of sophistication level, from fraud, scams, and wrongdoing relating to crypto assets that are not securities, as defined in this Act, the Commodity Exchange Act (7 U.S.C. 1 et seq.), and case law.

(2) Congress finds the following relating to the authority of the Securities and Exchange Commission:

(A) The Securities and Exchange Commission has enforcement tools to—

(i) ensure compliance with the securities laws of the United States, which have made United States markets the envy of the world; and

(ii) police fraud, scams, and wrongdoing.

(B) The authority of the Securities and Exchange Commission described in subparagraph (A) includes the following:
(i) Recommending criminal proceedings to the Department of Justice or State prosecutors for fraud, investment scams, insider trading, conspiracy, and other violations of the securities laws of the United States.

(ii) Bringing civil actions to enjoin violations of this Act and the other securities laws.

(iii) Seeking civil monetary penalties, disgorgement of profits, and restitution.

(iv) Barring individuals from the securities industry and from serving as an officer or director of a particular company.

(v) Revoking registrations, licenses, or other authorizations.

(vi) Issuing cease and desist orders.

(C) Congress has granted the authorities described in this paragraph to the Securities and Exchange Commission to ensure fair, honest, and transparent securities markets that enable robust capital formation and a thriving economy.

(D) The Securities and Exchange Commission has a duty to use the authorities provided
to the Commission appropriately and proportionately to protect consumers from fraud, scams, and wrongdoing relating to crypto assets that are securities, as defined in this Act, the Securities Act of 1933 (15 U.S.C. 77a et seq.), the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), and case law, while providing clear guidance to innovators and market participants so that those innovators and market participants are able to clearly determine their legal obligations pursuant to the laws enacted by Congress.

SEC. 202. ENFORCEMENT OF CONSUMER PROTECTION REQUIREMENTS.

(a) IN GENERAL.—Chapter 98 of title 31, United States Code, as added by section 101(a) of this Act, is amended by adding at the end the following:

“§ 9802. Enforcement; rules

“(a) ENFORCEMENT OF STANDARDS.—Except as otherwise provided by this chapter, the standards of this chapter shall be enforced in an appropriate manner, commensurate with other customer protection standards—

“(1) in the case of a crypto asset intermediary,
tegrity authority has been chartered, by that author-
ity;

“(2) in the case of crypto asset intermediary, if
a crypto asset customer protection and market integ-

rity authority has not been chartered, by the Federal
or State licensing, registration, or chartering author-

ity of the intermediary; and

“(3) in the case of a depository institution or
other chartered financial institution, by the appro-

priate State or Federal banking supervisor.

“(b) RULEMAKING.—The Federal agencies specified
in paragraphs (2) and (3) of subsection (a) shall promul-
gate final rules to implement this title not later than 2
years after the date of enactment of this section.”.

(b) TECHNICAL AND CONFORMING AMENDMENT.—
The table of sections for chapter 98 of title 31, United
States Code, as added by section 101(a) of this Act, is
amended by adding at the end the following:

“9802. Enforcement; rules.”.

SEC. 203. MANDATORY PROOF OF RESERVES; ANNUAL
VERIFICATION.

(a) IN GENERAL.—Chapter 98 of title 31, United
States Code, as amended by section 202 of this Act, is
amended by adding at the end the following:
§ 9803. Mandatory proof of reserves; annual verification

“(a) Mandatory Proof of Reserves.—A crypto asset intermediary shall maintain a system, and the requisite policies and procedures, to demonstrate cryptographically verifiable possession or control of all crypto assets under custody or otherwise provided for safekeeping by a customer to the intermediary. A system created under this subsection shall be protected against disclosure of customer data, proprietary intermediary information, and other data which may lead to operational or cybersecurity risk.

“(b) Regular Financial Audit.—An independent public accountant retained by the intermediary shall annual verify possession or control of all crypto assets under custody, or otherwise provided for safekeeping by the intermediary, consistent with subsection (a). This verification shall include an examination of the system and the policies and procedures required by subsection (a) and shall take place pursuant to a written agreement between the intermediary and the accountant, at a time chosen by the accountant without prior notice which is irregular from year to year.

“(c) Report and Material Discrepancies.—Within 120 days of conducting a verification under subsection (b), the independent public accountant retained
under subsection (b) shall file a report with the appropriate commission and the applicable customer protection and market integrity authority, stating that the accountant has verified proof of reserves consistent with this section. If material discrepancies in the verification have been found by the independent public accountant, the accountant shall inform the appropriate commission and the customer protection and market integrity authority within 1 day of the conclusion of the verification.

“(d) Standards.—The Public Company Accounting Oversight Board shall adopt standards to implement subsections (a) and (b), in consultation with the Securities and Exchange Commission and Commodity Futures Trading Commission.”.

(b) Technical and Conforming Amendment.—The table of sections for chapter 98 of title 31, United States Code, as amended by section 202, is amended by adding at the end the following:

“9803. Mandatory proof of reserves; annual verification.”.

SEC. 204. Plain Language Crypto Asset Customer Agreements.

(a) In General.—Chapter 98 of title 31, United States Code, as amended by section 203 of this Act, is amended by adding at the end the following:
§ 9804. Plain language crypto asset customer agreements

(a) Plain Language Customer Agreements.—

In consultation with the Securities and Exchange Commission and the Commodity Futures Trading Commission, the Bureau of Consumer Financial Protection shall issue guidance setting forth best practices for crypto asset intermediary standard customer agreements and all disclosures required to be made under title II of the Lummis-Gillibrand Responsible Financial Innovation Act and other applicable law, which shall require the customer agreements and disclosures, in accordance with applicable law, to be written in plain language that is easily comprehensible to customers. Not later than 180 days after the date of enactment of this section, the Bureau shall create a publicly available database for the filing of all required documents under this section.

(b) Ancillary Asset Disclosures.—

(1) In general.—The Securities and Exchange Commission, in consultation with the Bureau of Consumer Financial Protection, shall issue guidance setting forth best practices for issuers under section 42 of the Securities Exchange Act of 1934 to create plain language summaries of disclosures required to be made to customers under that section.
“(2) CONTENTS.—Each summary described in paragraph (1) shall be—

“(A) not more than 2 pages in length; and

“(B) filed by the applicable issuer with the Securities and Exchange Commission at the same time as disclosures are filed under section 42 of the Securities Exchange Act of 1934.

“(c) REQUIREMENT TO FILE.—Crypto asset intermediaries shall file the following with the Bureau of Consumer Financial Protection:

“(1) Not later than 180 days after the date of enactment of this section, the standard customer agreement used by the intermediary on the date of enactment.

“(2) Any standard customer agreement used after the date of enactment of this section, but before the database under subsection (a) becomes operational, to be filed not more than 60 days after the date on which the database under subsection (a) becomes operational.

“(3) Any standard customer agreement used after the database under subsection (a) becomes operational, not more than 30 days after the date on which the agreement is first used by customers.
“(4) For all crypto assets supported by the crypto asset intermediary, all disclosures made under section 42 of the Securities Exchange Act of 1934 and the accompanying summaries.

“(5) Any other document that contains required disclosures under title II of the Lummis-Gillibrand Responsible Financial Innovation Act, not more than 30 days after the date on which the document is made available to customers.

“(d) FILING AND SUMMARY.—When filing a standard customer agreement under subsection (c), a crypto asset intermediary shall include a summary of changes (as compared to the previous filed version) that is in plain language, as determined by the Bureau of Consumer Financial Protection.

“(e) RULE OF CONSTRUCTION.—A filing under this section may not be construed to permit the Bureau of Consumer Financial Protection to approve the contents of any standard customer agreement.

“(f) RULES.—The Bureau of Consumer Financial Protection shall adopt rules to implement this section, with a comment period of not less than 90 days.”.

(b) TECHNICAL AND CONFORMING AMENDMENT.—

The table of sections for chapter 98 of title 31, United
States Code, as amended by section 203 of this Act, is amended by adding at the end the following:

“9804. Plain language crypto asset customer agreements.”.

SEC. 205. BASIC CONSUMER PROTECTION STANDARDS FOR CRYPTO ASSETS.

(a) IN GENERAL.—Chapter 98 of title 31, United States Code, as amended by section 203 of this Act, is amended by adding at the end the following:

“§9805. Basic consumer protection standards for crypto assets

“(a) IN GENERAL.—Each crypto asset intermediary shall ensure that the scope of permissible transactions that may be undertaken with crypto assets belonging to a customer is disclosed clearly in a customer agreement.

“(b) NOTICE.—Each crypto asset intermediary shall provide clear notice to each customer and require acknowledgment of the following:

“(1) Whether customer crypto assets are segregated from other customer assets and the manner of segregation.

“(2) How the crypto assets of the customer would be treated in a bankruptcy or insolvency scenario and the risk of loss.

“(3) The time period and manner in which the intermediary is obligated to return the crypto asset of the customer upon request.
“(4) Applicable fees imposed on a customer.

“(5) The dispute resolution process of the intermediary.

“(c) SUBSIDIARY PROCEEDS.—

“(1) DEFINITIONS.—In this subsection:

“(A) AGREEMENT.—The term ‘agreement’ includes the standard terms of service of a crypto asset intermediary.

“(B) SUBSIDIARY PROCEEDS.—The term ‘subsidiary proceeds’ includes forks, airdrops, staking, and other gains that accrue to a crypto asset through market transactions as a financial asset or as a result of being held in custody or safekeeping by a crypto asset intermediary.

“(2) ACCRUAL TO CUSTOMER.—Except as otherwise specified by an agreement with a customer, all subsidiary proceeds relating to crypto asset services provided to a customer shall accrue to the benefit of the customer in accordance with paragraph (3).

“(3) ELECTION.—A crypto asset intermediary may elect not to collect certain subsidiary proceeds if the election is disclosed in an agreement with the customer.
“(4) WITHDRAWAL.—A customer may request return of a crypto asset from an intermediary in a method that permits the collection of the subsidiary proceeds of the crypto asset.

“(5) AGREEMENT.—A crypto asset intermediary shall enter into an agreement with a customer, if desired by the customer, regarding the manner in which to invest subsidiary proceeds or other gains attributable to the crypto assets of the customer.

“(d) CEO ATTESTATIONS.—Each year, the chief executive officer of a crypto asset intermediary shall, under penalty of perjury, certify compliance with the following, to the best of the knowledge and belief of the chief executive officer:

“(1) Applicable anti-money laundering, customer identification, prevention of terrorist financing, and sanctions laws.

“(2) Applicable custodial and safekeeping laws, including proof of reserve requirements.

“(3) The other provisions of this chapter.”.

(b) TECHNICAL AND CONFORMING AMENDMENT.—

The table of sections for chapter 98 of title 31, United States Code, as amended by section 204 of this Act, is amended by adding at the end the following:

“9805. Basic consumer protection standards for crypto assets.”.
SEC. 206. CLEANING UP CRYPTO ASSET LENDING.

(a) In General.—Chapter 98 of title 31, United States Code, as amended by section 205 of this Act, is amended by adding at the end the following:

§9806. Crypto asset lending arrangements

“(a) LENDING ARRANGEMENTS.—A crypto asset intermediary shall ensure that any lending arrangements relating to crypto assets are—

“(1) clearly disclosed to customers before any lending services take place, including the potential bankruptcy treatment of customer assets in the event of insolvency;

“(2) subject to the affirmative consent of the customer;

“(3) fully enforceable as a matter of State commercial law, including the Uniform Commercial Code;

“(4) accompanied by full disclosures of applicable terms and risks, yield, and the manner in which the yield is calculated;

“(5) accompanied by appropriate disclosures relating to collateral requirements and policies, including—

“(A) possible reductions in value and overcollateralization requirements with respect to a crypto asset;
“(B) collateral the intermediary accepts when calling for additional collateral from a customer, including collateral substitution; 

“(C) whether customer collateral is commingled with the collateral of other customers or of the intermediary; and 

“(D) how customer collateral is invested and whether the yield belongs to the customer or to the intermediary; 

“(6) accompanied by disclosures of mark-to-market and monitoring arrangements, including—

“(A) the frequency of mark-to-market monitoring and how frequently the intermediary will call for additional collateral from a customer; 

“(B) the time period in which the customer must supply additional collateral to the intermediary after a collateral call is conducted consistent with subparagraph (A); 

“(C) whether the intermediary permits failures to deliver customer crypto assets or other collateral; and 

“(D) in the event of a failure to deliver, the period of time in which the failure must be cured; and
“(7) compliant with all applicable Federal and
State laws.
“(b) REHYPOTHECATION.—
“(1) DEFINITION.—In this subsection, the term ‘rehypothecation’ means the pledging of an asset as collateral for a financial transaction multiple times by a person, including the pledging of a customer asset by a crypto asset intermediary as collateral for a subsequent financial transaction after delivery of the crypto asset to the intermediary by a customer.
“(2) REHYPOTHECATION.—No rehypothecation of crypto assets by a crypto asset intermediary shall be permitted.”.
(b) TECHNICAL AND CONFORMING AMENDMENT.—
The table of sections for chapter 98 of title 31, United States Code, as amended by section 202, is amended by adding at the end the following:
“9806. Crypto asset lending arrangements.”.

SEC. 207. SETTLEMENT FINALITY.
(a) IN GENERAL.—Chapter 98 of title 31, United States Code, as amended by section 206 of this Act, is amended by adding at the end the following:
§ 9807. Settlement finality
“To promote legal certainty and customer protection, a crypto asset intermediary and a customer shall, upon the opening of an account, agree on the terms of settle-
ment finality for all transactions with respect to crypto
assets, including the following:

“(1) The conditions under which a crypto asset
may be deemed fully transferred, provided that those
legal conditions may diverge from operational condi-
tions under which crypto assets are considered
transferred, based on the distributed and prob-
abilistic nature of crypto assets.

“(2) The exact moment of transfer of a crypto
asset.

“(3) The discharge of any obligations upon
transfer of a crypto asset.

“(4) Conformity to applicable provisions of the
Uniform Commercial Code.”.

(b) TECHNICAL AND CONFORMING AMENDMENT.—

The table of sections for chapter 98 of title 31, United
States Code, as amended by section 206 of this Act, is
amended by adding at the end the following:

“9806. Settlement finality.”.

SEC. 208. ADVERTISEMENTS OF CRYPTO ASSET INTER-

MEDIARIES AND CERTAIN OTHER PERSONS.

(a) IN GENERAL.—Chapter 98 of title 31, United
States Code, as amended by section 207 of this Act, is
amended by adding at the end the following:
§ 9808. Advertising of crypto asset intermediaries
and certain other persons

(a) DEFINITIONS.—In this section:

(1) COMMISSIONS.—The term ‘Commissions’ means the Securities and Exchange Commission and the Commodity Futures Trading Commission, acting jointly.

(2) COVERED ADVERTISEMENT.—The term ‘covered advertisement’—

(A) means a communication that—

(i) relates to—

(I) the desirability of purchasing or entering into a transaction for a crypto asset; or

(II) the availability of crypto asset-related services; and

(ii) is widely available to the general public, as specified by rule of the Commissions; and

(B) includes any script, slide, handout, or other written (including electronic) material used in connection with a public appearance with respect to a crypto asset or the availability of crypto asset-related services.

(b) APPROVAL BY OFFICER.—Before a crypto asset intermediary may make a covered advertisement available
to the public, an officer of the crypto asset intermediary shall be required to approve that covered advertisement and certify compliance with the requirements of this section.

“(c) PROCEDURES.—

“(1) IN GENERAL.—Each crypto asset intermediary shall establish written procedures, which are appropriate and reasonable to the business, size, structure, and customers of the crypto asset intermediary, for the approval of covered advertisements, as required under subsection (b), which shall include—

“(A) provisions for the education and training of applicable employees of the crypto asset intermediary regarding the procedures of the crypto asset intermediary governing covered advertisements;

“(B) documentation of the education and training required under subparagraph (A); and

“(C) surveillance and follow-up measures to ensure that the crypto asset intermediary implements and adheres to those procedures.

“(2) RECORDKEEPING.—

“(A) PERIOD OF MAINTENANCE.—Each crypto asset intermediary shall maintain the
records required under this subsection for not less than 5 years.

“(B) TYPES OF RECORDS.—The types of records that a crypto asset intermediary is required to maintain under subparagraph (A) include, with respect to each covered advertisement made by the crypto asset intermediary—

“(i) a copy of the covered advertisement;

“(ii) the dates of the first and, if applicable, last use of the covered advertisement;

“(iii) the name of the officer of the crypto asset intermediary who approved the covered advertisement, as required under subsection (b), including the date on which the officer gave that approval;

“(iv) information concerning the source of all data, statistical tables, charts, graphs, or other illustrations or outside sources used in the covered advertisement; and

“(v) for a covered advertisement that includes or incorporates a performance ranking or comparison with another crypto
asset intermediary, a copy of the ranking
or performance used.

“(d) Requirements for Covered Advertisements.—Each covered advertisement shall adhere to the
following standards:

“(1) The covered advertisement shall—

“(A) be based on principles of fair dealing
and good faith; and

“(B) provide a sound basis for evaluating
the facts with respect to any particular crypto
asset or type of crypto asset, industry, or serv-
icе that is the subject of the covered advertise-
ment.

“(2) The covered advertisement does not omit
any material fact or qualification if that omission, in
light of the context of the material presented, would
cause the covered advertisement to be misleading.

“(3) The covered advertisement does not make
any false, exaggerated, unwarranted, promissory, or
misleading statement or claim.

“(4) Information may be placed in a legend or
footnote within the covered advertisement only if
that placement would not inhibit understanding of
the covered advertisement.
“(5) The covered advertisement shall be consistent with risks that are present with respect to the subject matter of the covered advertisement, including volatility with respect to the value of crypto assets, the amount of potential returns, and operational risks for crypto asset intermediaries.

“(6) The covered advertisement shall—

“(A) consider the nature of the audience to which the covered advertisement will be directed; and

“(B) provide details and explanations that are appropriate for the audience described in subparagraph (A).

“(7)(A) The covered advertisement may not predict or project performance, imply that past performance will recur, or make any exaggerated or unwarranted claim, opinion, or forecast.

“(B) Nothing in subparagraph (A) may be construed to prohibit the use of—

“(i) a hypothetical illustration of mathematical principles, if that illustration does not predict or project the performance of a particular strategy;

“(ii) an analysis tool or a written report produced by an analysis tool; or
“(iii) a price target contained in a research report, if the target has a reasonable basis, the report discloses the valuation methods used to determine the price target, and the price target is accompanied by a disclosure concerning the risks that may impede achievement of the price target.

“(8) Any comparison in the covered advertisement between crypto assets, crypto asset intermediaries, or crypto asset-related services shall disclose key material differences between the applicable items, including, as applicable, differences with respect to return objectives, costs and expenses, liquidity, safety, guarantees or insurance, volatility, and tax features.

“(9) The covered advertisement shall prominently disclose the following:

“(A) The fact that the covered advertisement is governed by this section and is subject to Federal law.

“(B) The name of the applicable crypto asset intermediary.

“(C) Any relationship between the applicable crypto asset intermediary and any person that appears in the covered advertisement or
any compensation offered by that crypto asset
intermediary to such a person.

“(D) Registrations, licenses, or other au-
thorizations in good standing that are held by
the applicable crypto asset intermediary.

“(10)(A) In the covered advertisement, any ref-
ERENCE TO TAX-FREE OR TAX-EXEMPT INCOME SHALL INDICATE WHICH TAXES APPLY, OR WHICH DO NOT, UNLESS INCOME IS FREE FROM ALL APPlicable TAXES.

“(B) For the purposes of subparagraph (A), the
covered advertisement may not characterize income
or returns as tax-free or exempt from income tax if
tax liability is merely postponed or deferred, such as
when taxes are payable upon redemption.

“(C) The Commissions may, by rule, adopt fur-
ther standards regarding tax considerations that ap-
pear in covered advertisements.

“(11) The covered advertisement shall disclose
the amounts of the following fees with respect to the
crypto asset or crypto asset-related services that are
the subject of the covered advertisement, which shall
be set forth prominently and, in any print advertise-
ment, in a prominent text box that contains only
such information:

“(A) Custody fees.
“(B) Account fees.

“(C) Applicable bank fees.

“(12) If any testimonial in the covered advertisement concerns a technical aspect of purchasing or otherwise entering into a transaction for crypto assets—

“(A) the person making the testimonial shall have the knowledge and experience to form a valid opinion regarding the issue; and

“(B) the testimonial, if the testimonial concerns the advisability of purchasing crypto assets or the performance of a crypto asset, shall prominently disclose—

“(i) the fact that the testimonial may not be representative of the experience of other customers;

“(ii) the fact that the testimonial is no guarantee of future performance or success; and

“(iii) if more than $1,000 in value is paid for the testimonial—

“(I) the fact that the testimonial is a paid testimonial; and

“(II) the amount and type of compensation paid, which shall in-
clude, if compensation was paid in crypto assets, an identification of each specific crypto asset.

“(13) If the covered advertisement includes a recommendation to purchase, or otherwise transact in, a crypto asset, the covered advertisement shall—

“(A) have a reasonable basis for the recommendation; and

“(B) if applicable, disclose—

“(i) that, at the time the covered advertisement was published or distributed, the applicable crypto asset intermediary was conducting trading activities in the crypto asset;

“(ii) that the applicable crypto asset intermediary—

“(I) is directly and materially involved in the preparation of the content of the covered advertisement; and

“(II) has a financial interest the crypto assets being recommended; and

“(iii) the nature of any financial interest disclosed under clause (ii), including whether that financial interest consists of any option, right, warrant, future, or long
or short position, unless the extent of that financial interest is nominal.

“(14)(A) Except as otherwise provided by sub-paragraph (B), the covered advertisement may not refer, directly or indirectly, to past specific recommendations made by the applicable crypto asset intermediary that were or would have been profitable to any person.

“(B) The covered advertisement may set out or offer to furnish a list of all recommendations as to the same type of crypto assets made by the applicable crypto asset intermediary during the 1-year period preceding the date on which the covered advertisement is released, if the communication or list—

“(i) states the name of each crypto asset recommended, the date and nature of each such recommendation (such as whether to buy, sell, or hold the crypto asset), the market price (as of the date of the recommendation), the price at which a person was meant to act upon the recommendation, and the market price of each such crypto asset, as of the most recent practicable date; and

“(ii) contains the following warning, which shall appear prominently within the communica-
tion or list: ‘It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the crypto assets in this list.’.

“(e) Sources Supporting a Recommendation.—

“(1) In general.—A crypto asset intermediary shall provide, or offer to provide upon request, available information or sources supporting any recommendation described in subsection (d)(13).

“(2) Price Disclosure.—When a crypto asset intermediary recommends a crypto asset in a covered advertisement, as described in subsection (d)(13), the crypto asset intermediary shall provide the price of the crypto asset, as of the date on which the recommendation is made.

“(f) Information Provided in Public Appearances.—

“(1) In general.—When an officer or employee of a crypto asset intermediary is sponsoring or participating in a seminar, forum, or broadcast, or when such an individual is otherwise engaged in a public appearance or speaking activity, paragraphs (1), (2), and (3) of subsection (d), shall apply to that appearance to the same extent as those provisions apply to a covered advertisement.
“(2) RECOMMENDATIONS.—If an officer or employee of a crypto asset intermediary recommends a crypto asset in a public appearance, that individual shall—

“(A) have a reasonable basis for the recommendation; and

“(B) disclose, as applicable—

“(i) whether the individual has a financial interest in the crypto asset recommended;

“(ii) the nature of the financial interest disclosed under clause (i), including whether that financial interest consists of any option, right, warrant, future, or long- or short-position, unless the extent of that financial interest is nominal; and

“(iii) any other actual, material conflict of interest of which the individual knows or has reason to know at the time of the public appearance.

“(g) PROCEDURES FOR PUBLIC APPEARANCES.—Each crypto asset intermediary shall establish written procedures that are appropriate and reasonable to the business, size, structure, and customers of the crypto asset intermediary in order to supervise the public appearances
of the officers and employees of the crypto asset intermediary, which shall include—

“(1) provisions for the education and training of employees of the crypto asset intermediary regarding those procedures;

“(2) documentation of the education and training required under paragraph (1); and

“(3) surveillance and follow-up measures to ensure that the crypto asset intermediary implements and adheres to those procedures.

“(h) ENFORCEMENT BY COMMISSIONS.—

“(1) IN GENERAL.—The Securities and Exchange Commission, the Commodity Futures Trading Commission, or a customer protection and market integrity authority operating under delegated authority by the appropriate commission, as applicable to a crypto asset intermediary, shall regularly ascertain the compliance with this section by the crypto asset intermediary (and applicable individuals) at the time of each regular examination of the intermediary by the applicable entity.

“(2) INVESTIGATIONS.—The appropriate commission or customer protection and market integrity authority, as applicable, may conduct an investigation into a suspected violation of this section and
take enforcement action outside of a regular examination of a crypto asset intermediary, which shall be comprised of the following:

“(A) With respect to such a violation by that crypto asset intermediary, the following:

“(i) For an initial violation of this section, the imposition of a civil monetary penalty in an amount that is not more than $100,000.

“(ii) For any subsequent violation of this section, the imposition of a civil monetary penalty in an amount that is not more than $1,000,000.

“(iii) The enjoinment of future violations of this section by the crypto asset intermediary and the requirement that the crypto asset intermediary submit to the enforcing entity appropriate remediation plans.

“(B) For repeated, knowing violations of this section by an individual, the imposition of a temporary or permanent bar from the crypto asset industry with respect to that individual.

“(i) APPLICABILITY TO DISCLOSURES.—A document filed with the Securities and Exchange Commission, as
otherwise required by law or regulation, is not subject to the requirements of this section.

“(j) Rules.—The Commissions, after not less than a 120-day comment period, shall adopt rules to implement this section.”.

(b) Technical and Conforming Amendment.—
The table of section for chapter 98 of title 31, United States Code, as amended by section 206, is amended by adding at the end the following:

“9808. Advertising of crypto asset intermediaries and certain other persons.”.

SEC. 209. CYBERSECURITY STANDARDS FOR CRYPTO ASSET INTERMEDIARIES.

(a) Applicability of Cyber Incident Reporting for Cyber Incident Reporting for Critical Infrastructure Act of 2002.—

(1) Definitions.—Section 2240 of the Homeland Security Act of 2002 (6 U.S.C. 681) is amended by striking paragraph (4) and inserting the following:

“(4) Covered entity.—The term ‘covered entity’—

“(A) means an entity in a critical infrastructure sector, as defined in Presidential Policy Directive 21, that satisfies the definition established by the Director in the final rule issued pursuant to section 2242(b); and
“(B) includes a crypto asset intermediary, as defined in section 9801 of title 31, United States Code.”.

(2) Required Reporting.—If a crypto asset intermediary makes a required report under section 2242 of the Homeland Security Act of 2002 (6 U.S.C. 681b), the crypto asset intermediary shall make a copy of that report available to the Federal or State financial regulator responsible for licensing or supervising the crypto asset intermediary.

(b) Requirement.—Not later than 18 months after the date of enactment of this Act, the Commodity Futures Trading Commission and the Securities and Exchange Commission, in consultation with the Secretary of the Treasury and the Director of the Cybersecurity and Infrastructure Security Agency, shall develop comprehensive, principles-based guidance relating to cybersecurity for crypto asset intermediaries that account for, with respect to such a crypto asset intermediary—

(1) the internal governance, and organizational culture, of the cybersecurity program of the crypto asset intermediary;

(2) security operations of the crypto asset intermediary, including threat identification, incident response, and mitigation;
(3) risk identification and measurement by the crypto asset intermediary;

(4) the mitigation of risk by the crypto asset intermediary, including policies of the crypto asset intermediary, controls implemented by the crypto asset intermediary, change management with respect to the crypto asset intermediary, and the supply chain integrity of the crypto asset intermediary;

(5) assurance provided by, and testing conducted by, the crypto asset intermediary, including penetration testing and independent audits so conducted; and

(6) the potential for crypto asset intermediaries to be used to facilitate illicit activities, including sanctions avoidance.

(e) CONSUMER BEST PRACTICES.—Not later than 18 months after the date of enactment of this Act, the Securities and Exchange Commission and the Commodity Futures Trading Commission, in consultation with industry and the Director of the Cybersecurity and Infrastructure Security Agency, shall adopt plain-language cybersecurity guidance for customers to safely transact in crypto assets.
TITLE III—COMBATING ILLICIT FINANCE

SEC. 301. HIGHER PENALTIES FOR CRYPTO ASSET CRIMES.

Section 127 of Public Law 91–508 (12 U.S.C. 1957) is amended by inserting “in relation to a transaction principally composed of crypto assets or” after “committed”.

SEC. 302. ANTI-MONEY LAUNDERING EXAMINATION STANDARDS.

(a) TREASURY.—Not later than 2 years after the date of enactment of this Act, the Secretary of the Treasury, in consultation with the Conference of State Bank Supervisors and the Federal Financial Institutions Examination Council, shall establish a risk-focused examination and review process for money service businesses, as defined in section 1010.100 of title 31, Code of Federal Regulations, to assess—

(1) the adequacy of reporting obligations and anti-money laundering programs under subsections (g) and (h) of section 5318 of title 31, United States Code, respectively as applied to those businesses; and

(2) compliance of those businesses with anti-money laundering and countering the financing of terrorism requirements under subchapter II of chapter 53 of title 31, United States Code.
(b) **Securities Exchange Commission.**—Not later than 2 years after the date of enactment of this Act, the Securities and Exchange Commission shall establish a dedicated risk-focused examination and review process for entities regulated by the Commission to assess—

1. the adequacy of reporting obligations and anti-money laundering programs under subsections (g) and (h) of section 5318 of title 31, United States Code, respectively as applied to those entities; and
2. compliance of those entities with anti-money laundering and countering the financing of terrorism requirements under subchapter II of chapter 53 of title 31, United States Code.

(c) **Commodity Futures Trading Commission.**—Not later than 2 years after the date of enactment of this Act, the Commodity Futures Trading Commission shall establish a dedicated risk-focused examination and review process for entities regulated by the Commodity Futures Trading Commission to assess—

1. the adequacy of reporting obligations and anti-money laundering programs under subsections (g) and (h) of section 5318 of title 31, United States Code, respectively, as applied to those entities; and
2. compliance of those entities with anti-money laundering and countering the financing of terrorism
requirements under subchapter II of chapter 53 of title 31, United States Code.

SEC. 303. CRYPTO ASSET KIOSKS.

(a) DEFINITION.—In this section, the term “crypto asset kiosk” means a stand-alone machine, including a crypto asset automated teller machine, which facilitates the buying, selling, or exchange of crypto assets.

(b) UPDATE.—Beginning not later than 2 years after the date of enactment of this Act, the Director of the Financial Crimes Enforcement Network of the Department of the Treasury shall require crypto asset kiosk owners and administrators to submit and update the physical addresses of the kiosks owned or operated by the owner or administrator, as applicable, once every 120 days.

(c) RULEMAKING.—Not later than 2 years after the date of enactment of this Act, the Director of the Financial Crimes Enforcement Network of the Department of the Treasury shall issue rules requiring crypto asset kiosk owners and administrators to verify the identity of each customer using a valid form of government-issued identification or other documentary method, as determined by the Secretary of the Treasury.

(d) REPORTS.—

(1) FINANCIAL CRIMES ENFORCEMENT NETWORK.—Not later than 180 days after the date of
enactment of this Act, the Director of the Financial Crimes Enforcement Network of the Department of the Treasury shall issue a public report identifying unlicensed kiosk operators and administrators, including identification of known unlicensed operators and estimates of the number and locations of suspected unlicensed operators, as applicable.

(2) Drug Enforcement Agency.—Not later than 1 year after the date of enactment of this Act, the Drug Enforcement Administration shall issue a report to Congress identifying recommendations to reduce drug trafficking with crypto asset kiosks.

SEC. 304. INDEPENDENT FINANCIAL TECHNOLOGY WORKING GROUP TO COMBAT TERRORISM AND ILICIT FINANCING.

(a) Definitions.—In this section:

(1) Appropriate congressional committees.—The term “appropriate congressional committees” means—

(A) the Committee on Banking, Housing, and Urban Affairs, the Committee on Homeland Security and Governmental Affairs, the Committee on the Judiciary, the Select Committee on Intelligence, and the Committee on Foreign Relations of the Senate; and
(B) the Committee on Financial Services, the Committee on Homeland Security, the Committee on the Judiciary, the Permanent Select Committee on Intelligence, and the Committee on Foreign Affairs of the House of Representatives.

(2) DISTRIBUTED LEDGER INTELLIGENCE COMPANIES.—The term “distributed ledger intelligence companies” means any business providing software, research, or other services such as but not limited to distributed ledger tracing tools, geofencing, transaction screening, the collection of business data, and sanctions screening, which supports private and public sector investigations and risk management activities involving cryptographically secured distributed ledgers or any similar analogue.

(3) FOREIGN TERRORIST ORGANIZATION.—The term “foreign terrorist organization” means an organization that is designated as a foreign terrorist organization under section 219 of the Immigration and Nationality Act (8 U.S.C. 1189).

(4) ILICIT USE.—The term “illicit use” includes fraud, darknet marketplace transactions, money laundering, the purchase and sale of illicit goods, sanctions evasion, theft of funds, funding of
illegal activities, transactions related to child sexual abuse material, and any other financial transaction involving the proceeds of specified unlawful activity (as defined in section 1956(c) of title 18, United States Code).

(5) TERRORIST.—The term “terrorist” includes a person carrying out domestic terrorism or international terrorism (as those terms are defined in section 2331 of title 18, United States Code).

(6) WORKING GROUP.—The term “Working Group” means the Independent Financial Technology Working Group to Combat Terrorism and Illicit Financing established under subsection (b).

(b) ESTABLISHMENT.—There is established the Independent Financial Technology Working Group to Combat Terrorism and Illicit Financing, which shall consist of the following:

(1) The Secretary of the Treasury, acting through the Under Secretary for Terrorism and Financial Intelligence, who shall serve as the chair of the Working Group.

(2) A senior-level representative from each of the following:

(A) Each of the following components of the Department of the Treasury:
(i) The Financial Crimes Enforcement Network.
(ii) The Internal Revenue Service.
(iii) The Office of Foreign Assets Control.
(B) The Department of Justice and each of the following components of the Department:
(i) The Federal Bureau of Investigation.
(ii) The Drug Enforcement Administration.
(C) The Department of Homeland Security and the United States Secret Service.
(D) The Department of State.
(3) Five individuals appointed by the Under Secretary for Terrorism and Financial Intelligence to represent the following:
(A) Financial technology companies.
(B) Distributed ledger intelligence companies.
(C) Financial institutions.
(D) Institutions or organizations engaged in research.
(c) Duties.—The Working Group shall—
(1) conduct independent research on terrorist and illicit use of new financial technologies, including crypto assets;

(2) analyze how crypto assets and emerging technologies may bolster the national security and economic competitiveness of the United States in financial innovation; and

(3) develop legislative and regulatory proposals to improve anti-money laundering, counter-terrorist, and other counter-illicit financing efforts in the United States.

(d) REPORTS.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, and annually for the 2 years thereafter, the Working Group shall submit to the Secretary of the Treasury, the heads of each agency represented in the Working Group pursuant to subsection (b)(2), and the appropriate congressional committees a report containing the findings and determinations made by the Working Group in the previous year and any legislative and regulatory proposals developed by the Working Group.

(2) FINAL REPORT.—Before the date on which the Working Group terminates under subsection
(f)(1), the Working Group shall submit to the appropriate congressional committees a final report detailing the findings, recommendations, and activities of the Working Group.

(e) **Travel Expenses.**—Members of the Working Group shall serve without pay, but shall receive travel expenses in accordance with sections 5702 and 5703 of title 5, United States Code.

(f) **Sunset.**—

(1) **In General.**—The Working Group shall, subject to paragraph (3), terminate on the date that is 4 years after the date of the enactment of this Act.

(2) **Expiration and Return of Appropriated Funds.**—On the date on which the Working Group terminates under paragraph (1)—

(A) all authorities granted to the Working Group under this section shall expire, subject to paragraph (3); and

(B) any funds appropriated for the Working Group that are available for obligation as of that date shall be returned to the Treasury.

(3) **Authority to Wind Up Activities.**—The termination of the Working Group under paragraph (1) and the expiration of authorities under para-
graph (2) shall not affect any investigations, research, or other activities of the Working Group ongoing as of the date on which the Working Group terminates under paragraph (1). Such investigations, research, and activities may continue until their completion.

(g) Report and Strategy With Respect to Crypto Assets and Other Related Emerging Technologies.—

(1) In general.—Not later than 180 days after the date of the enactment of this section, the President, acting through the Secretary of the Treasury, and in consultation with the head of each agency represented on the Working Group under subsection (b), shall submit to the appropriate congressional committees a report that describes—

(A) to the extent not currently disclosed in other reports, the potential uses of crypto assets and other related emerging technologies by states, non-state actors, and foreign terrorist organizations to evade sanctions, finance terrorism, or launder monetary instruments, and threaten United States national security; and
(B) a strategy how the United States will mitigate and prevent the illicit use of crypto assets and other related emerging technologies.

(2) Form of report; public availability.—

(A) In general.—The report required by paragraph (1) shall be submitted in unclassified form, but may include a classified annex.

(B) Public availability.—The unclassified portion of the report required by paragraph (1) shall be made available to the public and posted on a publicly accessible website of the Department of Treasury—

(i) in precompressed, easily downloadable versions, in all appropriate formats; and

(ii) in machine-readable format, if applicable.

(3) Sources of information.—In preparing the report required by paragraph (1), the President may utilize any credible publication, database, or web-based resource, and any credible information compiled by any government agency, nongovernmental organization, or other entity that is made available to the President.
(h) Briefing.—Not later than 2 years after the date
of the enactment of this Act, the Secretary of the Treasury
shall brief the appropriate congressional committees on
the implementation of the strategy required by subsection
(g)(1).

SEC. 305. SANCTIONS COMPLIANCE RESPONSIBILITIES OF
PAYMENT STABLECOIN ISSUERS.
Not later than 120 days after the date of the enact-
ment of this Act, the Secretary of the Treasury shall adopt
guidance clarifying the sanctions compliance responsibil-
ities and liability of an issuer of a payment stablecoin with
respect to downstream transactions relating to the
stablecoin that take place after the stablecoin is first pro-
vided to a customer of the issuer.

SEC. 306. CRYPTO ASSET MIXERS AND TUMBLERS.
(a) In General.—Not later than 1 year after the
date of enactment of this Act, the Director of the Finan-
cial Crimes Enforcement Network of the Department of
the Treasury shall submit to the Committee on Banking,
Housing and Urban Affairs of the Senate and the Com-
mittee on Financial Services of the House of Representa-
tives a report that analyzes the following issues:

(1) Current (as of the date on which the report
is submitted) typologies of crypto asset mixers and
tumblers and historical transaction volume.
(2) Estimates of the percentage of transactions relating to mixers and tumblers which are used by actors engaged in illicit finance.

(3) An assessment of potential non-illicit uses of mixers and tumblers described in paragraph (1).

(4) Analysis of regulatory approaches employed by other jurisdictions relating to mixers and tumblers.

(5) Recommendations for legislation or regulation relating to mixers and tumblers.

SEC. 307. FINANCIAL CRIMES ENFORCEMENT NETWORK INNOVATION LABORATORY.

Section 310 of title 31, United States Code, is amended—

(1) by redesignating subsections (k) and (l) as subsections (l) and (m), respectively; and

(2) by inserting after subsection (j) the following:

“(k) INNOVATION LABORATORY.—

“(1) IN GENERAL.—There is established within the Financial Crimes Enforcement Network an Innovation Laboratory to promote regulatory dialogue, data sharing between the Financial Crimes Enforcement Network and financial companies, and an assessment of potential changes in law, rules, or poli-
cies to facilitate the appropriate supervision of financial technology and the laws under the jurisdiction of the bureau.

“(2) CHIEF INNOVATION OFFICER.—The Innovation Officer appointed within the Financial Crimes Enforcement Network under section 6208 of the Anti-Money Laundering Act of 2020 (31 U.S.C. 5311 note) shall manage the Innovation Laboratory established under paragraph (1).

“(3) PILOT PROJECTS.—The Innovation Laboratory established under paragraph (1) shall, as appropriate, conduct pilot projects with financial companies to more effectively facilitate the supervision of financial technology, consistent with applicable law.”

TITLE IV—RESPONSIBLE COMMODITIES REGULATION

SEC. 401. DEFINITIONS.

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

(1) in paragraph (9), by striking “and frozen concentrated orange juice” and inserting “frozen concentrated orange juice, and a crypto asset (consistent with section 2(c)(2)(F))”;

(2) by redesignating paragraphs (15) through (37), (38), (39), and (40) through (51) as paragraphs (18) through (40), (42), (43), and (45) through (56), respectively;

(3) by inserting after paragraph (14) the following:

“(15) CRYPTO ASSET.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), the term ‘crypto asset’ has the meaning given the term in section 9801 of title 31, United States Code.

“(B) EXCLUSION.—The term ‘crypto asset’ does not include an asset that provides the holder of the asset with any of the following rights in a business entity:

“(i) A debt or equity interest in that entity.

“(ii) Liquidation rights with respect to that entity.

“(iii) An entitlement to an interest or dividend payment from that entity.

“(iv) Any other financial interest in that entity.
“(16) **Crypto asset exchange.**—The term ‘crypto asset exchange’ means a trading facility that lists for trading at least 1 crypto asset.

“(17) **Decentralized crypto asset exchange.**—

“(A) **In general.**—The term ‘decentralized crypto asset exchange’ means software that—

“(i) comprises predetermined and publicly disclosed code deployed to a public distributed ledger;

“(ii) permits a user or group of users to create a pool or group of pools for crypto assets;

“(iii) enables a user or group of users to conduct crypto asset transactions from a pool or group of pools, with such transactions occurring pursuant to the code described in clause (i); and

“(iv) no person, or group of persons, known to one another who have entered into an agreement (implied or otherwise) to act in concert, can unilaterally control or cause to control the software protocol through altering transactions, functions, or
actions on the protocol, or blocking or approving transactions on the protocol.

“(B) Rule of construction.—For the purposes of subparagraph (A)(iv), the term ‘control’ shall not include mining, validation, or the communication of transactions to a distributed ledger.”;

(4) in paragraph (31)(A)(i) (as so redesignated)—

(A) in subclause (I)—

(i) in item (aa)—

(I) in subitem (EE), by striking “or” at the end; and

(II) by adding at the end the following:

“(GG) the purchase or sale of a crypto asset that is traded on or subject to the rules of a registered entity;”;

(ii) in item (bb), by striking “and” at the end and inserting “or”; and

(iii) by adding at the end the following:

“(cc) acting as a counterparty (not on a principal
basis) to any cash or spot agree-
ment, contract, or transaction in-
volving a crypto asset, which may
include a payment stablecoin,
with a person who is not an eligi-
ble contract participant, unless
the activity is—

“(AA) conducted in
compliance with the laws of
the State in which the activ-
ity occurs;

“(BB) subject to regu-
lation by another Federal
authority; or

“(CC) separately regu-
lated under this Act; and”;

and

(B) in subclause (II), by striking “items
(aa) or (bb)” and inserting “item (aa), (bb), or
(ce)”;

(5) by inserting after paragraph (40) (as so re-
deesignated) the following:

“(41) PAYMENT STABLECOIN.—The term ‘pay-
ment stablecoin’ has the meaning given the term in
section 9801 of title 31, United States Code.”;
(6) by inserting after paragraph (43) (as so redesignated) the following:

“(44) Registered crypto asset exchange.—The term ‘registered crypto asset exchange’ means a crypto asset exchange registered under section 5i.”;

(7) in paragraph (45) (as so redesignated)—

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

(B) by redesignating subparagraph (F) as subparagraph (G); and

(C) by inserting after subparagraph (E) the following:

“(F) a registered crypto asset exchange; and”;

and

(8) in paragraph (56)(B)(i) (as so redesignated), by inserting “or a decentralized crypto asset exchange” after “execution algorithm”.

SEC. 402. REPORTING AND RECORDKEEPING.

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

(1) in subsection (a), by inserting “crypto assets or” before “commodities”; and
SEC. 403. JURISDICTION OVER CRYPTO ASSET TRANSACTIONS.

(a) Commission Jurisdiction Over Retail Crypto Asset Transactions.—

(1) In general.—Section 2(c)(2) of the Commodity Exchange Act (7 U.S.C. 2(c)(2)) is amended—

(A) in subparagraph (D)(ii)—

(i) in subclause (III), in the matter preceding item (aa), by inserting “of a commodity, other than a crypto asset,” after “sale”;

(ii) by redesignating subclauses (IV) and (V) as subclauses (V) and (VI), respectively; and

(iii) by inserting after subclause (III) the following:

“(IV) a contract of sale of a crypto asset that—

“(aa) results in actual delivery within 2 days or such other period as the Commission may
determine by rule based upon the typical commercial practice in cash or spot markets for the crypto asset involved; or

“(bb) is executed on or subject to the rules of a registered crypto asset exchange or with a registered futures commission merchant;”;

(B) by adding at the end the following:

“(F) COMMISSION JURISDICTION OVER CRYPTO ASSET TRANSACTIONS.—

“(i) IN GENERAL.—

“(I) JURISDICTION.—Subject to sections 6d and 12(e) and section 403 of the Commodity Futures Modernization Act of 2000 (7 U.S.C. 27a) and except as provided in subclauses (II) and (III), the Commission shall have exclusive jurisdiction over any agreement, contract, or transaction involving a contract of sale of a crypto asset in or affecting interstate commerce, including—
“(aa) ancillary assets that are in compliance with the requirements of section 42 of the Securities Exchange Act of 1934; and

“(bb) all activities relating to a payment stablecoin conducted by an entity registered under this Act, including brokering, trading, and custodial activities relating to payment stablecoins.

“(II) Exceptions.—Subclause (I) shall not apply to specified periodic reporting requirements made by an issuer that provided the holder of a security with an ancillary asset under section 42(b)(4) of the Securities Exchange Act of 1934 and the security that constitutes an investment contract (within the meaning of section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1))) with respect to that ancillary asset.
“(III) Fungibility Requirement.—The Commission shall only exercise jurisdiction over an agreement, contract, or transaction involving a contract of sale of a crypto asset that is commercially fungible, which shall not include digital collectibles and other unique crypto assets.

“(ii) Withholding of Rulemaking Authority Over Certain Transactions.—Nothing in this subparagraph authorizes the Commission to issue any rule regarding any agreement, contract, or transaction that is not offered, solicited, traded, facilitated, executed, cleared, reported, or otherwise dealt in—

“(I) on or subject to the rules of a registered entity (with the exception of entities required to register under this Act); or

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

“(iii) Limitation.—Clause (i) shall not apply to custodial activities with respect to a crypto asset of an entity super-
vised or regulated by a State or other Federal regulatory agency.”.

(2) CONFORMING AMENDMENT.—Section 2(a)(1)(A) of the Commodity Exchange Act (7 U.S.C. 2(a)(1)(A)) is amended, in the first sentence, by striking “section 19 of this Act” and inserting “subsection (c)(2)(F) or section 19”.

(b) SEGREGATION OF CRYPTO ASSETS.—Section 4d of the Commodity Exchange Act (7 U.S.C. 6d) is amended by adding at the end the following:

“(i) SEGREGATION OF CRYPTO ASSETS.—

“(1) HOLDING OF CUSTOMER ASSETS.—

“(A) IN GENERAL.—Each futures commission merchant shall hold customer money, assets, and property in a manner to minimize the customer’s risk of loss of, or unreasonable delay in the access to, the money, assets, and property.

“(B) CUSTODIAN.—A futures commission merchant shall hold the property of a customer of the futures commission merchant with a separate licensed, chartered, or registered entity subject to regulation or supervision by 1 of the following agencies:

“(i) The Commission.

“(iii) An appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)).

“(iv) A State bank supervisor (as defined in that section).

“(v) An appropriate foreign governmental authority in the home country of the custodian.

“(2) Segregation of Funds.—

“(A) Definition of Crypto Asset Customer.—In this paragraph, the term ‘crypto asset customer’ means a customer involved in a cash or spot, leveraged, margined, or financed crypto asset transaction, which may include a payment stablecoin, in which the futures commission merchant is acting as the counterparty.

“(B) Requirements.—

“(i) In General.—A futures commission merchant shall treat and deal with all money, assets, and property of any crypto asset customer received as belonging to the customer.
“(ii) **COMINGLING PROHIBITED.**—

Money, assets, and property of a crypto asset customer described in clause (i)—

“(I) shall be separately accounted for; and

“(II) shall not be—

“(aa) commingled with the funds of the futures commission merchant; or

“(bb) used to margin, secure, or guarantee any trades or accounts of any customer or person other than the person for whom the money, assets, or property are held.

“(C) **EXCEPTIONS.**—

“(i) **USE OF FUNDS.**—

“(I) **IN GENERAL.**—Notwithstanding subparagraph (B), money, assets, and property of a crypto asset customer may, for the purposes described in subclause (II), be commingled and deposited in the same account or accounts with an entity described in paragraph (1)(B).
“(II) WITHDRAWAL.—Notwithstanding subparagraph (B), the share of the money, assets, and property described in subclause (I) as in the normal course of business is necessary to margin, guarantee, secure, transfer, adjust, or settle a crypto asset transaction with a registered entity may be withdrawn and applied to those purposes, including the payment of commissions, brokerage, interest, taxes, storage, and other charges, lawfully accruing in connection with the crypto asset transaction.

“(ii) COMMISSION ACTION.—Notwithstanding subparagraph (B), in accordance with such terms and conditions as the Commission may prescribe by rule or order, any money, assets, or property of a crypto asset customer may be commingled and deposited in customer accounts with any other money, assets, or property received by the futures commission merchant and required by the Commission to be separately accounted for and treated and dealt
with as belonging to the crypto asset customer.

“(D) PERMITTED INVESTMENTS.—Money of a crypto asset customer may be invested—

“(i) in—

“(I) obligations of the United States;

“(II) general obligations of any State or of any political subdivision of a State that are investment-grade;

“(III) obligations fully guaranteed as to principal and interest by the United States; or

“(IV) any other investment that the Commission may by rule prescribe; and

“(ii) in accordance with such rules and subject to such conditions as the Commission may prescribe.

“(E) PROHIBITION.—It shall be unlawful for any person, including any derivatives clearing organization or depository institution, that has received any money, assets, or property for deposit in a separate account or accounts as required by subparagraph (B) to hold, dispose of,
or use any of the money, assets, or property
that belongs to the depositing futures commis-
sion merchant or any person other than the
crypto asset customer of the futures commis-
sion merchant.

“(3) CUSTOMER RIGHT TO OPT OUT.—

“(A) IN GENERAL.—A customer shall have
the right to waive any requirement under this
subsection by affirmatively electing, in writing
to the futures commission merchant, to waive
the requirement.

“(B) LIMITATIONS.—The Commission
may, by rule, establish notice and disclosure re-
quirements, segregation requirements, invest-
ment limitations, and other rules relating to the
waiving of any requirement under this sub-
section that are reasonably necessary to protect
customers, including eligible contract partici-
pants, non-eligible contract participants, and
any other class of customers.”.

(c) LIMITATION ON FUTURES COMMISSION MER-
CHANTS ACTING AS A COUNTERPARTY IN CRYPTO ASSET
TRANSACTIONS.—Section 4d of the Commodity Exchange
Act (7 U.S.C. 6d) (as amended by subsection (b)) is
amended by adding at the end the following:
“(j) Risk Management Standards for Decentralized Crypto Asset Exchanges.—

“(1) In general.—Prior to conducting trading activity (including routing orders and directed trading) through a decentralized crypto asset exchange, or otherwise providing customer access to a decentralized crypto asset exchange, a futures commission merchant shall implement risk management standards with respect to trading activity through that decentralized crypto asset exchange.

“(2) Requirements.—A futures commission merchant shall—

“(A) implement an effective risk-based procedure for determining whether to execute, reject, or suspend an incoming or outgoing transaction relating to a decentralized crypto asset exchange, including a determination based on suspected money laundering, sanctions evasion, fraud, or market manipulation;

“(B) conduct an effective risk-based analysis of the code of the decentralized crypto asset exchange to determine whether crypto asset transactions can occur on the exchange securely, consistently, and immutably;
“(C) verify that the code for the decentralized crypto asset exchange is widely available to the public;

“(D) verify that there are appropriate developer documents relating to the decentralized crypto asset exchange that appropriately disclose all risks of the software;

“(E) conduct an effective risk analysis with respect to the decentralized crypto asset exchange, including—

“(i) money laundering and sanctions evasion;

“(ii) settlement;

“(iii) fraud and market manipulation;

and

“(iv) operational and cybersecurity risk, including—

“(I) the use of multi-signature wallets;

“(II) integration with third-party software or vendors;

“(III) any material efforts to alter the functionality of the protocol;

and

“(IV) all other material risks;
“(F) implement robust policies and procedures to mitigate the risks identified in sub-paragraph (E);

“(G) disclose the risks identified in sub-paragraph (E) using plain language to customers;

“(H) maintain robust capability to detect market manipulation, fraud, money laundering, and sanctions evasion occurring on the decentralized crypto asset exchange, including through the use of tools that will properly target those risks, including through distributed ledger intelligence companies;

“(I) ensure that the merchant is not trading with a decentralized crypto asset exchange on a principal basis, but solely on an agency basis at the request of a customer; and

“(J) consistent with this subsection, implement other standards the Commission may require by rule.

“(k) Risk Management Standards for Self-Hosted Wallets.—

“(1) In general.—The Commission shall adopt risk management standards relating to money laundering, customer identification and sanctions for
self-hosted wallets that conduct transactions with a futures commission merchant.

“(2) Definition of self-hosted wallet.—In this subsection, the term ‘self-hosted wallet’ means a digital interface used to secure and transfer crypto assets, in which the owner of the assets retains independent control in a manner that is secured by that interface.”.

“(l) Limitation on Futures Commission Merchants Acting as a Counterparty in Crypto Asset Transactions.—A registered futures commission merchant shall not act as a counterparty in any agreement, contract, or transaction involving a crypto asset that has not been listed for trading on a registered crypto asset exchange.

“(m) Applicability of Other Core Principles.—The Commission may require a registered futures commission merchant to comply with other standards of section 5i, including the core principles described in that section, if appropriate based on the activities and risk profile of the merchant.”.

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

(2) in subsection (b), by inserting “registered crypto asset exchange,” before “derivatives” each place it appears; and

(3) in subsection (c)—

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

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

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

“(D) SPECIAL RULES FOR THE LISTING OF CERTAIN CRYPTO ASSETS.—

“(i) IN GENERAL.—In the case of a listing for trading a crypto asset that has not previously been listed for trading on another registered entity—

“(I) paragraphs (2) and (3) shall apply as if the listing were a rule; and

“(II) paragraph (2) shall be applied by substituting ‘20 business days’ for ‘10 business days’.

“(ii) TRANSITIONAL EXTENSION.—

During the 18-month period beginning on
the date of the registration of the first crypto asset exchange, the Commission shall have an additional 20 business days to review any certification under clause (i).

“(iii) CONSIDERATION OF COMMENTS.—In conducting a review under clause (i), the Commission shall consider any comments provided by the Securities and Exchange Commission with respect to the legal classification of a crypto asset.”.

SEC. 404. REGISTRATION OF CRYPTO ASSET EXCHANGES.

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

“SEC. 5i. REGISTRATION OF CRYPTO ASSET EXCHANGES.

“(a) DEFINITION OF CUSTOMER.—In this section, the term ‘customer’ means any person that maintains an account for the trading of crypto assets or payment stablecoins directly with a registered crypto asset exchange (other than a person that is owned or controlled, directly or indirectly, by the registered crypto asset exchange).

“(b) REGISTRATION.—

“(1) IN GENERAL.—Any trading facility that offers or seeks to offer a market in crypto assets or
payment stablecoins shall register with the Commission as a crypto asset exchange by submitting to the Commission an application in such form and containing such information as the Commission may require for the purpose of making the determinations required for approval under subsections (d) and (f).

“(2) DEEMED REGISTRATION.—A registered designated contract market or registered swap execution facility that fulfills the requirements of this section may elect to be considered a registered crypto asset exchange, in such form and manner as the Commission shall prescribe.

“(3) ADDITIONAL REGISTRATION.—A registered crypto asset exchange shall be registered with the Secretary of the Treasury as a money services business and with a customer protection and market integrity authority registered under section 9809 of title 31, United States Code.

“(c) TRADING.—

“(1) IN GENERAL.—A registered crypto asset exchange may make available for trading any crypto asset or payment stablecoin, that is not readily susceptible to manipulation, subject to this subsection.

“(2) REQUIREMENTS.—
“(A) Ancillary assets.—An ancillary asset shall not be made available for trading on a registered crypto asset exchange unless the asset is in compliance with section 42 of the Securities Exchange Act of 1934.

“(B) Confirmation.—A registered crypto asset exchange shall have a duty to confirm an ancillary asset is in compliance before making the asset available for trading.

“(3) Rules governing margined or leveraged trading.—The Commission may make, promulgate, and enforce such additional rules governing margined, leveraged, or financed transactions as are reasonably necessary to protect market participants and promote the orderly settlement of transactions with respect to—

“(A) disclosure;

“(B) recordkeeping;

“(C) capital, margin, and other financial resources;

“(D) reporting;

“(E) business conduct;

“(F) documentation; and

“(G) such other matters as the Commission determines to be necessary.
“(4) Prohibition.—

“(A) In general.—Registration as a
crypto asset exchange shall not permit a trad-
ing facility to offer any contract of sale of a
commodity for future delivery, option, or swap
for trading without also being registered as a
designated contract market or swap execution
facility.

“(B) Proprietary trading.—A reg-
istered crypto asset exchange shall not conduct
proprietary trading, but may conduct market
making under standards established by the
Commission by rule.

“(d) Core Principles for Crypto Asset Ex-
changes.—

“(1) Compliance with core principles.—

“(A) In general.—To be registered, and
maintain registration, as a crypto asset ex-
change, the registered crypto asset exchange
shall comply with—

“(i) the core principles described in
this subsection, and annually certify such
compliance; and
“(ii) any requirement that the Commission may impose by rule pursuant to section 8a(5).

“(B) Reasonable discretion of crypto asset exchange.—Unless otherwise determined by the Commission by rule, a registered crypto asset exchange described in subparagraph (A) shall have reasonable discretion in establishing the manner in which the registered crypto asset exchange complies with the core principles described in this subsection.

“(2) Compliance with rules.—A registered crypto asset exchange shall—

“(A) establish and enforce compliance with 1 or more rules of the registered crypto asset exchange, including—

“(i) the terms and conditions of the trades traded or processed on or through the registered crypto asset exchange; and

“(ii) any limitation on access to the registered crypto asset exchange;

“(B) establish and enforce compliance with trading, trade processing, and participation rules that will deter abuses and have the capac-

ity to detect, investigate, and enforce violations of those rules, including means—

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

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

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

“(3) CRYPTO ASSETS NOT READILY SUSCEPTIBLE TO MANIPULATION.—

“(A) IN GENERAL.—A registered crypto asset exchange shall permit trading only in assets that are not readily susceptible to manipulation.

“(B) LISTING RESTRICTIONS.—A registered crypto asset exchange shall not permit trading in a crypto asset or payment stablecoin if it is reasonably likely that—

“(i) the transaction history of the asset can be fraudulently altered by any
person or group of persons acting collectively; or

“(ii) the functionality or operation of the asset can be materially altered by any person or group of persons under common control.

“(C) CONSIDERATIONS.—In assessing a crypto asset or payment stablecoin under this paragraph, a registered crypto asset exchange shall consider—

“(i) the purpose and use of the asset;

“(ii) the creation or release process of the asset;

“(iii) the consensus mechanism of the asset;

“(iv) the governance structure of the asset;

“(v) the participation and distribution of the asset;

“(vi) the current and proposed functionality of the asset;

“(vii) the legal classification of the asset; and

“(viii) any other factor required by the Commission.
“(4) Treatment of Customer Assets.—

“(A) Required Standards and Procedures.—A registered crypto asset exchange shall establish standards and procedures that are designed to protect and ensure the safety of customer money, assets, and property.

“(B) Holding of Customer Assets.—

“(i) In General.—A registered crypto asset exchange shall hold customer money, assets, and property in a manner to minimize the customer’s risk of loss of, or unreasonable delay in the access to, the money, assets, and property.

“(ii) Segregation of Funds.—

“(I) In General.—A registered crypto asset exchange shall treat and deal with all money, assets, and property of any customer received as belonging to the customer.

“(II) Commingling Prohibited.—Money, assets, and property of a customer described in subclause (I)—

“(aa) shall be separately accounted for; and
“(bb) shall not be—

“(AA) commingled with the funds of the registered crypto asset exchange; or

“(BB) used to margin, secure, or guarantee any trades or accounts of any customer or person other than the person for whom the money, assets, or property are held.

“(iii) EXCEPTIONS.—

“(I) USE OF FUNDS.—

“(aa) IN GENERAL.—Notwithstanding clause (ii), money, assets, and property of customers of a registered crypto asset exchange may, for the purposes described in item (bb), be commingled and deposited with an entity described in section 4d(i)(1)(B).

“(bb) WITHDRAWAL.—Notwithstanding clause (ii), the share of the money, assets, and property described in item (aa)
as in the normal course of business is necessary to margin, guarantee, secure, transfer, adjust, or settle a crypto asset transaction with a registered entity may be withdrawn and applied to those purposes, including the payment of commissions, brokerage, interest, taxes, storage, and other charges, lawfully accruing in connection with the crypto asset transaction.

“(II) COMMISSION ACTION.— Notwithstanding clause (ii), in accordance with such terms and conditions as the Commission may prescribe by rule or order, any money, assets, or property of the customers of a registered crypto asset exchange may be commingled and deposited in customer accounts with any other money, assets, or property received by the registered crypto asset exchange and required by the Commission to be separately accounted for and treated and
dealt with as belonging to the customer of the registered crypto asset exchange.

“(C) PERMITTED INVESTMENTS.—Money referred to in subparagraph (B)(ii)(I) may be invested—

“(i) in—

“(I) obligations of the United States;

“(II) general obligations of any State or of any political subdivision of a State that are investment-grade;

“(III) obligations fully guaranteed as to principal and interest by the United States; or

“(IV) any other investment that the Commission may by rule prescribe; and

“(ii) in accordance with such rules and subject to such conditions as the Commission may prescribe.

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

“(i) for any registered crypto asset exchange that has received any customer
money, assets, or property for custody to
dispose of, or use any of the money, assets,
or property as belonging to the registered
crypto asset exchange; or

“(ii) for any other person, including
any other registered crypto asset exchange
or custodian that has received any cus-
tomer money, assets, or property for de-
posit, to hold, dispose of, or use any of the
money, assets, or property as belonging
to—

“(I) the registered crypto asset
exchange that deposited the money,
assets, or property; or

“(II) any person other than the
customers of the registered crypto
asset exchange.

“(E) CUSTOMER RIGHT TO OPT OUT.—

“(i) IN GENERAL.—A customer shall
have the right to waive any requirement
under subparagraph (B) by affirmatively
electing, in writing to the registered crypto
asset exchange, to waive the requirement.

“(ii) LIMITATIONS.—The Commission
may, by rule, establish notice and discol-
sure requirements, segregation requirements, investment limitations, and other rules relating to the waiving of any requirement under this paragraph that is reasonably necessary to protect customers, including eligible contract participants, non-eligible contract participants, or any other class of customers.

“(5) Monitoring of Trading and Trade Processing.—

“(A) In General.—A registered crypto asset exchange shall provide a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process of trading on the registered crypto asset exchange.

“(B) Protection of Markets and Market Participants.—A registered crypto asset exchange shall establish and enforce compliance with rules—

“(i) to protect markets and market participants from abusive practices committed by any party, including abusive practices committed by a party acting as an agent for a participant; and
“(ii) to promote fair and equitable trading on the registered crypto asset exchange.

“(C) PROCEDURES AND MONITORING.—A registered crypto asset exchange shall—

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

“(I) trading procedures to be used in entering and executing orders traded on or through the facilities of the registered crypto asset exchange; and

“(II) procedures for trade processing of crypto assets on or through the facilities of the registered crypto asset exchange; and

“(ii) monitor trading in crypto assets to prevent manipulation, price distortion, and disruptions of the delivery or cash settlement process through surveillance, and compliance, including methods for conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions.
“(6) Ability to obtain information.—A registered crypto asset exchange shall—

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

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

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

“(7) Emergency authority.—A registered crypto asset exchange shall adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the Commission or a registered entity, as is necessary and appropriate, including the authority to facilitate the liquidation or transfer of open positions in any crypto asset or to suspend or curtail trading in a crypto asset.

“(8) Reporting requirements.—

“(A) In general.—A registered crypto asset exchange shall provide to the Commission information that is determined by the Commission to be necessary to perform any responsibility of the Commission under this Act.
“(B) Timely publication of trading information.—

“(i) In general.—

“(I) Publication.—A registered crypto asset exchange shall make public timely information on price, trading volume, and other trading data on crypto assets to the extent prescribed by the Commission.

“(II) Accessibility.—A registered crypto asset exchange may make trading data freely accessible to the public under rules established by the Commission.

“(ii) Capacity of crypto asset exchange.—A registered crypto asset exchange shall be required to have the capacity to electronically capture and transmit trade information with respect to transactions executed on the registered crypto asset exchange.

“(9) Recordkeeping and reporting.—

“(A) In general.—A registered crypto asset exchange shall—
“(i) maintain records of all activities relating to the business of the registered crypto asset exchange, including a complete audit trail, in a form and manner acceptable to the Commission for a period of 5 years;

“(ii) report to the Commission, in a form and manner acceptable to the Commission, such information as the Commission determines to be necessary or appropriate for the Commission to perform the duties of the Commission under this Act; and

“(iii) keep any records relating to ancillary assets open to inspection and examination by the Securities and Exchange Commission.

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

“(i) a customer protection and market integrity authority or other entity delegated regulatory and disciplinary authority by a governmental agency;
“(ii) the Securities and Exchange Commission;

“(iii) an appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813));

“(iv) a State bank supervisor (as defined in that section);

“(v) a State securities or commodities regulator;

“(vi) the Financial Stability Oversight Council;

“(vii) the Department of Justice; and

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

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

“(II) foreign central banks; and

“(III) foreign ministries.

“(C) CONFIDENTIALITY AGREEMENT.—Before the Commission may share information with any entity described in subparagraph (B), the Commission shall enter into a written agreement with each entity stating that the en-
tity shall abide by the confidentiality requirements described in section 8 relating to the information on crypto asset transactions that is provided.

“(D) Providing Information.—Each registered crypto asset exchange shall provide to the Commission (including any designee of the Commission) information under subparagraph (A) in such form and at such frequency as is required by the Commission.

“(10) Antitrust Considerations.—Unless necessary or appropriate to achieve the purposes of this Act, a registered crypto asset exchange shall not—

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

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

“(11) Conflicts of Interest.—A registered crypto asset exchange shall—

“(A) establish and enforce rules to minimize conflicts of interest in the decisionmaking process of the registered crypto asset exchange;
“(B) establish a process for resolving conflicts of interest described in subparagraph (A); and

“(C) disclose fee arrangements from affiliates and third-party service providers, and crypto assets traded on the exchange in which the exchange may have a financial interest.

“(12) Financial resources.—

“(A) In general.—A registered crypto asset exchange shall have adequate financial, operational, and managerial resources, as determined by the Commission, to discharge each responsibility of the registered crypto asset exchange.

“(B) Minimum amount of financial resources.—A registered crypto asset exchange shall possess financial resources that, at a minimum, exceed the total amount that would enable the registered crypto asset exchange to conduct an orderly wind-down of the activities of the registered crypto asset exchange.

“(C) Additional financial resources for leverage trading.—The Commission may require such additional financial resources as are necessary to enable a registered crypto
asset exchange that offers margined, leveraged, or financed transactions to fulfill the customer obligations of the registered crypto asset exchange.

“(13) Governance fitness standards.—

“(A) Governance arrangements.—A registered crypto asset exchange shall—

“(i) establish governance arrangements that are transparent to fulfill public interest requirements; and

“(ii) at all times, maintain a chief compliance officer and an appropriate compliance and risk management function.

“(B) Fitness standards.—A registered crypto asset exchange shall establish and enforce appropriate fitness standards for—

“(i) directors;

“(ii) any individual or entity with legal or technological authority to execute the settlement activities of the registered crypto asset exchange;

“(iii) any individual or entity with direct access to any custodian affiliated with the registered crypto asset exchange;
“(iv) any entity offering affiliated services for the registered crypto asset exchange; and

“(v) any party affiliated with any individual or entity described in clauses (i) through (iv).

“(14) SYSTEM SAFEGUARDS.—A registered crypto asset exchange shall—

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

“(i) are reliable and secure; and

“(ii) have adequate scalable capacity;

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

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

“(ii) the fulfillment of the responsibilities and obligations of the registered crypto asset exchange; and

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

“(i) order processing and trade matching;

“(ii) price reporting;

“(iii) market surveillance; and

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

“(15) DECENTRALIZED CRYPTO ASSET EX-
CHANGES.—

“(A) IN GENERAL.—Prior to conducting trading activity (including routing orders and directed trading) through a decentralized crypto asset exchange, or otherwise providing customer access to a decentralized crypto asset exchange, a crypto asset exchange shall implement risk management standards with respect to its trading activity using that decentralized crypto asset exchange.

“(B) REQUIREMENTS.—A crypto asset ex-
change shall—

“(i) implement an effective risk-based procedure for determining whether to execute, reject, or suspend an incoming or outgoing transaction relating to a decen-
tralized crypto asset exchange, including a determination based on suspected money laundering, sanctions evasion, fraud, or market manipulation;

“(ii) conduct an effective risk-based analysis of the code of the decentralized crypto asset exchange to determine whether crypto asset transactions can occur on the exchange securely, consistently, and immutably;

“(iii) verify that the code for the decentralized crypto asset exchange is widely available to the public;

“(iv) verify that there are appropriate developer documents relating to the decentralized crypto asset exchange that appropriately disclose all risks of the software;

“(v) conduct an effective risk analysis with respect to the decentralized crypto asset exchange, including—

“(I) money laundering and sanctions evasion;

“(II) settlement;

“(III) fraud and market manipulation; and
“(IV) operational and cybersecurity risk, including—

“(aa) the use of multi-signature wallets;

“(bb) integration with third-party software or vendors;

“(cc) any material efforts to alter the functionality of the protocol; and

“(dd) all other material risks;

“(vi) implement robust policies and procedures to mitigate the risks identified under clause (v);

“(vii) disclose the risks identified under clause (v) using plain language to customers;

“(viii) maintain robust capability to detect market manipulation, fraud, money laundering, and sanctions evasion occurring on the decentralized crypto asset exchange, including through the use of alternative tools that will properly target those risks, including through distributed ledger intelligence companies;
“(ix) ensure that the merchant is not trading with a decentralized crypto asset exchange on a principal basis, but solely on an agency basis at the request of a customer; and

“(x) consistent with this subsection, implement other standards which may be required by the Commission by rule.

“(e) **Risk Management Standards for Self-Hosted Wallets.**—

“(1) **In General.**—The Commission shall adopt risk management standards relating to money laundering, customer identification, and sanctions for self-hosted wallets that conduct transactions with a registered crypto asset exchange, which shall be consistent with standards under section 4d(k).

“(2) **Definition of Self-Hosted Wallet.**—In this subsection, the term ‘self-hosted wallet’ means a digital interface used to secure and transfer crypto assets, in which the owner of the assets retains independent control in a manner that is secured by that interface.

“(f) **Appointment of Trustee.**—

“(1) **In General.**—If a proceeding under section 5e results in the suspension or revocation of the
registration of a crypto asset exchange, or if a
crypto asset exchange withdraws from registration,
the Commission, after providing notice to the crypto
asset exchange, may apply to the district court of
the United States for the judicial district in which
the crypto asset exchange is located for the appoint-
ment of a trustee.

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

“(A) the court may take exclusive jurisdic-
tion over—

“(i) the crypto asset exchange; and

“(ii) the records and assets of the
crypto asset exchange, wherever those
records and assets are located; and

“(B) if the court takes jurisdiction under
subparagraph (A), the court shall appoint the
Commission, or a person designated by the
Commission, as trustee with power to take pos-
session and continue to operate or terminate
the operations of the crypto asset exchange in
an orderly manner for the protection of cus-
tomers, subject to such terms and conditions as
the court may prescribe.
“(g) Custodian.—A registered crypto asset exchange shall deposit with an entity described in section 4d(i)(1)(B) each crypto asset that is—

“(1) the property of a customer of the registered crypto asset exchange;

“(2) required to be held by the registered crypto asset exchange under subsection (c)(3) or (d)(12); or

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

“(h) Change in Control.—

“(1) In general.—No person, acting directly or indirectly, or through or in concert with 1 or more persons, shall acquire control of a crypto asset exchange unless—

“(A) the person has provided to the Commission prior notice of the proposed acquisition; and

“(B) the Commission has not disapproved the acquisition during the 60-day period beginning on the date of the notice under subparagraph (A).

“(2) Voting securities.—No person who has been approved to acquire control of a crypto asset
exchange and who has maintained that control shall acquire, directly or indirectly, or through or in concert with 1 or more persons, voting securities of the exchange if the ownership, control, or power to vote of that person will increase from less than 25 percent to 25 percent or more of any class of voting securities of the exchange unless—

“(A) the person has provided to the Commission prior notice of the proposed acquisition; and

“(B) the Commission has not disapproved the acquisition during the 60-day period beginning on the date of the notice under subparagraph (A).

“(3) INFORMATION.—The Commission may, by rule, specify information relating to a proposed acquisition described in paragraph (1) or (2), which shall be submitted with an application.

“(4) PUBLIC NOTICE.—As specified by the Commission, public notice of a proposed acquisition described in paragraph (1) or (2) shall be given at the time an application is filed.

“(5) APPROVAL.—The Commission shall approve a proposed acquisition described in paragraph
(1) or (2) unless, by order, it finds either of the following:

“(A) The proposed acquisition would pose an unacceptable risk to customers or to the operation of the exchange.

“(B) The proposed acquisition would otherwise violate Federal law.

“(6) DEFINITION OF CONTROL.—In this subsection, the term ‘control’ means the power, directly or indirectly, to direct the management or policies of a crypto asset exchange, to vote 25 percent or more of any class of voting securities of the exchange or control in any manner the election of a majority of the directors of the exchange, as may be provided by rule.

“(i) JURISDICTION.—Except as otherwise provided by Federal law, the Commission shall have exclusive jurisdiction over the regulation, supervision, and all other activities of a registered crypto asset exchange.

“(j) IMPLEMENTATION.—The Commission shall prescribe rules to implement this section.”.

(b) CERTAIN CRYPTO ASSET EXCHANGE FUNCTIONS NOT SUFFICIENT TO TRIGGER REQUIREMENT TO REGISTER AS FUTURES COMMISSION MERCHANT.—Section
4f(c) of the Commodity Exchange Act (7 U.S.C. 6f(c)) is amended by adding at the end the following:

“(12) Clarification of Scope of Registration Requirement.—A registered crypto asset exchange shall not be required to register as a futures commission merchant for any activity for which the registered crypto asset exchange is regulated under section 5i.”.

SEC. 405. SUPERVISION OF AFFILIATES.

(a) In General.—The Commodity Exchange Act (7 U.S.C. 1 et seq.) (as amended by section 404(a)) is amended by inserting after section 5i the following:

“SEC. 5j. COMMISSION SUPERVISION OF CRYPTO ASSET AFFILIATES.

“(a) Definition of Covered Affiliate.—In this section, ‘covered affiliate’ means, based on the totality of the facts and circumstances as determined by the Commission, a person with a substantial legal or financial relationship to an entity registered under this Act that is primarily engaged in crypto asset activities, based on the following factors:

“(1) The degree to which conflicts of interest may be present, or the financial interests of the entity may come into conflict with the fiduciary duty of the entity to customers or the prudent operation of the entity.
“(2) The legal relationship between the entity and the affiliate.

“(3) The overall financing requirements of the entity and the affiliate, and the degree, if any, to which the entity and the affiliate are financially dependent on each other.

“(4) The degree, if any, to which the entity or its customers rely on the affiliate for operational support or services in connection with the business of the entity.

“(5) The level of market, credit, or other risk present in the activities of the affiliate.

“(6) The extent to which the affiliate has the authority or the ability to cause a withdrawal of capital from the entity.

“(7) Any other factor determined by the Commission by rule to be material.

“(b) Commission Designation of Covered Affiliates.—

“(1) In general.—In consultation with an entity registered under this Act, not later than 1 year after the date of enactment of this section, and not less frequently than 90 days before the examination of an entity by the Commission or a customer protection and market integrity authority registered
under section 9809 of title 31, United States Code, the Commission shall designate the covered affiliates of the entity.

“(2) REQUIREMENT.—Each covered affiliate of the entity shall be required to provide to the Commission, by not later than the date on which an examination of the entity by the Commission or a customer protection and market integrity authority registered under section 9809 of title 31, United States Code, begins, the following:

“(A) A description of all activities the affiliate is engaged with relating to the entity.

“(B) The most recent audited financial statements of the affiliate.

“(C) All legal agreements entered into between the affiliate and the entity.

“(D) A description of all transactions between the affiliate and the entity since the last examination.

“(E) Any other information that may be determined to be material by the Commission.

“(c) REMEDIAL MEASURES.—If the Commission finds that it is in the public interest and has good cause to believe it is necessary to protect the customers of an
entity registered under this Act that is primarily engaged
in crypto asset activities, the Commission may, by order—
“(1) conduct an examination of a covered affiliate;
“(2) require a person with control of an entity
to divest or sever their relationship with the entity;
“(3) limit covered affiliates from providing services to an entity or entering into legal relationships
or specified transactions with an entity.
“(d) RULES.—Not later than 18 months after the
date of enactment of this section, the Commission shall
issue rules to implement this section.”.

SEC. 406. VIOLATIONS.
Section 9 of the Commodity Exchange Act (7 U.S.C.
13) is amended—
(1) in subsection (a)(2), by striking “subsection
4c” and inserting “section 4c”; and
(2) in subsection (e)—
(A) in paragraph (1), by inserting “contracts for the sale of crypto assets,” after “options thereon,”; and
(B) in paragraph (2), by inserting “or contracts for the sale of crypto assets” after “options thereon”.


SEC. 407. MARKET REPORTS.

Section 16(a) of the Commodity Exchange Act (7 U.S.C. 20(a)) is amended—

(1) in the first sentence, by striking “which are the subject of futures contracts,” and inserting “under the jurisdiction of the Commission,”; and

(2) in the second sentence, by striking “futures markets.” and inserting “markets under the jurisdiction of the Commission.”.

SEC. 408. BANKRUPTCY TREATMENT OF CRYPTO ASSETS.

(a) IN GENERAL.—Section 20(a) of the Commodity Exchange Act (7 U.S.C. 24(a)) is amended in paragraphs (1) and (2) by inserting “crypto assets, payment stablecoins,” after “securities,” each place it appears.

(b) COMMODITY BROKER DEFINITION.—Section 101(6) of title 11, United States Code, is amended by inserting “registered crypto asset exchange, as defined in section 1a of the Commodity Exchange Act,” before “foreign”.

(c) COMMODITIES CONTRACTS.—Section 556 of title 11, United States Code, is amended by inserting “a registered crypto asset exchange, as defined in section 1a of the Commodity Exchange Act,” before “a contract”.

(d) CONTRACTUAL RIGHTS.—Section 561 of title 11, United States Code, is amended by inserting “, a registered crypto asset exchange, as defined in section 1a of
the Commodity Exchange Act,” after “designated under the Commodity Exchange Act” each place it appears.

(e) DEFINITIONS.—Section 761 of title 11, United States Code, is amended—

(1) in paragraph (4)—

(A) in subparagraph (A), by inserting “crypto asset, payment stablecoin, or a” before “commodity”;

(B) in subparagraph (I), by striking “or” at the end;

(C) in subparagraph (J), by adding “or” at the end; and

(D) by adding at the end the following:

“(K) a contract for the sale of a crypto asset or payment stablecoin by a registered crypto asset exchange;”; and

(2) in paragraph (10)—

(A) in the matter preceding subparagraph (A)—

(i) by inserting “a crypto asset, payment stablecoin,” after “a security,”; and

(ii) by inserting “crypto asset, payment stablecoin,” after “cash, security,”;

(B) in subparagraph (A)—
(i) in clause (vi), by inserting “a crypto asset, payment stablecoin” after “a security,”; and

(ii) in clause (vii)—

(I) by inserting “payment stablecoin or a crypto asset” before “held as property”;  
(II) by inserting “payment stablecoin or crypto asset” after “such security”; and

(III) by inserting “payment stablecoin or crypto asset” after “based on a security”; and

(C) in subparagraph (B)—

(i) by striking “not including property” and inserting “not including—

“(i) property”;

(ii) in clause (i), as so designated, by adding “and” at the end; and

(iii) by adding at the end the following:

“(ii) money, assets, or property with respect to which any requirement under subsection (i) of section 4d of the Commodity Exchange Act (7 U.S.C. 6d) is
waived pursuant to paragraph (3) of that subsection, or any requirement under subparagraph (B) of paragraph (4) of section 5i(d) of that Act is waived pursuant to subparagraph (E) of that paragraph;”.

(f) VOIDABLE TRANSFERS.—Section 764(b)(1) of title 11, United States Code, is amended by inserting “, crypto assets” before “, or other property”.

(g) TREATMENT OF CUSTOMER PROPERTY.—Section 766 of title 11, United States Code, is amended—

(1) in subsection (b)(1), by striking “physical commodity underlying” and inserting “commodity underlying”;

(2) in subsection (c), by inserting “crypto asset, payment stablecoin” before “or commodity contract” each place the term appears;

(3) in subsection (d), by inserting “crypto asset, payment stablecoin” before “or commodity contract” each place the term appears;

(4) in subsection (f)—

(A) in striking “and other property” and inserting “crypto assets, payment stablecoins and other property”; and
(B) by striking “or property” and inserting “, crypto assets, payment stablecoins or property”;

(5) in subsection (g), by striking “security or property” and inserting “security, crypto asset, payment stablecoin or property”; and

(6) in subsection (h)(2), by inserting “crypto assets, payment stablecoins,” after “customer securities,”.

SEC. 409. IDENTIFIED BANKING PRODUCTS.

Section 206(a) of the Gramm-Leach-Bliley Act (15 U.S.C. 78c note) is amended—

(1) in paragraph (5)(B)(ii), by striking “or” at the end;

(2) in paragraph (6), by striking the period at the end and inserting “; or”; and

(3) by adding at the end the following:

“(7) a payment stablecoin issued by a depository institution under section 722A, except as provided under section 2(e)(2)(F) of the Commodity Exchange Act (7 U.S.C. 2(e)(2)(F)).”.

SEC. 410. FINANCIAL INSTITUTIONS DEFINITION.

Section 5312(e)(1) of title 31, United States Code, is amended by adding at the end the following:
“(B) A registered crypto asset exchange, as defined in section 1a of the Commodity Exchange Act.”.

SEC. 411. OFFSETTING THE COSTS OF CRYPTO ASSET REGULATION.

The Commodity Exchange Act (7 U.S.C. 1 et seq.) is amended by adding at the end the following:

“SEC. 24. OFFSETTING THE COSTS OF CRYPTO ASSET REGULATION.

“(a) Recovery of Certain Costs of Annual Appropriation.—

“(1) In general.—Effective beginning October 1, 2024, the Commission may, by rule, collect fees—

“(A) to fund expenses relating to regulation of crypto asset cash and spot markets; and

“(B) that are designed to recover the costs to the Federal Government of the annual appropriation to the Commission by Congress.

“(2) Registered entities.—Fees under paragraph (1) shall only be imposed—

“(A) on registered entities engaged in cash or spot crypto asset activities; and

“(B) in relation to the regulation of those activities under this Act.
“(3) Fee Rates.—Fees under paragraph (1) shall—

“(A) be strictly related to the cost to the Commission of the regulation of crypto asset cash and spot markets;

“(B) be reduced for newly registered entities with less than $100,000,000 in daily trading volume; and

“(C)(i) minimize negative impacts on market liquidity; and

“(ii) maintain the efficiency, competitiveness, and financial integrity of crypto asset markets.

“(4) Collection of Fees.—The Commission shall collect fees under this subsection in such manner and within such time as may be specified by the Commission by rule.

“(b) Fee Rate Orders.—

“(1) In General.—Not later than 60 days after the date on which a law providing a regular appropriation to the Commission for a fiscal year is enacted, the Commission shall adopt an order setting rates for fees to be collected under subsection (a) for that fiscal year.
“(2) **Publication.**—The Commission shall publish in the Federal Register the order adopted under paragraph (1), including—

“(A) projections on which the fees are based; and

“(B) an explanation of the method used for calculating applicable fee rates.

“(c) **Deposit of Fees.**—

“(1) **Offsetting Collections.**—Fees collected under subsection (a) for any fiscal year—

“(A) shall be deposited and credited as offsetting collections to the account providing appropriations to the Commission; and

“(B) shall not be collected or available for obligation for any fiscal year except to the extent provided in advance in appropriation Acts.

“(2) **General Revenues Prohibited.**—No fees collected under subsection (a) shall be deposited and credited as general revenue of the Treasury.

“(d) **Lapse of Appropriations.**—If a regular appropriation to the Commission has not been enacted on the first day of a fiscal year, the Commission shall continue to collect fees under this section at the rates in effect on September 30 of the preceding fiscal year.

“(e) **Limitations.**—
“(1) Leveraged, margined, or financed transactions.—Nothing in this section authorizes the imposition of fees on a registered entity relating to leveraged, margined, or financed transactions under this Act, including those activities relating to crypto assets.

“(2) Other appropriations.—Notwithstanding any other provision of law, the Commission may use appropriations otherwise made available by law to fund expenses relating to the regulation of crypto asset cash and spot markets.

“(f) Ceiling on fees.—Unless otherwise provided by law, fees collected under this section shall not exceed $30,000,000.

“(g) Authorization Required.—The authority under this section to impose and collect fees shall only be in effect during a period that a legislative authorization of the Commission is in effect, as otherwise provided by law.”.
TITLE V—RESPONSIBLE
SECURITIES REGULATION

SEC. 501. SECURITIES OFFERINGS INVOLVING CERTAIN IN-
TANGIBLE ASSETS.

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

"SEC. 42. SECURITIES OFFERINGS INVOLVING CERTAIN IN-
TANGIBLE ASSETS.

“(a) Definitions.—In this section:

“(1) Ancillary asset.—

“(A) In general.—The term ‘ancillary
asset’ means an intangible, fungible asset that
is offered, sold, or otherwise provided to a per-
son in connection with the purchase and sale of
a security through an arrangement or scheme
that constitutes an investment contract, as that
term is used in section 2(a)(1) of the Securities
Act of 1933 (15 U.S.C. 77b(a)(1)).

“(B) Exclusion.—The term ‘ancillary
asset’ does not include an asset that provides
the holder of the asset with any of the following
rights in a business entity:

“(i) A debt or equity interest in that
entity."
“(ii) Liquidation rights with respect to that entity.

“(iii) An entitlement to an interest or dividend payment from that entity.

“(iv) Any other financial interest in that entity.

“(2) BUSINESS ENTITY.—The term ‘business entity’ means—

“(A) a corporation, limited liability company, or other entity that is created by filing a document with the Secretary of State of a State (or a similar office); or

“(B) a foreign entity that is eligible for registration, or that is registered to do business, under the laws of a State or Indian Tribe.

“(3) FOREIGN PRIVATE ISSUER.—The term ‘foreign private issuer’ means a foreign issuer, other than a foreign government, except that the term does not include a foreign issuer that, as of the last business day of the most recently completed fiscal quarter of the issuer, satisfies the following conditions:

“(A) More than 50 percent of the outstanding voting securities of the issuer are di-
(B) Any of the following:

(i) The majority of the executive officers or directors of the issuer are citizens or residents of the United States.

(ii) More than 50 percent of the assets of the issuer are located in the United States.

(iii) The business of the issuer is principally administered in the United States.

(b) Disclosure Requirements.—

(1) Initial compliance with specified periodic disclosure requirements.—Subject to paragraphs (4) and (5), an issuer engaged in business in or affecting interstate commerce, or that is organized outside of the United States and is not a foreign private issuer, that offers, sells, or otherwise provides a security through an arrangement or scheme that constitutes an investment contract, as that term is used in section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1)), and that provides or proposes to provide any holder of the security with an ancillary asset, shall be subject to the
periodic disclosure requirements under subsection (c) for the 1-year period beginning on the date that is 180 days after the first date on which the security is offered, sold, or otherwise provided by the issuer, if—

“(A) the average daily aggregate value of all ancillary assets offered, sold, or otherwise provided by the issuer in relation to the offer, sale, or provision of the security in all spot markets open to the public in the United States (based on the knowledge of the issuer after due inquiry) is greater than $5,000,000 for the 180-day period immediately succeeding the date of that first offer, sale, or provision; and

“(B) during the 180-day period described in subparagraph (A), the issuer, or any person owning not less than 10 percent of any class of equity securities of the issuer, engaged in entrepreneuria or managerial efforts that primarily determined the value of the ancillary asset.

“(2) ONGOING COMPLIANCE WITH SPECIFIED PERIODIC DISCLOSURE REQUIREMENTS.—Subject to paragraphs (4) and (5), an issuer that is engaged in business in or affecting interstate commerce, or that is organized outside of the United States and is not
a foreign private issuer, that offers, sells, or other-
wise provides a security through an arrangement or
scheme that constitutes an investment contract, as
that term is used in section 2(a)(1) of the Securities
Act of 1933 (15 U.S.C. 77b(a)(1)), and that pro-
vides the holder of the security with an ancillary
asset in connection with the acquisition of the secu-
rrity, shall be subject to the periodic disclosure re-
quirements under subsection (e) for a given fiscal
year of that issuer, if, in the immediately preceding
fiscal year of the issuer (or any portion thereof)—

“(A) the average daily aggregate value of
all trading in the ancillary asset in all spot mar-
kets open to the public in the United States
was greater than $5,000,000, based on the
knowledge of the issuer after due inquiry; and

“(B) the issuer, or any person owning not
less than 10 percent of any class of equity secu-
rities of the issuer, engaged in entrepreneurial
or managerial efforts that primarily determined
the value of the ancillary asset.

“(3) TRANSITION RULE.—Subject to para-
graphs (4) and (5), an issuer that is engaged in
business in or affecting interstate commerce, or that
is organized outside of the United States and is not
a foreign private issuer, that offers, sells, or otherwise provides a security through an arrangement or scheme that constitutes an investment contract, as that term is used in section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1)), and that provides the holder of the security with an ancillary asset before January 1, 2025, in connection with the acquisition of the security shall be subject to the periodic disclosure requirements under subsection (c) beginning in the first fiscal year of the issuer that begins on or after that date, if, in the immediately preceding fiscal year of the issuer—

“(A) the average daily aggregate value of trading in the ancillary asset in all spot markets open to the public for which trading volume is generally available was greater than $5,000,000, based on the knowledge of the issuer after due inquiry; and

“(B) the issuer, or any person owning not less than 10 percent of any class of equity securities of the issuer, engaged in entrepreneurial or managerial efforts that primarily determined the value of the ancillary asset.

“(4) TREATMENT OF ANCILLARY ASSETS.—
“(A) IN GENERAL.—Notwithstanding any other provision of law, if an issuer issues a security through an arrangement or scheme that constitutes an investment contract, as that term is used in section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1)), is subject to paragraph (1), (2), or (3), and has complied with the periodic disclosure requirements under subsection (e), to the extent applicable, an ancillary asset owned by the issuer, or any person affiliated with the issuer, shall be presumed—

“(i) to be a commodity, consistent with section 2(c)(2)(F) of the Commodity Exchange Act (7 U.S.C. 2(c)(2)(F)); and

“(ii) not to be a security under—

“(I) section 3(a);

“(II) such section 2(a)(1);

“(III) section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a));

“(IV) section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)); or

“(V) any applicable provision of State law.
“(B) OTHER PERSONS.—A person who is not an issuer, an entity controlled by an issuer (including a person that acquires an ancillary asset from such an issuer for the purpose of resale or distribution of the ancillary asset), or a person acting at the direction or on the behalf of an issuer shall be not required to treat an ancillary asset provided by, or on behalf of, an issuer as a security under this Act or any provision of law described in subparagraph (A)(ii).

“(C) EXCEPTION.—

“(i) IN GENERAL.—Subparagraph (A) shall not apply to an ancillary asset if the United States Court of Appeals for the District of Columbia Circuit, after an appropriate proceeding, issues an order finding by clear and convincing evidence that the ancillary asset meets not less than 1 of the bases for exclusion under subsection (a)(1)(B).

“(ii) RULES OF CONSTRUCTION.—Nothing in this subparagraph shall be construed to preclude the Commission from entering into a settlement agreement relating to violations or alleged violations of
this section. Compliance under this section shall not be used in any administrative or judicial proceeding as evidence that an ancillary asset is a security.

“(5) **Calculation.**—For the purposes of paragraphs (1), (2), and (3), the calculation of daily aggregate value shall be based on data disclosed by spot markets or otherwise available to the public for inspection.

“(c) **Specified Periodic Disclosure Requirements.**—If an issuer is subject to paragraph (1), (2), or (3) of subsection (b), the issuer shall file, or cause the relevant affiliate to file, with the Commission, on a semi-annual basis, information that the Commission may, by rule, require relating to the issuer and any relevant ancillary asset, as necessary or appropriate in the public interest or for the protection of investors, which shall be exclusively comprised of the following:

“(1) Basic corporate information regarding the issuer, including the following:

“(A) The experience of the issuer in developing assets similar to the ancillary asset.

“(B) If the issuer has previously provided ancillary assets to purchasers of securities, information on the subsequent history of those
previously provided ancillary assets, including
price history, if the information is publicly
available.

“(C) The activities that the issuer has
taken in the relevant disclosure period, and is
projecting to take in the 1-year period following
the submission of the disclosure, with respect to
promoting the use, value, or resale of the ancil-
lary asset (including any activity to facilitate
the creation or maintenance of a trading mar-
ket for the ancillary asset and any network or
system that utilizes the ancillary asset).

“(D) The anticipated cost of the activities
of the issuer in subparagraph (C) and whether
the issuer has unencumbered, liquid funds equal
to that amount.

“(E) To the extent the ancillary asset in-
volves the use of a particular technology, the
experience of the issuer with the use of that
technology.

“(F) The backgrounds of the board of di-
rectors (or equivalent body), senior manage-
ment, and key employees of the issuer, the ex-
perience or functions of whom are material to
the value of the ancillary asset, as well as any
personnel changes relating to the issuer during
the period covered by the disclosure.

“(G) A description of the assets and liabilities of the issuer, to the extent material to the
value of the ancillary asset.

“(H) A description of any legal proceedings in which the issuer is engaged (including inquiries by governmental agencies into the
activities of the issuer), to the extent material
to the value of the ancillary asset.

“(I) Risk factors relating to the impact of
the issuer on, or unique knowledge relating to,
the value of the ancillary asset.

“(J) Information relating to ownership of
the ancillary asset by—

“(i) persons owning not less than 10
percent of any class of equity security of
the issuer; and

“(ii) the management of the issuer.

“(K) Information relating to transactions
involving the ancillary asset by the issuer with
related persons, promoters, and control persons.

“(L) Recent sales or similar dispositions of
ancillary assets by the issuer and affiliates of
the issuer.
“(M) Purchases or similar dispositions of ancillary assets by the issuer and affiliates of the issuer.

“(N) A going concern statement from the chief financial officer of the issuer or equivalent official, signed under penalty of perjury, stating whether the issuer maintains the financial resources to continue business as a going concern for the 1-year period following the submission of the disclosure, absent a material change in circumstances.

“(2) Information relating to the ancillary asset, including the following:

“(A) A general description of the ancillary asset, including the standard unit of measure with respect to the ancillary asset, the intended or known functionality and uses of the ancillary asset, the market for the ancillary asset, other assets or services that may compete with the ancillary asset, and the total supply of the ancillary asset or the manner and rate of the ongoing production or creation of the ancillary asset.

“(B) If ancillary assets have been offered, sold, or otherwise provided by the issuer to in-
vestors, intermediaries, or resellers, a description of the amount of assets offered, sold, or provided, the terms of each such transaction, and any contractual or other restrictions on the resale of the assets by intermediaries.

“(C) If ancillary assets were distributed without charge, a description of each distribution, including the identity of any recipient that received more than 5 percent of the total amount of the ancillary assets in any such distribution.

“(D) The amount of ancillary assets owned by the issuer.

“(E) For the 1-year period following the submission of the disclosure, a description of the plans of the issuer to support (or to cease supporting) the use or development of the ancillary asset, including markets for the ancillary asset and each platform or system that uses the ancillary asset.

“(F) Each third party not affiliated with the issuer, the activities of which may have a material impact on the value of the ancillary asset.
“(G) Risk factors known to the issuer that may limit demand for, or interest in, the ancillary asset.

“(H) The names and locations of the markets in which the ancillary asset is known by the issuer to be available for sale or purchase.

“(I) To the extent available to the issuer, the average daily price for a constant unit of value of the ancillary asset during the relevant reporting period, as well as the 12-month high and low prices for the ancillary asset.

“(J) If applicable, information relating to any external audit of the code and functionality of the ancillary asset, including the entity performing the audit and the experience of the entity in conducting similar audits.

“(K) If applicable, any valuation report or economic analysis commissioned by the issuer regarding the ancillary asset or the projected market of the ancillary asset.

“(L) If the ancillary asset is intangible, information relating to custody by the owner of the ancillary asset or a third party.
“(M) Information on intellectual property

rights claimed or disputed relating to the ancil- lary asset.

“(N) A description of the technology under- lying the issuance and trading of the ancil- lary asset.

“(O) Any material tax considerations applic- able to owning, storing, using, or trading the ancillary asset.

“(P) Any material legal or regulatory con- siderations applicable to owning, storing, using, or trading the ancillary asset, including any legal proceeding that may impact the value of the ancillary asset.

“(Q) Any other material factor or informa- tion that may impact the value of the ancillary asset and about which the issuer is reasonably aware.

“(d) Application to Successor Entities and Certain Affiliates.—

“(1) In general.—If an issuer would other- wise be subject to specified periodic disclosure re- quirements under subsection (c) and is no longer in operation, any successor entity that directly or indi- rectly received not less than 50 percent of the re-
remaining proceeds raised by the sale of the related securities of that issuer shall file, or cause to be filed, with the Commission the information required under that subsection.

“(2) CERTAIN AFFILIATES.—If an entity controlled by an issuer is subject to specified periodic disclosure requirements under subsection (c) and is engaged in entrepreneurial or managerial efforts that primarily determine the value of an ancillary asset, the entity may file with the Commission the information required under that subsection.

“(e) VOLUNTARY DISCLOSURE.—An issuer that is not subject to the specified periodic disclosure requirements under subsection (c) and that offers or sells a security through an arrangement or scheme that constitutes an investment contract, as that term is used in section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1)), and that provides the holder of that security with an ancillary asset in connection with the acquisition of the security may voluntarily file with the Commission the information required under that subsection if the issuer believes that it is reasonably likely that the issuer will become subject to those requirements in the future.

“(f) EXEMPTIONS.—The Commission may, by order, exempt an ancillary asset from the specified periodic dis-
closure requirements under subsection (c) if the Commission determines that the public policy goals of disclosure and consumer protection are not satisfied by requiring disclosures relating to an ancillary asset.

“(g) **Rule of Construction.**—If an issuer fails to comply with a provision of this section, an ancillary asset provided by the issuer shall not be presumed to be a security under a provision of law described in subsection (b)(4)(A)(ii), solely because of such failure.

“(h) **Liability for False and Misleading Statements.**—Any statement made in a disclosure, application, or other document filed under this section shall be subject to section 18.

“(i) **Termination of Specified Periodic Disclosure Requirements.**—

“(1) **In General.**—The obligation of an issuer to file the information required under subsection (c) shall terminate on the date that is 90 days, or such shorter period as the Commission may determine, after the date on which the issuer files a certification described in paragraph (2).

“(2) **Certification.**—

“(A) **In General.**—A certification described in this paragraph shall be supported by reasonable evidence, based on the knowledge of
the issuer filing the certification, after due in-
quiry, that—

“(i) the average daily aggregate value

of all trading in the applicable ancillary

asset in all spot markets open to the public

in the United States in the 12-month pe-

riod preceding the date on which the cer-

tification is filed was not greater than

$5,000,000; or

“(ii) during the 12-month period pre-

ceding the date on which the certification

is filed, neither the applicable issuer, nor

any entity controlled by the applicable

issuer, engaged in entrepreneurial or man-

agerial efforts that primarily determined

the value of the ancillary asset.

“(B) Denial.—

“(i) In general.—Subject to sub-

paragraph (C)(ii), the Commission may, by

majority vote and after notice and oppor-

tunity for hearing, deny a certification filed

under paragraph (1) if the Commission

finds that the certification is not supported

by substantial evidence.
“(ii) Effect.—The denial, under clause (i), of a certification filed under paragraph (1)—

“(I) shall terminate the certification so filed; and

“(II) shall not prevent the applicable issuer from filing another certification under paragraph (1), if the re-filed certification is filed not earlier than 180 days after the date on which the original certification is denied.

“(C) Pending status.—

“(i) In general.—Termination of the disclosure requirements described in paragraph (1) applicable to an issuer that has filed a certification under that paragraph shall be deferred pending review by the Commission of the evidence supporting the certification.

“(ii) Effect of delay.—If, as of the date that is 90 days after receiving a certification filed under paragraph (1), the Commission has not requested additional evidence with respect to the certification from the applicable issuer, the disclosure
140 obligations that are the subject of the cer-
2 tification shall terminate.
3 “(j) Rules.—The Commission may adopt rules and
guidance to implement this section, consistent with the
statutory intent of this section.”.

SEC. 502. GUIDANCE RELATING TO SATISFACTORY CON-
TROL LOCATION.

7 Not later than 180 days after the date of the enact-
ment of this Act, the Securities and Exchange Commission
shall issue guidance relating to section 240.15c3–3 of title
17, Code of Federal Regulations, or any successor regula-
tion, providing that the requirement to designate a satis-
factory control location for a crypto asset that is, or may
represent ownership of, a security may be satisfied by pro-
tecting the crypto asset through commercially reasonable
cybersecurity practices to maintain control of sufficient
private key material to transfer control of the crypto asset
to another person, or to cause another person to obtain
control of the crypto asset, including by means of a smart
contract that generates private key material without the
involvement of a natural person.
TITLE VI—CUSTOMER PROTECTION AND MARKET INTEGRITY AUTHORITY

SEC. 601. CUSTOMER PROTECTION AND MARKET INTEGRITY AUTHORITY.

(a) In general.—Chapter 98 of title 31, United States Code, as amended by section 208, is amended by adding at the end the following:

§ 9809. Customer protection and market integrity authorities

“(a) Definitions.—In this section:

“(1) Nonmember professional.—The term ‘nonmember professional’ means any person that—

“(A) is a crypto asset intermediary; and

“(B) is not a member of a customer protection and market integrity authority or affiliated organization.

“(2) Registration information.—The term ‘registration information’ means the information reported in connection with the licensing, registration, or other authorization of crypto asset intermediaries and their associated persons, including—

“(A) disciplinary actions, regulatory, judicial, and arbitration proceedings, and other in-
formation required by law or authority rule;
and

“(B) the source and status of the information described in subparagraph (A).

“(b) Registration; Application.—An association of crypto asset intermediaries may be registered as a customer protection and market integrity authority, under the terms and conditions provided in this section, and in accordance with the provisions of this section and section 9810, by jointly filing with the Securities and Exchange Commission and the Commodity Futures Trading Commission an application for registration, in such form as the commissions may require, containing the rules of the authority and such other information and documents that may be prescribed as necessary or appropriate in the public interest or for customer protection.

“(c) Determinations by Commissions Requisite to Registration.—An association of crypto asset intermediaries may not be registered as a customer protection and market integrity authority under subsection (b) unless a majority of the members of each of the Securities and Exchange Commission and the Commodity Futures Trading Commission, voting separately, determine that each of the following is satisfied:
“(1) By reason of the number and the scope of
the transactions of the authority, the authority will
be able to carry out the purposes of this section.

“(2) The authority is so organized, and has the
capacity, to—

“(A) be able to carry out the purposes of
this section and other applicable State and Fed-
eral laws; and

“(B) subject to any rule or order of the
appropriate commission, enforce compliance by
members of the authority (and persons associ-
ated with those members) with the provisions of
applicable law, the rules under those provisions,
and the rules of the authority.

“(3) The rules of the authority provide that any
crypto asset intermediary may become a member of
the authority and any person may become associated
with a member of the authority.

“(4) The rules of the authority provide for the
following allocation of a 13-member board of direc-
tors:

“(A) 3 governmental directors, as follows:

“(i) The Director of the Office of Fi-
nancial Innovation of the Commodity Fu-
tutes Trading Commission, or the designee of the Director.

“(ii) The Director of the Office of Financial Innovation of the Securities and Exchange Commission, or the designee of the Director.

“(iii) The Director of the Financial Crimes Enforcement Network, or the designee of the Director.

“(B) 4 independent directors—

“(i) who are appointed by the President, with specializations in financial technology, consumer protection, and financial markets, except that those 4 directors shall not be affiliated, through a close relative or a financial interest with any member of the authority; and

“(ii) 1 of whom is designated by the President as chair of the authority.

“(C) 6 directors appointed by the members of the prospective authority.

“(5) The rules of the authority provide for the equitable allocation of reasonable dues, fees, and other charges among members of the authority and
other persons using any facility or system that the
authority operates or controls.

“(6) The rules of the authority—

“(A) are designed to—

“(i) prevent fraudulent and manipula-
tive acts and practices in order to promote
just and equitable principles of trade;

“(ii) foster cooperation and coordina-
tion with persons engaged in regulating,
clearing, settling, processing information
with respect to, and facilitating trans-
actions in crypto assets;

“(iii) remove impediments to, and per-
fect the mechanism of, a free and open
market; and

“(iv) protect customers and the public
interest; and

“(B) are not designed to—

“(i) permit unfair discrimination be-
tween customers and crypto asset inter-
mediaries;

“(ii) fix minimum profits;

“(iii) impose any schedule or fix rates
of commissions, allowances, discounts, or
other fees to be charged by the members of
the authority; or

“(iv) regulate by virtue of any author-
ity conferred by law matters not related to
the purposes of this section or the adminis-
tration of the authority.

“(7) The rules of the authority provide that,
subject to any rule or order of the appropriate com-
mission, the members of the authority (and persons
associated with those members) shall be appro-
priately disciplined for a violation of any provision of
applicable law, the rules under such a provision, or
the rules of the authority by expulsion, suspension,
limitation of activities, functions, and operations,
fine, censure, a suspension or bar from being associ-
ated with a member, or any other fitting sanction.

“(8) The rules of the authority are consistent
with the provisions of subsection (h) and, in general,
provide a fair procedure for—

“(A) the disciplining of members and per-
sons associated with members;

“(B) the denial of membership to any per-
son seeking membership in the authority;
“(C) the barring of any person from becoming associated with a member of the authority; and

“(D) the prohibition or limitation by the authority of any person with respect to access to services offered by the authority or a member of the authority.

“(9) The rules of the authority do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of this section.

“(10) The requirements of subsection (d), as applicable, are satisfied.

“(11) The rules of the authority include provisions governing the form and content of quotations relating to crypto assets, which shall be designed to—

“(A) produce fair and informative quotations;

“(B) prevent fictitious or misleading quotations; and

“(C) promote orderly procedures for collecting, distributing, and publishing quotations.

“(d) Rules; Provision for Registration of Affiliated Organization.—
“(1) IN GENERAL.—The Securities and Exchange Commission and the Commodity Futures Trading Commission may permit or require the rules of an authority applying for registration under subsection (b) to provide for the admission of an organization registered as an affiliated organization pursuant to subsection (e), to participate in the applicant authority as an affiliate of the applicant authority, under terms permitting powers and responsibilities to the affiliate, and under such other appropriate terms and conditions, as may be provided by the rules of the applicant authority, if those rules appear to the commissions jointly to be necessary or appropriate in the public interest or for customer protection and to carry out the purposes of this section.

“(2) DUTIES AND POWERS OF THE COMMISSIONS.—The duties and powers of the Securities and Exchange Commission and the Commodity Futures Trading Commission with respect to any authority or affiliate organization shall in no way be limited by reason of any such affiliation.

“(e) REGISTRATION AS AFFILIATED ORGANIZATION; PREREQUISITES; AUTHORITY RULES.—
“(1) IN GENERAL.—An applicant organization shall not be registered as an affiliated organization, unless—

“(A) the organization, notwithstanding that the organization does not satisfy the requirements under subsection (c)(1), will, upon the registration of the organization under this subsection, be admitted to affiliation with an organization registered as an authority pursuant to subsection (c), in the manner and under the terms and conditions provided by the rules of the customer protection and market integrity authority in accordance with subsection (d); and

“(B) the organization and the rules of the organization satisfy the requirements under paragraphs (2) through (11) of subsection (c).

“(2) EXCEPTION.—Any restrictions upon membership of an applicant organization shall not be less stringent than in the case of the customer protection and market integrity authority with which the organization is to be affiliated.

“(f) DEALINGS WITH NONMEMBER PROFESSIONALS.—
“(1) IN GENERAL.—The rules of a customer protection and market integrity authority may provide that no member of the authority may deal with any nonmember professional except at the same prices, for the same commissions or fees, and on the same terms and conditions the member accords to the general public.

“(2) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to prevent any member of a customer protection and market integrity authority from granting to any other member of any other such authority any discount, allowance, commission, or special terms in connection with a crypto asset transaction.

“(g) DENIAL OF MEMBERSHIP.—

“(1) IN GENERAL.—Membership in a customer protection and market integrity authority under this section shall be limited to crypto asset intermediaries.

“(2) DENIAL FOR PUBLIC INTEREST OR CONSUMER PROTECTION.—

“(A) IN GENERAL.—A customer protection and market integrity authority may, and the appropriate commission, by order, may direct such an authority to, as necessary or appro-
appropriate in the public interest or for customer protection, deny membership to any person, and bar from becoming associated with a member any person, that is subject to a statutory disqualification within the laws under the jurisdiction of that commission.

“(B) NOTICE.—A customer protection and market integrity authority shall file notice with the appropriate commission, in such form and containing such information as the appropriate commission shall require, not less than 30 days before admitting any person to membership or permitting any person to become associated with a member, if the authority knew, or in the exercise of reasonable care should have known, that such person was subject to a statutory disqualification.

“(3) PROCEDURE.—

“(A) IN GENERAL.—A customer protection and market integrity authority may—

“(i) deny membership to, or condition the membership of, a crypto asset intermediary, if—

“(I) the intermediary does not meet such standards of financial re-
responsibility or operational capability,
or such intermediary or any individual
associated with the intermediary does
not meet such standards of training,
experience, and competence, as are
prescribed by the rules of the author-
ity; or

“(II) the intermediary or person
associated with the intermediary has
engaged, and there is a reasonable
likelihood the intermediary or person
will again engage, in acts or practices
inconsistent with just and equitable
principles of trade; and

“(ii) examine and verify the qualifica-
tions of an applicant to become a member
and the individuals associated with the ap-
plicant in accordance with procedures es-
tablished by the rules of the authority.

“(B) AUTHORITY.—A customer protection
and market integrity authority may—

“(i) bar an individual from becoming
associated with a member, or condition the
association of an individual with a mem-
ber, if that individual—
“(I) does not meet such standards of training, experience, and competence as are prescribed by the rules of the authority; or

“(II) has engaged, and there is a reasonable likelihood the individual will again engage, in acts or practices inconsistent with just and equitable principles of trade;

“(ii) examine and verify the qualifications of an applicant to become a person associated with a member in accordance with procedures established by the rules of the authority; and

“(iii) require an individual associated with a member, or any class of such individuals, to be registered with the authority in accordance with procedures so established.

“(C) BAR ON ASSOCIATION.—A customer protection and market integrity authority may bar any person from becoming associated with a member if that person does not agree—

“(i) to supply the authority with such information with respect to the relationship
and dealings of the person with the member as may be specified in the rules of the authority; and

“(ii) to permit examination of the records of the person to verify the accuracy of any information supplied by the person under clause (i).

“(4) Denial for type of business.—

“(A) In general.—Subject to subparagraph (B), a customer protection and market integrity authority may deny membership to a crypto asset intermediary not engaged in a type of business in which the rules of the authority require members to be engaged.

“(B) Condition.—No customer protection and market integrity authority may deny membership to a crypto asset intermediary by reason of the amount of such type of business done by such intermediary or the other types of business in which the intermediary is engaged.

“(h) Discipline of Customer Protection and Market Integrity Authority Members and Persons Associated With Members; Summary Proceedings.—

“(1) Discipline.—
“(A) Notification.—In any proceeding by a customer protection and market integrity authority to determine whether a member, or a person associated with a member, should be disciplined (other than a summary proceeding pursuant to paragraph (3)), the authority shall bring specific charges, notify such member or person of (and give the person an opportunity to defend against) those charges, and keep a record.

“(B) Statement.—A determination by a customer protection and market integrity authority to impose discipline in a proceeding under subparagraph (A) shall be supported by a statement setting forth—

“(i) any act or practice in which the member, or person associated with a member, has been found to have engaged, or that such member or person has been found to have omitted;

“(ii) the specific provision of law, the rules under such a provision, or the rules of the authority that an act or practice described in clause (i), or omission to act, is charged with violating; and
“(iii) the sanction imposed and a justification for the sanction.

“(2) Denial of Membership or Services.—

“(A) Notification.—In any proceeding by a customer protection and market integrity authority to determine whether a person shall be denied membership, barred from becoming associated with a member, or prohibited or limited with respect to access to services offered by the authority or a member of the authority (other than a summary proceeding pursuant to paragraph (3)), the authority shall—

“(i) notify that person and give the person an opportunity to be heard;

“(ii) provide the person the specific grounds for denial, bar, or prohibition or limitation under consideration; and

“(iii) maintain a record.

“(B) Statement.—A determination by a customer protection and market integrity authority to deny membership, bar a person from becoming associated with a member, or prohibit or limit a person with respect to access to services offered by the authority or a member under subparagraph (A) shall be supported by a state-
ment setting forth the specific grounds on which the denial, bar, or prohibition or limitation is based.

“(3) SUMMARY PROCEEDING.—

“(A) IN GENERAL.—A customer protection and market integrity authority may summarily—

“(i) suspend a member of the authority, or a person associated with such a member, that is—

“(I) expelled or suspended from any other authority or entity delegated regulatory and disciplinary authority by a governmental agency; or

“(II) barred or suspended from being associated with a member of another authority;

“(ii) suspend a member of the authority that is in such financial or operating difficulty that the authority determines (and so notifies the appropriate commission) that the member cannot be permitted to continue to do business as a member, in order to protect customers, creditors, other members, or the authority; or
“(iii) limit or prohibit any person from accessing services offered by the authority if clause (i) or (ii) is applicable to that person, or, in the case of a person that is not a member of the authority, if the authority determines that the person—

“(I) does not meet the qualification requirements or other pre-requisites for that access; and

“(II) cannot be permitted to continue to have such access with safety, in order to protect customers, creditors, members, or the authority.

“(B) OPPORTUNITY FOR HEARING.—Any person aggrieved by a summary action under subparagraph (A) shall be promptly afforded an opportunity for a hearing by the applicable authority in accordance with the provisions of paragraph (1) or (2).

“(C) STAY.—The appropriate commission, by order, may stay a summary action described in subparagraph (A) on the motion of the commission or upon application by any person aggrieved by the summary action, if the commission determines summarily or after notice and
opportunity for hearing (which may consist solely of the submission of affidavits or presentation of oral arguments) that the stay is consistent with the public interest and customer protection.

“(i) Obligation To Maintain Registration, Disciplinary, and Other Data.—

“(1) Maintenance of system to respond to inquiries.—A customer protection and market integrity authority shall establish and maintain—

“(A) a system for collecting and retaining registration information; and

“(B) a website, including an application programming interface, to receive and promptly respond to inquiries regarding registration information on the members of the authority and associated persons with respect to those members.

“(2) Recovery of costs.—A customer protection and market integrity authority may charge persons making inquiries described in paragraph (1)(B), other than individual customers of crypto asset intermediaries, reasonable fees for responses.

“(3) Process for disputed information.—

Each customer protection and market integrity au-
authority shall adopt rules establishing a process for disputing the accuracy of information provided in response to inquiries under this subsection.

“(4) LIMITATION ON LIABILITY.—A customer protection and market integrity authority, or any crypto asset intermediary reporting information to such an authority, shall not have any liability to any person for any actions taken or omitted in good faith under this subsection.

“(j) AVOIDANCE OF DUPLICATIVE RULES.—

“(1) IN GENERAL.—Each customer protection and market integrity authority registered under subsection (b) shall issue rules as necessary to avoid duplicative or conflicting rules applicable to any crypto asset intermediary that is a member of a national securities exchange, board of trade, contract market, registered securities association, registered futures association, or similar entity.

“(2) OTHER MEMBERSHIP.—A crypto asset intermediary shall not be required to become a member of another entity delegated regulatory and disciplinary authority by a governmental agency unless the intermediary performs activities with financial assets other than crypto assets.

“(3) NON-CRYPTO ASSET ACTIVITIES.—
“(A) RULES BY COMMISSIONS.—The Securities and Exchange Commission and the Commodity Futures Trading Commission shall jointly prescribe rules under which a crypto asset intermediary that is a member or affiliate of a customer protection and market integrity authority registered under this section may perform activities with financial assets other than crypto assets, if those activities are not a majority of the business of an intermediary and are conducted in a responsible manner, without membership in another entity delegated regulatory and disciplinary authority by a governmental agency.

“(B) RULES BY CUSTOMER PROTECTION AND MARKET INTEGRITY AUTHORITY.—A customer protection and market integrity authority under this section shall adopt rules governing activities with financial assets other than crypto assets, which shall be consistent with existing law, rule, guidance or industry best practices or the rules of other entities delegated regulatory and disciplinary authority by a governmental agency.”.
(b) Technical and Conforming Amendment.—

The table of sections for chapter 98 of title 31, United States Code, as amended by section 208, is amended by adding at the end the following:

“9809. Customer protection and market integrity authorities.”.

SEC. 602. REGISTRATION, RULEMAKING, AND SUPERVISION OF CUSTOMER PROTECTION AND MARKET INTEGRITY AUTHORITIES.

(a) In General.—Chapter 98 of title 31, United States Code, as amended by section 601, is amended by adding at the end the following:

“§ 9810. Registration, rulemaking, and supervision of customer protection and market integrity authorities

“(a) Registration Procedures; Notice of Filing; Other Regulatory Agencies.—

“(1) Publication of notice.—

“(A) In general.—The Securities and Exchange Commission and Commodity Futures Trading Commission shall, upon the filing of an application for registration as a customer protection and market integrity authority under section 9809, publish notice of that filing and afford interested persons an opportunity to submit written data, views, and arguments concerning the application.
“(B) REQUIREMENTS.—Not later than 90
days after the date on which notice is published
under subparagraph (A), or within a longer pe-
riod to which the applicable applicant consents,
the Securities and Exchange Commission and
Commodity Futures Trading Commission
shall—

“(i) by joint order, grant registration
of the customer protection and market in-
tegrity authority; or

“(ii) institute proceedings to deter-
mine whether registration should be de-

“(C) PROCEEDINGS.—

“(i) IN GENERAL.—Proceedings insti-
tuted under subparagraph (B)(ii) shall in-
clude notice of the grounds for denial
under consideration and opportunity for
hearing before the joint commissions.

“(ii) HEARING.—A hearing described
in clause (i) shall be concluded not later
than 180 days after the date on which no-
tice of the filing of the application for reg-
istration is published under subparagraph
(A).
“(iii) FURTHER PROCEEDINGS.—

“(I) SEPARATE VOTES.—At the conclusion of a hearing conducted under this subparagraph, and not later than the end of the 180-day period described in clause (ii), the Securities and Exchange Commission and Commodity Futures Trading Commission, voting separately, shall act to grant or deny the applicable registration.

“(II) EFFECT OF FAILURE TO ISSUE JOINT ORDER.—The failure of the Securities and Exchange Commission and Commodity Futures Trading Commission to issue a joint order during the period described in subclause (I) shall be deemed to be a denial of the applicable registration.

“(D) CONSIDERATIONS.—With respect to an application for registration described in this paragraph, the Securities and Exchange Commission and Commodity Futures Trading Commission shall—
“(i) grant registration if all statutory requirements have been met and the rules under those statutory provisions with respect to the applicant are satisfied; and

“(ii) deny such registration if the commissions do not make the findings described in clause (i).

“(2) WITHDRAWAL FROM REGISTRATION.—

“(A) IN GENERAL.—A customer protection and market integrity authority may, upon such terms and conditions as the Securities and Exchange Commission and Commodity Futures Trading Commission, by rule, determine necessary or appropriate in the public interest or for the protection of customers, withdraw from registration described in paragraph (1) by filing a written notice of withdrawal with the commissions.

“(B) CONSIDERATIONS.—If the Securities and Exchange Commission and Commodity Futures Trading Commission, voting separately, each finds that a customer protection and market integrity authority is no longer in existence or has ceased to do business in the capacity specified in the application for registration sub-
mitted by the authority, the commissions may cancel the registration of the authority.

“(C) Effect of withdrawal, cancellation, suspension, or revocation.—Upon withdrawal by registration or the cancellation, suspension, or revocation of the registration of a customer protection and market integrity authority, the registration of any affiliate shall automatically terminate.

“(b) Proposed Rule Changes; Notice; Proceedings.—

“(1) In general.—Except as otherwise provided in paragraph (2)—

“(A) a customer protection and market integrity authority shall file with the appropriate commission, in accordance with the rules of that commission, copies of any proposed rule or any proposed change in, addition to, or deletion from the rules of such customer protection and market integrity authority accompanied by a concise general statement of the basis and purpose of such proposed rule change;

“(B) the appropriate commission shall—

“(i) as soon as practicable after the date on which a proposed rule change is
filed under subparagraph (A), publish notice of that filing together with the terms of substance of the proposed rule change or a description of the subjects and issues involved; and

“(ii) give interested persons an opportunity to submit written data, views, and arguments concerning that proposed rule change;

“(C) no proposed rule change described in subparagraph (A) shall take effect unless approved by the appropriate commission or otherwise permitted in accordance with the provisions of this subsection; and

“(D) no proposed rule change described in subparagraph (A) relating to a matter under the jurisdiction of more than 1 commission may be filed.

“(2) APPROVAL PROCESS.—

“(A) APPROVAL PROCESS ESTABLISHED.—

“(i) IN GENERAL.—Except as provided in clause (ii), not later than 30 days after the date on which notice of a proposed rule change is published under para-
168

graph (1), the appropriate commission shall—

“(I) by order, approve or disapprove the proposed rule change; or

“(II) institute proceedings under subparagraph (B) to determine whether the proposed rule change should be disapproved.

“(ii) EXTENSION OF TIME PERIOD.—

The appropriate commission may extend the period established under clause (i) by not more than an additional 30 days, if—

“(I) the commission determines that a longer period is appropriate and publishes the reasons for that determination; or

“(II) the customer protection and market integrity authority that filed the proposed rule change consents to a longer period.

“(B) PROCEEDINGS.—

“(i) NOTICE AND HEARING.—If the appropriate commission does not approve or disapprove a proposed rule change under subparagraph (A), the commission
shall provide to the customer protection and market integrity authority that filed the proposed rule change—

“(I) notice of the grounds for disapproval under consideration; and

“(II) opportunity for hearing, to be concluded not later than 180 days after the date of publication of notice of the filing of the proposed rule change.

“(ii) ORDER OF APPROVAL OR DISAPPROVAL.—

“(I) IN GENERAL.—Except as provided in subclause (II), not later than 180 days after the date on which notice is published under paragraph (1), the appropriate commission shall issue an order approving or disapproving the proposed rule change that is the subject of the notice.

“(II) EXTENSION OF TIME PERIOD.—The appropriate commission may extend the period for issuance under clause (I) by not more than 60 days, if—
“(aa) the commission determines that a longer period is appropriate and publishes the reasons for such determination; or

“(bb) the customer protection and market integrity authority that filed the proposed rule change consents to the longer period.

“(C) STANDARDS FOR APPROVAL AND DISAPPROVAL.—

“(i) APPROVAL.—The appropriate commission shall approve a proposed rule change of a customer protection and market integrity authority if the commission finds that the proposed rule change is consistent with law.

“(ii) TIME FOR APPROVAL.—The appropriate commission may not approve a proposed rule change earlier than 30 days after the date of publication of notice with respect to the proposed rule change under paragraph (1), unless the commission finds good cause for so doing and publishes the reason for the finding.
“(D) Result of failure to institute or conclude proceedings.—A proposed rule change shall be deemed to have been approved by the appropriate commission, if—

“(i) the commission does not approve or disapprove the proposed rule change, or begin proceedings under subparagraph (B), within the period described in subparagraph (A); or

“(ii) the commission does not issue an order approving or disapproving the proposed rule change under subparagraph (B) within the period described in subparagraph (B)(ii).

“(E) Publication date based on Federal Register publishing.—

“(i) In general.—For purposes of this paragraph, if, after filing a proposed rule change with the appropriate commission under paragraph (1), a customer protection and market integrity authority publishes a notice of the filing of that proposed rule change, together with the substantive terms of that proposed rule change, on a publicly accessible website,
the commission shall send the notice to the
Federal Register for publication of the pro-
posed rule change under paragraph (1) not
later than 5 days after the date on which
that website publication is made.

“(ii) Effect of failing to send.—
If the appropriate commission fails to send
notice under clause (i) during the 5-day
period described in that clause, the date of
publication shall be deemed to be the date
on which the applicable website publication
is made.

“(3) Internal Governance.—With respect to
a proposed rule relating to the internal operation,
governance, and procedures of a customer protection
and market integrity authority, or a proposed rule
relating to the determination of the legal character
of a crypto asset—

“(A) the proposed rule shall be—

“(i) subject to approval by the Securi-
ties and Exchange Commission and the
Commodity Futures Trading Commission;
and

“(ii) deemed to be approved on the
date that is 5 days after the date on which
the proposed rule is submitted, unless ei-
ther commission objects to the proposed
rule change; and
“(B) if a commission objects to the pro-
posed rule change under subparagraph (A)(ii)—
“(i) the commission shall, in a public
format, provide to the authority and the
non-objecting commission the reasons for
the objection;
“(ii) the authority, and interested
members of the public, may provide writ-
ten comments to the commissions during
the 20-day period beginning on the date on
which the objection is noted; and
“(iii) the Securities and Exchange
Commission and the Commodity Futures
Trading Commission, voting separately,
shall jointly issue an order approving or
disapproving the proposed rule, with the
failure to issue such a joint order being
deemed to be approval of the proposed
rule.
“(4) EXCEPTION.—
“(A) IN GENERAL.—Notwithstanding
paragraphs (2) and (3), a proposed rule change
shall take effect upon filing if self-certified by an authority as—

“(i) constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the authority;

“(ii) establishing or changing a due, fee, or other charge imposed by the authority on any person, whether or not the person is a member of the authority; or

“(iii) notwithstanding any other provision of this subsection, necessary for customer protection, the maintenance of fair and orderly markets, or the safeguarding of crypto assets, customer funds, or other property, in which case the proposed rule change under shall be filed promptly thereafter in accordance with paragraph (1).

“(B) ENFORCEMENT.—

“(i) IN GENERAL.—Any proposed rule change of an authority that has taken effect under subparagraph (A) may be enforced by the authority to the extent the rule change is not inconsistent with applicable law.
“(ii) SUSPENSION.—

“(I) IN GENERAL.—At any time during the 60-day period beginning on the date on which a proposed rule change is filed under paragraph (1), the appropriate commission may temporarily and summarily suspend the change in the rules of the authority on a temporary basis, if the commission determines that such action is necessary or appropriate in the public interest, for customer protection, or to otherwise comply with applicable law.

“(II) REQUIREMENTS.—If a commission takes action under subclause (I), the commission shall institute proceedings under paragraph (2)(B) to determine whether the applicable proposed rule should be approved or disapproved.

“(iii) RULE OF CONSTRUCTION.—Action under this subparagraph shall not affect the validity or force of a proposed rule change during the period the rule change was in effect and shall not be reviewable in
a judicial proceeding, nor deemed to be
final agency action for purposes of section
704 of title 5.

“(5) Rule of construction relating to filing date of proposed rule changes.—

“(A) In general.—For purposes of this subsection, the date of filing of a proposed rule change shall be deemed to be the date on which the applicable commission receives the proposed rule change.

“(B) Exception.—

“(i) In general.—Subject to clause (ii), a proposed rule has not been received by the applicable commission for purposes of subparagraph (A), if, not later than 7 business days after the date on which the commission receives the rule, the commission notifies the authority that the proposed rule change does not comply with the rules of the commission relating to the required form of a proposed rule change.

“(ii) Lengthy and complex proposed rule changes.—

“(I) In general.—If the applicable commission determines that a
proposed rule change is unusually lengthy, and is complex or raises novel regulatory issues, the commission shall inform the authority of that determination not later than 7 business days after the date on which the commission receives the rule.

“(II) Deadline.—For the purposes of subparagraph (A), a proposed rule change described in subclause (I) has not been received by the applicable commission, if, not later than 21 days after the date on which the commission receives the rule, the commission notifies the applicable authority that the proposed rule change does not comply with the rules of the commission relating to the required form of a proposed rule change.

“(C) Applicability.—This paragraph shall not apply to a rule relating to the internal operations, governance, and procedure of an authority.

“(c) Amendment of Rules of Authorities.—
“(1) IN GENERAL.—The appropriate commission may, by rule, abrogate, add to, and delete from the rules of an authority as the commission determines necessary or appropriate to ensure the fair administration of the authority or to conform the rules of the authority to law or applicable rule, in the following manner:

“(A) The appropriate commission shall notify the authority and publish notice of the proposed rulemaking in the Federal Register, which shall include the text of the proposed amendment to the rules of the authority and a statement of the reasons of the commission, including any pertinent facts, for commencing the proposed rulemaking.

“(B)(i) The appropriate commission shall give interested persons an opportunity for the oral presentation of data, views, and arguments, in addition to an opportunity to make written submissions.

“(ii) A transcript shall be kept of any oral presentation under clause (i).

“(C) A rule adopted pursuant to this paragraph shall incorporate the text of the amendment to the rules of the authority and a state-
ment of the appropriate commission regarding the basis for amendment of the rule, which shall include an identification of any facts on which the determination of the commission to amend the rules of the authority is based, including the reasons for the conclusions of the commission relating to any facts that were disputed in the rulemaking.

“(2) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to impair or limit the authority of the appropriate commission to make, or to modify or alter the procedures the commission may follow in making, rules pursuant to any other authority granted by law that is consistent with this subsection.

“(3) EFFECT OF RULES.—Any amendment to the rules of an authority made by the appropriate commission under this subsection shall be considered for all purposes to be part of the rules of that authority and shall not be considered to be a rule of that commission.

“(4) CONSULTATIONS.—With respect to rules described in subsection (b)(4)(A)(iii), the appropriate commission shall consult with and consider the views of the other commission and the Secretary
of the Treasury before abrogating, adding to, and deleting from those rules, except where the commission determines that an emergency exists requiring expeditious or summary action and publishes the reasons of the commission for taking that action.

“(d) Notice of Disciplinary Action Taken by Authority Against a Member or Participant; Review of Action by Appropriate Commission; Procedure.—

“(1) In general.—If an authority imposes any final disciplinary sanction on any member of the authority, or any participant with respect to the authority, denies membership or participation to any applicant, prohibits or limits any person from accessing services offered by the authority or a member of the authority, imposes any final disciplinary sanction on any person associated with a member, or bars any person from becoming associated with a member, the authority shall promptly file notice of that action with the appropriate commission.

“(2) Review.—

“(A) In general.—Any action with respect to which an authority is required to file notice under paragraph (1) shall be subject to review by the appropriate commission for the
applicable member, participant, applicant, or other person, on its own motion, or upon application by any person aggrieved by that action if filed not later than 30 days after the date on which the notice was filed with the appropriate commission and received by the aggrieved person, or within such longer period as the appropriate commission may determine.

“(B) APPLICATION.—Application to the appropriate commission for review, or the institution of review by the commission on its own motion, shall not operate as a stay of an action described in subparagraph (A) unless the appropriate commission otherwise orders, summarily or after notice and opportunity for hearing on the question of a stay, which may consist solely of the submission of affidavits or presentation of oral arguments.

“(C) STAYS.—For the purposes of this paragraph, each of the appropriate commissions shall establish for appropriate cases an expedited procedure for consideration and determination of the question of a stay.
"(3) Applicability.—This subsection shall apply only to the extent that an authority imposes any final disciplinary sanction for—

(A) a violation of Federal law or the rules issued under Federal law; or

(B) a violation of a rule of the authority, as to which a proposed change would be required to be filed under this section.

"(e) Disposition of Review; Cancellation, Reduction, or Remission of Sanction.—

"(1) In general.—In any proceeding to review a final disciplinary sanction imposed by an authority on a member, a participant with respect to the authority, or a person associated with such a member, after notice and opportunity for hearing, which may consist solely of consideration of the record before the authority and opportunity for the presentation of supporting reasons to affirm, modify, or set aside the sanction—

(A) if the appropriate commission finds that such member, participant, or person associated with a member has engaged in such acts or practices, or has omitted such acts, as the authority has found that person to have engaged in or omitted, that such acts or practices,
or omissions to act, are in violation of law, the rules thereunder, or the rules of the authority, and that such provisions are, and were applied in a manner, consistent with law, the commission, by order, shall—

“(i) make a declaration regarding that finding; and

“(ii) as appropriate—

“(I) affirm the sanction imposed by the authority;

“(II) modify the sanction in accordance with paragraph (2); or

“(III) remand to the authority for further proceedings; or

“(B) if the appropriate commission does not make a finding described in subparagraph (A), the commission shall, by order—

“(i) set aside the sanction imposed by the authority; and

“(ii) if appropriate, remand to the authority for further proceedings.

“(2) MODIFICATION.—If the appropriate commission for a member, participant, or person associated with a member, having due regard for the public interest and customer protection, finds, after a
proceeding under paragraph (1), that a sanction imposed by a authority upon that member, participant, or person associated with a member imposes any burden on competition not necessary or appropriate or is excessive or oppressive, the commission may cancel, reduce, or require the remission of that sanction.

“(f) Dismissal of Review Proceeding.—

“(1) In general.—In any proceeding to review the denial of membership or participation in an authority to any applicant, the barring of any person from becoming associated with a member of an authority, or the prohibition or limitation by an authority of any person from accessing services offered by the authority or any member, if the appropriate commission, after notice and opportunity for hearing, which may consist solely of consideration of the record before the authority and opportunity for the presentation of supporting reasons to dismiss the proceeding or set aside the action of the authority, finds that the specific grounds on which that denial, bar, or prohibition or limitation is based exist in fact, that such denial, bar, or prohibition or limitation is in accordance with the rules of the authority, and that such rules are, and were applied in a man-
ner, consistent with law, the appropriate commis-

sion, by order, shall dismiss the proceeding.

“(2) Failure to make finding.—If the ap-

propriate commission does not make a finding de-
scribed in paragraph (1), or if the commission finds

that the applicable denial, bar, prohibition, or limita-
tion imposes any burden on competition not nec-
essary or appropriate, the commission, by order,
shall set aside the action of the authority and re-
quire the authority to admit the applicable applicant
to membership or participation, permit that person
to become associated with a member, or grant that
person access to services offered by the authority or
a member.

“(g) Suspension or Revocation of Authority

Registration; Other Sanctions.—

“(1) In general.—If necessary or appropriate
in the public interest, for customer protection, or
otherwise in furtherance of the purposes of this sec-
tion, the appropriate commissions, voting separately,
may issue a joint order suspending for a period not
exceeding 1 year or revoking the registration of an
authority, or censuring or imposing limitations upon
the activities, functions, and operations of an au-

thority, if, the commissions find, on the record after
notice and opportunity for hearing, that the author-
ity—

“(A) has violated or is unable to comply
with any provision of law, rule, or the rules of
the authority without reasonable justification or
excuse; or

“(B) has failed to enforce compliance with
any provision by a member of the authority or
a person associated with a member of the au-
thority.

“(2) EXPULSION.—The appropriate commission
may, by order, if necessary or appropriate in the
public interest, for customer protection, or otherwise
in furtherance of the purposes of this section, to sus-
pend for a period not exceeding 1 year or expel from
an authority, any member of an authority, or partic-
ipant with respect to an authority, if such member
or participant is subject to an order of the commis-
sion or if the commission, on the record after notice
and opportunity for hearing, determines that the
member or participant has willfully violated, or has
effectected any transaction for any other person who
the member or participant had reason to believe was
violating, with respect to such transaction any appli-
cable provision of law under the jurisdiction of the commission.

“(3) Bar on Association.—The applicable commission may, by order, if necessary or appropriate in the public interest, for customer protection, or otherwise in furtherance of the purposes of this section, to suspend for a period not exceeding 1 year or to bar any person from being associated with a member of such authority, if the person is subject to an order of the appropriate commission or if the appropriate commission finds, on the record after notice and opportunity for hearing, that the person has willfully violated, or has effected any transaction for any other person who the person associated with a member had reason to believe was violating, with respect to the transaction any applicable provision of law under the jurisdiction of the commission.

“(4) Removal from Office.—If necessary or appropriate in the public interest, for customer protection, or otherwise in furtherance of the purposes of this section, the Securities and Exchange Commission and the Commodity Futures Trading Commission, voting separately, may, by joint order, remove from office or censure any person who is, or at the time of the alleged misconduct was, an officer
or director of an authority, if the commissions find, on the record after notice and opportunity for a hearing before an impartial hearing officer, that such person has willfully violated any provision of law, the rules thereunder, or the rules of such authority, willfully abused the authority of the person, or without reasonable justification or excuse has failed to enforce compliance with any provision of law by any member or person associated with a member.

“(h) INTERAGENCY WORKING GROUP.—The Securities and Exchange Commission and the Commodity Futures Trading Commission shall each appoint an equal number of employees, under the supervision of the Chairman of the respective commissions, to an interagency working group, which shall coordinate and facilitate the responsibilities and powers of the respective commissions under this chapter.”.

(b) TECHNICAL AND CONFORMING AMENDMENT.—

The table of sections for chapter 98 of title 31, United States Code, as amended by section 601, is amended by adding at the end the following:

“9810. Registration, rulemaking, and supervision of customer protection and market integrity authorities.”.
SEC. 603. RECORDS AND REPORTS; DUTIES AND POWERS

OF CUSTOMER PROTECTION AND MARKET INTEGRITY AUTHORITIES.

(a) In general.—Chapter 98 of title 31, United States Code, as amended by section 602, is amended by adding at the end the following:

“§ 9811. Records and reports; duties and powers of customer protection and market integrity authorities

“(a) In general.—Each customer protection and market integrity authority shall—

“(1) with respect to the members of the authority, ascertain and enforce compliance with the rules of the authority, Federal and State law to which those members are subject, and any rules issued by any such member, including any rule issued under section 5i of the Commodity Exchange Act (5 U.S.C. 7i);

“(2) discipline members of the authority and other persons subject to the jurisdiction of the authority under this chapter; and

“(3) make, and keep for prescribed periods, such electronic records and disseminate reports as the customer protection and market integrity authority, by rule, prescribes as necessary or appropriate in the public interest.
“(b) Records Subject to Examination.—

“(1) Procedures for cooperation with other agencies.—

“(A) In general.—All records of a member described in subsection (a) are subject at any time, or from time to time, to reasonable periodic, special, or other examinations by the customer protection and market integrity authority of the member.

“(B) Notice.—Before conducting an examination under subparagraph (A), the examining authority shall—

“(i) inform all other relevant regulatory agencies and entities with jurisdiction over the member regarding the proposed examination; and

“(ii) consult concerning the feasibility and desirability of coordinating such examination with examinations conducted by other entities with a view to avoiding unnecessary duplication and undue regulatory burden.

“(C) Examinations of members.—Upon a showing of good cause, the Securities and Exchange Commission or the Commodity Futures
Trading Commission, as applicable, may conduct a special examination of a customer protection and market integrity authority or a member of such an authority.

“(D) **Report.**—With respect to an examination under this paragraph, the examining authority shall share such information, including reports of the examination, customer complaint information, and other nonpublic regulatory information, as may be appropriate to foster a coordinated approach to regulatory oversight for members that are subject to examination by more than 1 examining authority.

“(E) **Requirements when examination not ongoing.**—A customer protection and market integrity authority, at all times when an examination under this paragraph is not in progress, shall conduct ongoing supervision of members of the authority, as may be provided by the rules of the authority.

“(2) **Examination standards.**—A customer protection and market integrity authority shall—

“(A) adopt tailored supervision and examination standards commensurate with the size
and complexity of the authority and risks faced
by members of the authority; and

“(B) develop standard form customer
agreements for the execution of crypto asset
transactions.

“(c) Authorities.—

“(1) In general.—The Securities and Ex-
change Commission and Commodity Futures Trad-
ing Commission, shall, by rule or order, in order to
foster cooperation and coordination—

“(A) with respect to any person that is a
member of or participant in more than 1 cus-
tomer protection and market integrity authority
or other entity delegated regulatory and disci-
plinary authority by a governmental agency
or, relieve the authority or entity of any respon-
sibility—

“(i) to receive regulatory reports from
the person;

“(ii) to examine the person for compli-
ance; or

“(iii) to carry out other specified reg-
ulatory functions with respect to the per-
son; and
“(B) allocate among entities the authority
to adopt rules with respect to matters as to
which, in the absence of the allocation, such en-
tities share authority.

“(2) CONSIDERATIONS.—

“(A) IN GENERAL.—In making a rule, or
entering an order, under paragraph (1), the ap-
propriate commission shall take into consider-
ation the regulatory capabilities and procedures
of the entities, availability of staff, convenience
of location, unnecessary regulatory duplication,
and all other factors applicable to customer pro-
tection, cooperation and coordination, and the
development of a healthy crypto asset market,
which may include providing for the acceptance
of examination reports prepared by a customer
protection and market integrity authority under
this chapter with respect to a crypto asset
intermediary for which crypto asset activities
constitute a majority of business, in lieu of ex-
aminations conducted by other entities.

“(B) NOTIFICATION REQUIREMENT.—The
Securities and Exchange Commission or Com-
modity Futures Trading Commission, by rule or
order, may require that an authority relieved of
any responsibility under this paragraph, and
any person with respect to which that responsi-
bility relates, take such steps as are specified in
any rule or order to notify customers of, and
persons doing business with, the person of the
limited nature of the responsibility of that reg-
istered authority for the acts, practices, and
course of business of the person.

“(d) Missing and Stolen Crypto Assets.—Each
member of a customer protection and market integrity au-
thority or other financial institution conducting crypto
asset transactions shall report to the Financial Crimes
Enforcement Network of the Department of the Treasury
such information as may be required by rule relating to
crypto asset theft or missing private keys for the posses-
sion or control of crypto assets.

“(e) Confidentiality.—
“(1) Sharing of Information.—
“(A) In General.—Section 24 of the Se-
shall apply to the sharing of information by the
Securities and Exchange Commission and Com-
modity Futures Trading Commission in accord-
ance with this subsection.
“(B) Protection from inappropriate disclosure.—The commissions and a customer protection and market integrity authority shall ensure that all confidential information is not inappropriately disclosed pursuant to subparagraph (A).

“(2) Appropriate disclosure not prohibited.—Nothing in this subsection may be construed to authorize the Securities and Exchange Commission and Commodity Futures Trading Commission or a customer protection and market integrity authority to—

“(A) withhold information from Congress; or

“(B) prevent the commissions, an authority or other entity delegated regulatory and disciplinary authority by a governmental agency from complying with—

“(i) a request for information from any Federal or State department or agency requesting the information for purposes within the scope of the jurisdiction of that department or agency; or
“(ii) an order of a court of the United
States in an action brought by the United
States or the commissions.

“(f) BEST EXECUTION.—A customer protection and
market integrity authority, in consultation with members
of the authority, the Securities and Exchange Commis-
sion, and the Commodity Futures Trading Commission,
shall develop rules governing the best execution of crypto
asset transactions.

“(g) INITIAL DETERMINATION OF LEGAL CHAR-
ACTER.—

“(1) IN GENERAL.—

“(A) INITIAL DETERMINATION.—A cus-
tomer protection and market integrity authority
may make an initial determination of the legal
character of a crypto asset as a security, an an-
cillary asset, a commodity (as defined in section
1a of the Commodity Exchange Act (7 U.S.C.
1a)), or as otherwise provided by law, upon the
written request of a member of the authority.

“(B) CONSULTATION; HEARINGS.—Upon
receipt of a request under subparagraph (A), a
customer protection and market integrity au-

thority—
“(i) shall consult with the commissions and make an initial determination regarding the request, after public notice and comment, not later than 45 days after the date on which the authority receives the request; and

“(ii) may hold a public hearing with respect to an initial determination described in clause (i), if—

“(I) the matter is of significant precedential value or complex; or

“(II) holding such a hearing is otherwise in the public interest.

“(2) Publication.—A customer protection and market integrity authority shall publish all determinations made under paragraph (1) on the website of the authority.

“(h) Objection to Initial Determination.—

“(1) In general.—

“(A) Deadline for objection.—Not later than 30 days after the date on which an initial determination is made under subsection (g), the Securities and Exchange Commission or Commodity Futures Trading Commission may object to the initial determination of the
customer protection and market integrity authority by issuing an order, after public notice, comment, and a hearing.

“(B) Effect of objection.—Upon an objection under subparagraph (A), the initial determination to which the objection applies shall be held in abeyance.

“(2) Order.—

“(A) Deadline for objection.—Not later than 30 days after the date on which an initial determination is made under subsection (g), the Securities and Exchange Commission or the Commodity Futures Trading Commission may object to the initial determination by issuing an order, after public notice, comment, and a hearing.

“(B) Effect of objection.—Upon an objection under subparagraph (A), the initial determination to which the objection applies shall be held in abeyance, pending resolution under section 42(b)(4)(C) of the Securities Exchange Act of 1934.”.

(b) Technical and Conforming Amendment.—The table of sections for chapter 98 of title 31, United
States Code, as amended by section 602, is amended by adding at the end the following:

“9811. Records and reports; duties and powers of customer protection and market integrity authorities.”

**TITLE VII—RESPONSIBLE PAYMENTS INNOVATION**

**SEC. 701. ISSUANCE OF PAYMENT STABLECOINS.**

Subtitle C of title VII of the Gramm-Leach-Bliley Act (Public Law 106–102; 113 Stat. 1470) is amended by adding at the end the following:

“**SEC. 722A. ISSUANCE OF PAYMENT STABLECOINS.**

“(a) Prohibitions.—

“(1) In general.—It shall be unlawful for any person other than a depository institution in accordance with this section, or subsidiary thereof, to issue a payment stablecoin.

“(2) Knowing participation.—Whoever knowingly participates in a violation of this section shall be fined not more than $1,000,000, imprisoned for not more than 5 years, or both.

“(3) Offer or sale.—It shall be unlawful for any person to offer or sell a payment stablecoin through the use of any medium or by any means of access in interstate commerce in the United States or to offer or sell a payment stablecoin to a United States person unless such payment stablecoin is
issued by a depository institution under this section, except as otherwise provided by the Board of Governors of the Federal Reserve System.

“(4) EXTRATERRITORIAL EFFECT.—This subsection is intended to have extraterritorial effect.

“(5) CIVIL ACTION.—The Board of Governors of the Federal Reserve System may bring an action in the appropriate district court of the United States or the court of any territory of the United States for the enforcement of this section and such courts shall have jurisdiction and power to order and require compliance herewith, including through injunctive relief.

“(b) ACTIVITIES.—A depository institution may issue, redeem, and conduct all incidental activities relating to payment stablecoins in accordance with this section.

“(c) REQUIRED PAYMENT STABLECOIN ASSETS.—A depository institution, or a subsidiary thereof, shall maintain high-quality liquid assets under this section equal to not less than 100 percent of the face amount of the liabilities of the institution on payment stablecoins issued by the institution. In the case of a depository institution described in subsection (n)(1)(A) that engages in the business of banking other than the issuance of a payment stablecoin and related activities under this section,
issuance of the payment stablecoin and all related activities shall take place within a wholly owned subsidiary of the depository institution, within the same holding company structure. Payment stablecoin assets may not be pledged, rehypothecated, or reused, except for the purpose of creating liquidity to meet reasonable expectations of requests to redeem payment stablecoins. The provisions of section 24(j) of the Federal Deposit Insurance Act (12 U.S.C. 18131a(j)) shall apply to a subsidiary in the same manner as the depository institution. High-quality liquid assets that a bank is permitted to maintain under this section shall include the following:

“(1) United States coins and currency and any other instrument that is legal tender, as defined in section 5103 of title 31, United States Code.

“(2) Demand deposits at a depository institution, except that deposits in an insured depository institution shall not exceed the limit of deposit or share insurance available for that account, or shall be maintained in a special, custodial, or trust account or other off-balance sheet account held by the insured depository institution.

“(3) Balances held at a Federal Reserve bank, which may be held in a master account or segregated balance account.
“(4) Foreign withdrawable reserves, as defined in section 249.3 of title 12, Code of Federal Regulations, consistent with any foreign unit of account in which the payment stablecoin is denominated or pegged.

“(5) A security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, the Department of the Treasury, with an original maturity of 1 year or less.

“(6) A reserve repurchase agreement relating to a security described in paragraph (5).

“(7) Any other high-quality, liquid asset determined to be consistent with safe and sound banking practices, as determined by the appropriate Federal banking agency or State bank supervisor.

“(d) DISCLOSURES.—Not later than 10 business days after the end of each month, a depository institution shall disclose, in a publicly accessible manner, a summary description of the assets backing the payment stablecoin, the value of the assets, and the number of outstanding payment stablecoins, as of the last day of the month. Such explanation shall be filed with the Secretary of the Treasury under penalty of perjury by the chief financial officer of the institution, and made available on a website of the Department of the Treasury, not less than 10 business
days after filing. The depository institution shall also report on the summary description any instances in which the institution failed to comply with any requirement of subsection (b). As applicable, the appropriate Federal banking agency or State bank supervisor shall, as part of a regular examination of the depository institution, at the frequency otherwise required by law, verify the composition of the assets and the accuracy of the summary descriptions made under this subsection and reports under subsection (d). Depository institutions shall clearly disclose to customers that a payment stablecoin is not guaranteed by the United States Government or subject to deposit insurance by the Federal Deposit Insurance Corporation or by share insurance of the National Credit Union Administration. Misrepresentation that a payment stablecoin is guaranteed by the United States Government or subject to deposit or share insurance shall be a violation of section 18(a)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1828(a)(4)) or section 709 of title 18, United States Code, as applicable.

“(e) Call Report.—As applicable, the appropriate Federal banking agency or State bank supervisor shall require a depository institution that issues a payment stablecoin to report, in detail, on the composition of the assets and liabilities in each periodic report of condition,
or in an alternative format approved by the Federal Financial Institutions Examination Council, at the frequency otherwise required by law.

“(f) PERMISSION.—A depository institution shall, as applicable, obtain permission from the appropriate Federal banking agency and State bank supervisor, with an application submitted not less than 6 months before intended issuance of the payment stablecoin, but which may be submitted as part of a charter application. A depository institution under subsection (n)(1)(B) chartered by the Office of the Comptroller of the Currency or a State bank supervisor, consistent with the standards of this section, shall, upon approval by the chartering authority, become a member bank of the Federal Reserve System, and be subject to supervision by the appropriate Federal Reserve bank. As part of an application under this section, a depository institution shall develop a tailored recovery and resolution plan, consistent with the standards adopted under subsection (k)(1)(F), that would permit the orderly resumption of a safe and sound operation or the orderly wind-down of operations in the event of distress, including the redemption of all outstanding payment stablecoins. The application shall also contain a draft customer agreement, flow of funds explanation, a robust information technology plan and operational design of the payment
stablecoin. As applicable, the appropriate Federal banking agency or State bank supervisor shall render a written decision, with appropriate findings, on the application within 4 months of the date of filing, and shall approve the application unless—

“(1) the payment stablecoin activities are not likely to be able to operate in a safe and sound manner;

“(2) the depository institution does not have the required resources and expertise to manage the operation of the payment stablecoin, commensurate with the size and scale of projected operations; or

“(3) the depository institution does not have required policies and procedures relating to material areas of the operation of the payment stablecoin activities.

“(g) Redemption of Payment Stablecoins.— Upon the demand of a customer, a depository institution shall redeem an outstanding payment stablecoin at par in the coins, currency, or other instruments that are legal tender, as defined in section 5103 of title 31, United States Code, or the similar laws of the jurisdiction of the unit of account in which the payment stablecoin is denominated or to which the value of the payment stablecoin is pegged. A depository institution may redeem a payment
stablecoin issued by another depository institution at par, upon demand. The Board of Governors of the Federal Reserve System, through the Federal Reserve banks, shall provide for the clearing and settlement of payment stablecoin liabilities among depository institutions under this section and shall ensure competitive equality in all clearing, settlement and related services.

“(h) COLLATERAL AVAILABILITY IN THE CAPITAL MARKETS.—The appropriate Federal banking agencies, in consultation with State bank supervisors, the Securities and Exchange Commission, and Commodity Futures Trading Commission, shall monitor use of the high-quality liquid assets authorized under subsection (b) and the impact on collateral availability and the efficient functioning of the capital markets.

“(i) RECEIVERSHIP PRIORITY.—In the event of the receivership of a depository institution that has issued a payment stablecoin under this section, a person that has a valid claim on a payment stablecoin issued by that institution shall have priority over all other claims on the institution with respect to any required payment stablecoin assets, including claims with respect to insured deposits, other than administrative costs incurred by the appropriate Federal banking agency and State bank supervisor, as applicable, relating to the receivership of the institu-
tion, if applicable. Consistent with subsection (f), a depository institution that redeems a payment stablecoin issued by a depository institution in receivership shall be considered to have a valid claim, with corresponding priority under this subsection, on a payment stablecoin issued by the institution in receivership.

“(j) INCIDENTAL ACTIVITIES.—A depository institution may conduct all incidental activities relating to the issuance and redemption of payment stablecoins, which shall include the following:

“(1) Management of required payment stablecoin assets in accordance with subsection (b).

“(2) Custodial services.

“(3) Settlement and clearing.

“(4) Post-trade services.

“(5) All other activities consistent with a safe and sound operation, as determined by the appropriate Federal banking agency or State bank supervisor.

“(k) APPLICABILITY OF DATA PRIVACY PROVISIONS.—Title V of this Act shall apply to the payment stablecoin activities of a depository institution under this section.

“(l) RULES.—
“(1) IN GENERAL.—The appropriate Federal banking agencies, in consultation with State bank supervisors, shall adopt rules to implement this section, including—

“(A) capital treatment for depository institutions described in subsection (n)(1) in accordance with paragraph (2);

“(B) liquidity, leverage, and interest rate risk;

“(C) third-party service provider activities—

“(i) including custodial wallet providers; and

“(ii) not including licensing or capital requirements for third-party service providers;

“(D) management practices with respect to required payment stablecoin assets;

“(E) appropriate operational, compliance, and information technology risk management;

“(F) tailored recovery and resolution standards relating to payment stablecoins; and

“(G) any other material topic.

“(2) SIGNIFICANT DIFFERENCES.—In accordance with section 5169(c)(3)(A) of the Revised Stat-
utes, in determining capital and leverage requirements applicable to a depository institution that has no material assets other than required payment stablecoin assets under this section—

“(A) the depository institution shall not be subject to section 171 of the Financial Stability Act of 2010 (12 U.S.C. 5371); and

“(B) the appropriate Federal banking agencies shall take into account the significant differences between the risks of the assets of the institution and those of depository institutions with assets that consist primarily of commercial or consumer loans.

“(m) RULE OF CONSTRUCTION.—Nothing in this section may be construed as—

“(1) preventing a State bank supervisor from imposing additional or more strict regulatory standards on a bank permitted to issue payment stablecoins;

“(2) superseding any requirement of State law relating to money transmitting businesses operating in that State, other than for payment stablecoin issuers under this section; or

“(3) limiting the authority of an insured depository institution to engage in activities permissible
pursuant to applicable State and Federal law, including accepting or receiving deposits represented on a distributed ledger or any similar analogue.

“(n) DEFINITIONS.—In this section:

“(1) DEPOSITORY INSTITUTION.—The term ‘depository institution’ has the meaning given the term in section 19(b)(1) of the Federal Reserve Act (12 U.S.C. 461(b)(1)) and includes—

“(A) an insured depository institution; or

“(B) a depository institution operating under subsection (c) of section 5169 of the Revised Statutes (12 U.S.C. 27), or a substantially similar State law, which is exclusively engaged in issuing payment stablecoins, providing safekeeping, trust or custodial services, or activities incidental to the foregoing.

“(2) PAYMENT STABLECOIN.—The term ‘payment stablecoin’ has the meaning given the term in section 9801 of title 31, United States Code.

“(3) SEGREGATED BALANCE ACCOUNT.—The term ‘segregated balance account’ includes an account of a depository institution with a Federal Reserve bank or a foreign central bank to which only required payment stablecoin assets are credited.”.
SEC. 702. TREATMENT OF ENDOGENOUSLY REFERENCED CRYPTO ASSETS.

(a) DEFINITION.—As used in this section, “endogenously referenced crypto asset” means a crypto asset that—

(1) its originator has represented will be converted, redeemed, or repurchased for a fixed amount of monetary value, or a mechanism exists or is provided to achieve any of the preceding; and

(2) one of the following:

(A) The crypto asset relies solely on the value of another crypto asset to maintain the fixed amount of monetary value.

(B) The crypto asset relies on algorithmic means to maintain the fixed amount of monetary value.

(C) A combination of subparagraphs (A) and (B).

(b) LEGAL CLASSIFICATION.—Endogenously referenced crypto assets are hybrid instruments, as defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a).

(c) PROHIBITION ON USE OF TERM STABLECOIN.—Endogenously referenced crypto assets shall not use the term “payment stablecoin” or “stablecoin” in advertising or marketing materials.
SEC. 703. CERTIFICATE OF AUTHORITY TO COMMENCE BANKING.

Section 5169 of the Revised Statutes (12 U.S.C. 27) is amended—

(1) in subsection (a), in the third sentence, by striking “to those of a trust company and activities related thereto.” and inserting the following: “to—

“(1) those of a trust company and fiduciary activities related thereto; or

“(2) those of a depository institution required to maintain assets valued at not less than 100 percent of the deposits of the institution, for the purposes of issuing a payment stablecoin (as defined in section 9801 of title 31, United States Code) and activities related thereto consistent with subsection (c) of this section and without the requirement to maintain deposit insurance under the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.).”; and

(2) by adding at the end the following:

“(c)(1) Notwithstanding any other provision of law, a National Bank Association described in subsection (a) may not engage in maturity transformation or facilitate consumer lending through third parties.

“(2) Restrictions on affiliate transactions applicable for insured depository institutions shall apply to such depository institutions.
“(3) The Comptroller of the Currency, in close consultation with the Board of Governors of the Federal Reserve System and State bank supervisors, shall develop the following:

“(A) A simplified capital framework based on the following:

“(i) Payment system risk.

“(ii) The greater of—

“(I) all projected costs of receivership;

or

“(II) 3 years of projected operating expenses.

“(B) Appropriate standards for the depository institution to develop a community contribution plan, which may include consumer education, financial literacy, charitable donations, volunteerism, job training and internships or similar involvement.

“(C) A tailored recovery and resolution plan that would permit the orderly resumption of a safe and sound operation or the orderly wind-down of operations relating to a payment stablecoin in the event of distress.

“(D) Tailored holding company supervision, as specified by section 15 of the Bank Holding Company Act of 1956.
“(4) In designing the simplified capital framework required by paragraph (3)(A), the Comptroller of the Currency—

“(A) shall not subject depository institutions to the standards of section 171 of the Financial Stability Act of 2010 (12 U.S.C. 5371); and

“(B) shall take into account the significant differences between the risks of the assets of the institution and those of depository institutions with assets that consist primarily of commercial or consumer loans.

“(d) The Comptroller of the Currency may promulgate rules to carry out this section.”.

SEC. 704. HOLDING COMPANY SUPERVISION OF COVERED DEPOSITORY INSTITUTIONS.

The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended—

(1) in section 2(c) (12 U.S.C. 1841(c)), by striking paragraph (2) and by inserting the following:

“(2) EXCEPTIONS.—The term ‘bank’ does not include a covered depository institution subject to tailored holding company supervision under section 15.”; and
(2) by adding at the end the following:

“SEC. 15. HOLDING COMPANY SUPERVISION FOR CERTAIN
DEPOSITORY INSTITUTIONS.

“(a) DEFINITIONS.—In this section:

“(1) APPROPRIATE BANKING SUPERVISOR.—
The term ‘appropriate banking supervisor’ means
the Comptroller of the Currency, a State bank su-
pervisor, in the case of a State member bank, the
Board, or in the case of an insured bank, the Fed-
eral Deposit Insurance Corporation, as applicable.

“(2) CONTROLLING INTEREST.—The term ‘con-
trolling interest’ means a circumstance when a per-
son, directly or indirectly, or acting through or in
concert with 1 or more persons—

“(A) owns, controls, or has the power to
vote 25 percent or more of any class of voting
securities of a covered depository institution;

“(B) controls in any manner the election of
a majority of the directors of the covered depos-
itory institution; or

“(C) has the power to exercise a control-
ing influence over the management or policies
of the covered depository institution.

“(3) COVERED DEPOSITORY INSTITUTION.—
The term ‘covered depository institution’ means a
depository institution operating under subsection (c) of section 5169 of the Revised Statutes (12 U.S.C. 27), or a substantially similar State law, other than a bank, as defined in section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841), or an insured depository institution, as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813), which is exclusively engaged in issuing payment stablecoins, providing safekeeping, trust or custodial services, or activities incidental to the foregoing.

“(b) CONTROLLING INTEREST.—A person with a controlling interest in a covered depository institution shall—

“(1) submit annual audited financial statements and other information as otherwise reasonably required by the appropriate banking supervisor; and

“(2) provide a description of all affiliated or parent entities and their relationships with the institution, including annual updates.

“(c) TAX ALLOCATION AGREEMENT.—The appropriate banking supervisor may require a legal entity with a controlling interest in a covered depository institution to execute a tax allocation agreement with the institution that—
“(1) expressly states that an agency relationship exists between the person and the institution with respect to tax assets generated by the institution, and that the assets are held in trust by the person for the benefit of the institution and will be promptly remitted to the institution; and

“(2) may provide that the amount and timing of any payments or refunds to the institution by the person should be no less favorable than if the institution were a separate taxpayer.

“(d) Prohibition on Controlling Interests.—

A person that is a commercial firm, as defined in section 602 of the Bank and Savings Association Holding Company and Depository Institution Regulatory Improvements Act of 2010 (12 U.S.C. 1815 note), shall not obtain a controlling interest in a covered depository institution.

“(e) Public Interest.—If the appropriate banking supervisor finds that it is in the public interest and has reasonable cause to believe it is necessary to protect the customers of a covered depository institution, the supervisor may—

“(1) conduct an examination of a legal entity with a controlling interest in a covered depository institution or otherwise require information from the person; and
“(2) require a person with a controlling interest in a covered depository institution to divest or sever their relationship with the institution, if necessary to maintain safety and soundness.”.

SEC. 705. CODIFYING CUSTODIAL PRINCIPLES FOR FINANCIAL INSTITUTIONS.

(a) FINDINGS.—Congress finds the following:

(1) The laws surrounding custody of financial assets is largely customary, uncodified, and poorly understood.

(2) Lack of uniformity amongst various jurisdictions’ laws relating to custody has largely not been addressed by regulators, can contribute to risk, and is producing uncertainty for innovators.

(3) Codifying basic principles around custody of financial assets will reduce systemic risk, clearly define the rights and duties of both custodian and customer, and contribute to a more uniform and effective banking system.

(b) DEFINITION.—In this section, the term “custody” means the safekeeping, servicing and management of customer financial assets, including currency, securities and commodities, on an off-balance sheet basis.

(c) CUSTODY.—
(1) **IN GENERAL.**—Except as provided in paragraph (2), custody of financial assets is accomplished by a bailment and established by a written customer agreement. Custody shall not be a fiduciary or trust activity unless the custodian is providing substantial discretionary services with respect to an account, including through investment advice or investment discretion, and the custodian owes a customer a higher standard of care or duty with respect to the customer of that account.

(2) **EXCEPTION.**—A custodian and customer may establish a legal relationship other than a bailment pursuant to a written customer agreement.

(d) **PROPER DOCUMENTATION.**—A custodial account shall be properly documented in a customer agreement, with a clearly defined legal relationship between the custodian and customer. Custodial assets shall be properly identified and segregated from the assets of the custodian, with proper documentation of asset segregation.

(e) **NOT ASSETS OR LIABILITIES.**—Assets properly held in a custodial account under this section are not assets or liabilities of the custodian and shall be maintained on an off-balance sheet basis, including for the purpose of accounting treatment for the custodian, notwithstanding the form in which the assets are maintained.
(f) **APPLICABILITY.**—This section shall apply to all depository institutions, as defined in section 19(b)(1) of the Federal Reserve Act (12 U.S.C. 461(b)(1)), and non-depository trust companies chartered under section 5169 of the Revised Statutes (12 U.S.C. 27).

**SEC. 706. IMPLEMENTATION RULES TO PRESERVE ADEQUATE COMPETITION IN PAYMENT STABLECOINS.**

(a) **IN GENERAL.**—The application of a non-depository trust company or the holder of a State license that only persons engaged in crypto asset activities may obtain, which was chartered or issued under the laws of a State or the National Bank Act before the date of enactment of this Act, to receive a charter as a depository institution and to operate under subsection (c) of section 5169 of the Revised Statutes (12 U.S.C. 27), as added by section 703 of this Act, shall be decided upon by the Comptroller of the Currency before an application for a charter to operate under that section from another entity that is filed on or after the date of enactment of this Act.

(b) **APPLICATION.**—The application of a covered depository institution, as defined in section 15(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1853(a)), chartered before the date of enactment of this Act to become a State member bank in the Federal Reserve System
or for access to Federal Reserve services under section 11A of the Federal Reserve Act (12 U.S.C. 248a) shall be decided upon by the Board of Governors of the Federal Reserve System, or a Federal Reserve bank, as applicable, before any application to become a State member bank or for Federal Reserve services from any other entity which seeks to operate as a covered depository institution and which is filed on or after the date of enactment of this Act.

(c) Decision.—The applications described in subsections (a) and (b) of this section shall be decided upon by the appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) or Federal Reserve bank, as applicable, before an insured depository institution in operation before the enactment date of this Act may issue a payment stablecoin in accordance with section 722A of the Gramm-Leach-Bliley Act, as added by section 601 of this Act.

SEC. 707. STUDY ON USE OF DISTRIBUTED LEDGER TECHNOLOGY FOR REDUCTION OF RISK IN DEPOSITORY INSTITUTIONS.

Not later than 180 days after the date of enactment of this Act, the Board of Governors of the Federal Reserve System shall complete a study and submit to the Committee on Banking, Housing, and Urban Affairs of the
Senate and the Committee on Financial Services of the House of Representatives a report regarding the manner in which distributed ledger technology may reduce risk for depository institutions, as defined in section 19(b)(1) of the Federal Reserve Act (12 U.S.C. 461(b)(1)), including settlement risk, operational risk and capital requirements.

SEC. 708. CLARIFYING APPLICATION REVIEW TIMES WITH RESPECT TO THE FEDERAL BANKING AGENCIES.

Section 343 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4807) is amended by striking subsections (a) and (b) and inserting the following:

“(a) Final Action.—

“(1) Definition.—In this subsection, the term ‘completed application’—

“(A) means the information requested by the Federal banking agency at the outset of an application through application forms or similar means; and

“(B) does not include supplemental information requested by the agency after filing of an application.

“(2) Action.—Each Federal banking agency, including Federal Reserve banks, shall take final ac-
tion on any application to the agency before the end
of the 1-year period beginning on the date on which
a completed application is received by the agency.

“(b) REPORT.—Each Federal banking agency, in-
cluding the Federal Reserve banks, shall annually report
to Congress a list of the applications that have been pend-
ing for 12 months or longer since the date of the initial
application filed by an applicant, and the date on which
a completed application was received. Such list—

“(1) shall disclose the reason why the applica-
tion has not yet been approved or denied by the
Federal banking agency; and

“(2) shall not contain confidential supervisory
information.

“(c) WAIVER BY APPLICANT AUTHORIZED.—Any
person submitting an application to a Federal banking
agency may waive the applicability of subsection (a) with
respect to such application at any time.”.

SEC. 709. CONFORMING AMENDMENTS.

(a) FEDERAL DEPOSIT INSURANCE ACT.—Section
12 of the Federal Deposit Insurance Act (12 U.S.C. 1822)
is amended by adding at the end the following:

“(g) APPOINTMENT OF RECEIVER.—

“(1) DEFINITION.—In this subsection, the term
‘covered depository institution’ has the meaning
given the term in section 15(a) of the Bank Holding Company Act of 1956.

“(2) APPOINTMENT.—The Corporation may be appointed as receiver of a covered depository institution, as defined in section 15(a) of the Bank Holding Company Act of 1956.

“(3) PREMIUMS.—A covered depository institution may not be charged deposit insurance premiums for the purpose of this subsection, but the Corporation may use the capital of the covered depository institution to fund the costs of the receivership.

“(4) RULES.—The Corporation may promulgate rules to carry out this subsection, which shall—

“(A) be substantially consistent with the rules for receivership of an insured depository institution; and

“(B) account for the limited activities, capital, and the required tailored recovery and resolution plan of the covered depository institution.”.

(b) FEDERAL RESERVE ACT.—The Federal Reserve Act (12 U.S.C. 221 et seq.) is amended—

(1) in section 19(b)(1)(A) (12 U.S.C. 461(b)(1)(A))—
(A) in clause (vi), by striking “and” at the end;
(B) in clause (vii), by striking the period at the end and inserting “; and”; and
(C) by adding at the end the following:
“(viii) a covered depository institution, as defined in section 15(a) of the Bank Holding Company Act of 1956.”; and

(2) in the first undesignated paragraph of section 9 (12 U.S.C. 321), in the first sentence, by inserting “, covered depository institutions, as defined in section 15(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1853(a)),” after “Plan banks”.

TITLE VIII—RESPONSIBLE TAXATION OF CRYPTO ASSETS

SEC. 801. DE MINIMIS GAIN FROM SALE OR EXCHANGE OF CRYPTO ASSETS.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 139I the following new section:

“SEC. 139J. DE MINIMIS GAIN FROM SALE OR EXCHANGE OF CRYPTO ASSETS.
“(a) IN GENERAL.—Subject to subsection (b), gross income shall not include gain from the sale or exchange of any crypto asset (as defined in section 9801 of title
(1) cash or cash equivalents,

(2) any property used by the taxpayer in the active conduct of a trade or business, or

(3) any property held by the taxpayer for the production of income (as described in section 212(2)).

(b) Limitation.—

(1) In general.—Subsection (a) shall not apply in the case of any sale or exchange for which—

(A) the total value of such sale or exchange exceeds $200, or

(B) the total gain which would otherwise be recognized with respect to such sale or exchange exceeds $200.

(2) Aggregation rule.—For purposes of this subsection, all sales or exchanges which are part of the same transaction (or a series of related transactions) shall be treated as one sale or exchange.

(c) Inflation adjustment.—In the case of any taxable year beginning in a calendar year after 2024, each dollar amount in subsection (b)(1) shall be increased by an amount equal to—
“(1) such dollar amount, multiplied by
“(2) the cost-of-living adjustment determined
under section 1(f)(3) for the calendar year in which
the taxable year begins, determined by substituting
‘calendar year 2023’ for ‘calendar year 2016’ in sub-
paragraph (A)(ii) thereof.

Any increase determined under the preceding sentence
shall be rounded to the nearest multiple of $10.”.

(b) Clerical Amendment.—The table of sections
for part III of subchapter B of chapter 1 of the Internal
Revenue Code of 1986 is amended by inserting after the
item relating to section 139I the following new item:

“Sec. 139J. De minimis gain from sale or exchange of crypto assets.”.

(c) Effective Date.—The amendments made by
this section shall apply to taxable years beginning after
December 31, 2024.

SEC. 802. INFORMATION REPORTING REQUIREMENTS IM-
POSED ON BROKERS WITH RESPECT TO
CRYPTO ASSETS.

(a) Clarification of Definition of Broker.—

(1) In general.—Section 6045(c)(1)(D) of the
Internal Revenue Code of 1986 is amended to read
as follows:

“(D) any person who (for consideration)
or business to effect sales of crypto assets at
the direction of their customers.”.

(2) EFFECTIVE DATE.—The amendment made
by this subsection shall apply to returns required to
be filed and statements required to be furnished
after December 31, 2025.

(b) REPORTING OF CRYPTO ASSETS.—

(1) APPLICABLE DATE.—Section 6045(g)(3) of
the Internal Revenue Code of 1986 is amended—

(A) in subparagraph (B)(iv), by striking
“digital asset” and inserting “crypto asset”,

(B) in subparagraph (C), by striking
clause (iii) and inserting the following:
“(iii) January 1, 2025, in the case of
any specified security which is a crypto
asset, and”, and

(C) by striking subparagraph (D) and in-
serting the following:
“(D) CRYPTO ASSET.—The term ‘crypto
asset’ has the meaning given such term in sec-
tion 9801 of title 31, United States Code.”.

(2) FURNISHING OF INFORMATION.—Section
6045A(d) of such Code is amended to read as fol-
lows:
“(d) Return Requirement for Certain Transfers of Crypto Assets Not Otherwise Subject to Reporting.—Any broker, with respect to any transfer (which is not part of a sale or exchange executed by such broker) during a calendar year of a covered security which is a crypto asset (as defined in section 9801 of title 31, United States Code) from an account wholly controlled and maintained by such broker to an account which is not maintained by, or an address not associated with, a person that such broker knows or has reason to know is also a broker, shall make a return for such calendar year, in such form as determined by the Secretary, showing the information otherwise required to be furnished with respect to transfers subject to subsection (a). Information reported by brokers under this section shall be limited to customer information that is voluntarily provided by the customer and held by the broker for a legitimate business purpose.’’.

(3) Delayed Effective Date for Certain Information Reporting Changes; Reversal of Certain Additions to 6050I.—

(A) In General.—Section 6050I(d) of such Code is amended—

(i) in paragraph (1), by adding ‘‘and’’ at the end,
(ii) in paragraph (2), by striking “,
and” and inserting a period, and
(iii) by striking paragraph (3).

(B) **Delayed effective date.**—Section
80603(c) of the Infrastructure Investment and
Jobs Act is amended by striking “December 31,
2023” and inserting “December 31, 2025”.

(4) **Effective dates.**—

(A) The amendments made by paragraphs
(1) and (2) shall apply to returns required to
be filed and statements required to be furnished
after December 31, 2025.

(B) The amendments made by paragraph
(3) shall take effect as if included in the enact-
ment of section 80603 of the Infrastructure In-
vestment and Jobs Act.

**SEC. 803. SOURCES OF INCOME.**

(a) **In general.**—Paragraph (2) of section 864(b)
of the Internal Revenue Code of 1986 is amended by re-
designating subparagraph (C) as subparagraph (D) and
by inserting after subparagraph (B) the following new
subparagraph:

“(C) **Crypto assets.**—

“(i) **In general.**—Trading in crypto
assets through a resident broker, commis-
sion agent, custodian, crypto asset exchange, or other independent agent.

“(ii) TRADING FOR TAXPAYER’S OWN ACCOUNT.—Trading in crypto assets for the taxpayer’s own account, whether by the taxpayer or the taxpayer’s employees or through a resident broker, commission agent, custodian, crypto asset exchange, or other agent, and whether or not any such employee or agent has discretionary authority to make decisions in effecting the transactions. This clause shall not apply in the case of a dealer in crypto assets.

“(iii) DEFINITIONS.—For purposes of this subparagraph—

“(I) CRYPTO ASSET EXCHANGE.—The term ‘crypto asset exchange’ means a centralized or decentralized platform which facilitates the transfer of crypto assets.

“(II) CRYPTO ASSET.—The term ‘crypto asset’ has the meaning given such term in section 9801 of title 31, United States Code.
“(iv) LIMITATION.—This subpara-
graph shall apply only if the crypto assets
are of a kind customarily dealt in on a
crypto asset exchange and if the trans-
action is of a kind customarily con-
summated at such exchange.”.

(b) CONFORMING AMENDMENT.—Subparagraph (D)
of section 864(b)(2) of the Internal Revenue Code of
1986, as redesignated by subsection (a), is amended by
striking “(A)(i) and (B)(i)” and inserting “(A)(i), (B)(i),
and (C)(i)”.

(c) EFFECTIVE DATE.—The amendments made by
this section shall apply to taxable years beginning after
the date of enactment of this Act.

SEC. 804. TAX TREATMENT OF CRYPTO ASSET LENDING
AGREEMENTS AND RELATED MATTERS.

(a) IN GENERAL.—Subsection (a) of section 1058 of
the Internal Revenue Code of 1986 is amended by striking
“(as defined in section 1236(c))”.

(b) FIXED TERM.—Paragraph (1) of subsection (b)
of section 1058 of the Internal Revenue Code of 1986 is
amended by inserting “, including a fixed-term transfer
that occurs in the ordinary course of a securities lending
or investment management business” after “transferred”.

"
(c) BASIS.—Subsection (c) of section 1058 of the Internal Revenue Code of 1986 is amended by adding at the end the following: “All appropriate basis adjustments to an agreement under subsection (b) shall be made, as determined by the Secretary, including upon the return of the lent securities to the taxpayer.”.

(d) SECURITIES.—Section 1058 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsections:

“(d) SECURITIES.—For purposes of this section, the term ‘securities’ has the meaning given such term by section 1236(c), except that such term includes any crypto asset (as defined in section 9801 of title 31, United States Code) and, with respect to a crypto asset, does not require a call option.

“(e) INCOME.—An amount equal to the income which would otherwise accrue to the lender but for a lending transaction under this section shall be included in the gross income of the lender.”.

(e) RULE OF CONSTRUCTION.—Nothing in this section, or any amendments made by this section, shall be construed to create any inference with respect to the classification of any crypto asset as a security under the Securities Act of 1933 (15 U.S.C. 77a et seq.) or the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).
(f) Rulemaking Authority.—The Secretary of the Treasury (or the Secretary’s delegate) may adopt rules to implement the amendments made by this section, including the application of the amendments made by this section to forks, airdrops, and similar subsidiary value.

(g) Effective Date.—The amendments made by this section shall apply to sales and exchanges in taxable years beginning after the date of enactment of this Act.

SEC. 805. LOSS FROM WASH SALES OF CRYPTO ASSETS.

(a) In General.—Section 1091 of the Internal Revenue Code of 1986 is amended to read as follows:

“SEC. 1091. LOSS FROM WASH SALES OF SPECIFIED ASSETS.

“(a) Disallowance of Loss Deduction.—

“(1) In General.—No deduction shall be allowed with respect to any loss claimed to have been sustained from any sale or other disposition (including any termination) of specified assets where it appears that, within a period beginning 30 days before the date of such sale or other disposition and ending 30 days after such date, the taxpayer has—

“(A) acquired (by purchase, by an exchange on which the entire amount of gain or loss was recognized by law, or by entering into) substantially identical specified assets, or
“(B) entered into a contract or option to acquire, or long notional principal contract in respect of, substantially identical specified assets.

“(2) EXCEPTION FOR DEALERS.—Paragraph (1) shall not apply if—

“(A) the taxpayer is a dealer in specified assets,

“(B) the loss is sustained in a transaction made in the ordinary course of its business as a dealer, and

“(C) the acquisition (or the entering into of the contract or option to acquire or long notional principal contract) which (without regard to this paragraph) would have resulted in the non-deductibility of the loss was similarly made in the ordinary course of such business.

“(b) SPECIFIED ASSETS ACQUIRED LESS THAN SPECIFIED ASSETS SOLD.—If the amount of specified assets acquired (or covered by the contract or option to acquire or long notional principal contract) is less than the amount of specified assets sold or otherwise disposed of, then the particular specified assets the loss from the sale or other disposition of which is not deductible shall be determined under regulations prescribed by the Secretary.
“(c) Specified Assets Acquired Not Less Than Specified Assets Sold.—If the amount of specified assets acquired (or covered by the contract or option to acquire or long notional principal contract) is not less than the amount of specified assets sold or otherwise disposed of, then the particular specified assets the acquisition of which (or the entering into of the contract or option to acquire or long notional principal contract of which) resulted in the non-deductibility of the loss shall be determined under regulations prescribed by the Secretary.

“(d) Adjustment to Basis in Case of Wash Sale.—

“(1) In General.—The basis of the specified asset acquired (or the contract, option, or long notional principal contract entered into) shall be increased by the amount of the deduction disallowed under subsection (a) (reduced by any amount of such deduction taken into account under this subsection to increase the basis of any specified asset previously acquired or any contract, option, or long notional principal contract previously entered into).

“(2) Rules with respect to certain acquisitions.—

“(A) In General.—In any case in which—
“(i) the taxpayer enters into a contract or option to acquire, or long notional principal contract in respect of, substantially identical specified assets (within the period specified in subsection (a)), and

“(ii) the taxpayer also acquires (within the period specified in subsection (a)) substantially identical specified assets and such acquisition would, but for the entering into of the contract, option, or long notional principal contract described in clause (i), have triggered a disallowance under subsection (a),

then, subject to such exceptions as the Secretary may prescribe, paragraph (1) shall apply to the substantially identical specified assets described in clause (ii) and not to the contract, option, or long term principal contract described in clause (i).

“(B) Special rule for contracts and options.—Subject to such exceptions as the Secretary may prescribe, if the acquisition of any substantially identical specified asset is pursuant to a contract or option described in subparagraph (A)(i), then, notwithstanding
whether such asset was acquired within the period specified in subsection (a), paragraph (1) shall apply to the substantially identical specified asset acquired pursuant to the contract or option and not to the contract or option.

“(e) Certain Short Sales of Specified Assets and Contracts to Sell.—Rules similar to the rules of subsection (a) shall apply to any loss realized on the closing of a short sale of (or the sale, disposition, or termination of a contract or option to sell or a short notional principal contract in respect of) specified assets if, within a period beginning 30 days before the date of such closing and ending 30 days after such date, another such short sale of (or contract or option to sell or short notional principal contract in respect of) substantially identical specified assets was entered into by the taxpayer.

“(f) Cash Settlement.—This section shall not fail to apply to a contract or option to acquire or sell specified assets solely by reason of the fact that the contract or option settles in (or could be settled in) cash or property other than such specified assets.

“(g) Specified Asset.—For purposes of this section, the term ‘specified asset’ means any of the following:

“(1) Any security (as defined in section 475(e)(2)).
“(2) Except as otherwise provided by the Secretary—

“(A) any crypto asset (as defined in section 9801 of title 31, United States Code) which is actively traded (within the meaning of section 1092(d)(1)),

“(B) any notional principal contract with respect to any crypto asset described in subparagraph (A), and

“(C) any evidence of an interest in, or a derivative instrument in, any crypto asset described in subparagraph (A) or (B), including any option, forward contract, futures contract, short position, and any similar instrument in such a crypto asset.

Such term shall, except as provided in regulations, include contracts or options to acquire or sell, or notional principal contracts in respect of, any specified assets.

“(h) EXCEPTION FOR BUSINESS NEEDS AND HEDGING TRANSACTIONS.—

“(1) IN GENERAL.—Except as provided in regulations prescribed by the Secretary, in the case of a specified asset to which this subsection applies, subsection (a) shall not apply to the extent that both the sale or other disposition of such asset and the
acquisition of (or the entering into of the contract
or option to acquire or long notional principal con-
tract in respect of) are—

“(A) directly related to the business needs
of a trade or business of the taxpayer (other
than the trade or business of trading specified
assets described in subsection (g)(2)), or

“(B) part of a hedging transaction (as de-
defined in section 1221(b)(2) or 988(d)(2)).

“(2) SPECIFIED ASSET TO WHICH THIS SUB-
SECTION APPLIES.—To the extent provided by the
Secretary, this subsection applies to assets described
in subsection (g)(2).

“(i) REGULATIONS.—The Secretary shall prescribe
such regulations or other guidance as may be necessary
to carry out the purposes of this section, including regula-
tions or other guidance for determining whether specified
assets are substantially identical.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 1223(3) of the Internal Revenue
Code of 1986 is amended—

(A) by striking “stock or securities” the
first place it appears and inserting “specified
assets (as defined in section 1091(g))”,

240
(B) by striking “stock or securities” the
second and third place it appears and inserting
“specified assets (as so defined)”, and

(C) by striking “(or the contract or option
to acquire which)” and inserting “(or the enter-
ing into of a contract or option to acquire or
long notional principal contract in respect of
which)”.

(2) Section 6045(g)(2)(B) of such Code is
amended—

(A) in clause (i)(I)—

(i) by striking “security (other than
stock” and inserting “covered security
(other than stock”, and

(ii) by striking “stock sold or trans-
ferred” and inserting “covered security
sold or transferred”, and

(B) in clause (ii)—

(i) by striking “stock or securities”
and inserting “specified assets”, and

(ii) by striking “identical securities”
and inserting “identical specified assets (as
defined in section 1091(g))”.

(3) The table of sections for part VII of sub-
chapter O of chapter 1 of such Code is amended by
striking the item relating to section 1091 and inserting the following new item:

“Sec. 1091. Loss from wash sales of specified assets.”.

(c) Effective Date.—The amendments made by this section shall apply to sales, dispositions, and terminations in taxable years beginning after the date of enactment of this Act.

SEC. 806. MARK-TO-MARKET ELECTION.

(a) In General.—Section 475(e)(2)(A) of the Internal Revenue Code of 1986 is amended by inserting “(as defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a))” after “commodity”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after the date of enactment of this Act.

SEC. 807. FORKS, AIRDROPS, AND SUBSIDIARY VALUE.

(a) In General.—Part II of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting before section 72 the following new section:

“SEC. 71. FORKS, AIRDROPS, AND SUBSIDIARY VALUE.

“(a) In General.—In the case of any applicable asset received by a taxpayer for which the taxpayer has taken affirmative steps relating to control of such asset, the value of such asset shall be included in gross income for the taxable year in which such asset is sold or otherwise disposed of by the taxpayer.”
“(b) Character of Income.—For purposes of this subtitle, the amount included in gross income under this section shall be treated as ordinary income (as defined in section 64).

“(c) Applicable Asset.—For purposes of this section, the term ‘applicable asset’ means—

“(1) a crypto asset fork,

“(2) a crypto asset airdrop, or

“(3) any other similar form of subsidiary value relating to a crypto asset (as defined in section 9801 of title 31, United States Code).

“(d) Regulations.—Not later than 12 months after the date of enactment of this Act, the Secretary shall prescribe such regulations or other guidance as may be necessary to carry out the purposes of this section.”.

(b) Conforming Amendment.—The table of sections of part II of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting before the item relating to section 72 the following new item:

“Sec. 71. Forks, airdrops, and subsidiary value.”.

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after the date of enactment of this Act.
SEC. 808. CRYPTO ASSET MINING AND STAKING.

(a) IN GENERAL.—Section 451 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(l) DEFERRAL OF INCOME RECOGNITION FOR CRYPTO ASSET ACTIVITIES.—In the case of a taxpayer who conducts crypto asset mining or staking activities, the amount of income relating to such activities shall not be included in the gross income of the taxpayer until the taxable year of the sale or other disposition of the assets produced or received in connection with the mining or staking activities.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of enactment of this Act.

SEC. 809. CHARITABLE CONTRIBUTIONS AND QUALIFIED APPRAISALS.

(a) IN GENERAL.—Section 170(f)(11)(A)(ii)(I) of the Internal Revenue Code of 1986 is amended by inserting “actively traded crypto assets (as defined in section 9801 of title 31, United States Code),” before “and any qualified vehicle”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made in taxable years beginning after the date of enactment of this Act.
TITLE IX—RESPONSIBLE INTERAGENCY COORDINATION

SEC. 901. TIMELINE FOR INTERPRETIVE GUIDANCE ISSUED BY FEDERAL FINANCIAL AGENCIES.

(a) IN GENERAL.—Title 31, United States Code, is amended by adding after chapter 98, as added by section 101(a) of this Act, the following:

“CHAPTER 99—RESPONSIBLE INTERAGENCY COORDINATION

Sec. 9901. Timeline for interpretive guidance issues by Federal financial agencies

“(a) IN GENERAL.—In this section:

“(1) FEDERAL FINANCIAL REGULATOR.—The term ‘Federal financial regulator’ means—

“(A) Board of Governors of the Federal Reserve System and the Federal Reserve banks;

“(B) Commodity Futures Trading Commission;

“(C) Department of the Treasury;

“(D) Federal Deposit Insurance Corporation;

“(E) Federal Housing Finance Agency;

“(F) National Credit Union Administration;
“(G) Office of the Comptroller of the Currency;

“(H) Consumer Financial Protection Bureau; and

“(I) Securities and Exchange Commission.

“(2) Requesting person.—The term ‘requesting person’—

“(A) means any entity that is required to be chartered, licensed, supervised or registered by that agency; and

“(B) includes State agencies, a customer protection and market integrity authority, and any other entity delegated regulatory and disciplinary authority by a governmental agency.

“(b) Response.—Not later than 180 days after filing a written request for individualized interpretive guidance with respect to the application of a statute, rule or policy under the jurisdiction of a Federal financial regulator, the agency shall provide a final, complete and written response to the requesting person. This subsection shall not apply to requests for guidance that the Federal financial regulator determine lack substance.

“(c) Other Matters.—With respect to matters delegated or otherwise under the jurisdiction of a customer protection and market integrity authority or other entity
delegated regulatory and disciplinary authority by a government agency, including national securities exchanges and boards of trade, the entity shall be subject to the same requirements as a Federal financial regulator under this section.”.

SEC. 902. STATE MONEY TRANSMISSION COORDINATION RELATING TO CRYPTO ASSETS.

(a) In General.—In order to increase uniformity, reduce regulatory burden, and enhance consumer protection, the States, through the Conference of State Bank Supervisors and the Money Transmission Regulators Association, shall, not later than 2 years after the date of enactment of this Act, ensure uniform treatment of crypto assets for the purposes of State money transmission laws on the following matters:

(1) Whether crypto assets are subject to money transmission licensing requirements, as appropriate, which shall include the exchange of crypto assets for legal tender.

(2) Treatment of payment stablecoins.

(3) Non-applicability to persons or software that engage in validation of transactions, non-custodial wallet providers, or software or hardware development.
(4) Tangible net worth and permissible investment requirements.

(5) Disclosures, reporting, and recordkeeping.

(6) Common examination and examiner training standards, including common customer identification, anti-money laundering, and sanctions best practices developed in consultation with the Financial Crimes Enforcement Network and the Office of Foreign Assets Control.

(b) REGULATIONS.—If the Director of the Bureau of Consumer Financial Protection determines that a State does not have the requirements of subsection (a) in effect by law (including regulations) that are substantively consistent with the requirements of the several States on the date that is 2 years after the date of enactment of this section, the Director shall adopt rules applicable to that State that achieve the purposes of subsection (a) and that are consistent with the standards adopted in the States that have the requirements of subsection (a) in effect. The Director may extend the deadline under this section for not more than 1 year if a State has shown a good faith effort towards implementation. The Director may promulgate regulations to monitor State compliance with this subsection.
Subtitle C of title VII of the Gramm-Leach-Bliley Act (Public Law 106–102; 113 Stat. 1470), as amended by section 701 of this Act, is amended by adding at the end the following:

"SEC. 722B. INFORMATION SHARING AMONG FEDERAL AND STATE FINANCIAL REGULATORS.

“(a) CONFIDENTIALITY.—Notwithstanding any other provision of law, any requirement under Federal or State law regarding the privacy or confidentiality of any information or materials exchanged among financial regulators and any privilege arising under Federal or State law (including the rules of any Federal or State court) with respect to such information or material, shall continue to apply to such information or material after the information or material has been disclosed to any State or Federal financial regulator.

“(b) NON-APPLICABILITY OF CERTAIN REQUIREMENTS.—Information or material that is subject to privilege or confidentiality under subsection (a) shall not be subject to—

“(1) disclosure under any Federal or State law governing the disclosure to the public of information held by an officer or an agency of the Federal Government or the respective State; or
“(2) subpoena or discovery, or admission into evidence, in any private civil action or administrative process, unless with respect to any privilege held by the Nationwide Mortgage Licensing System and Registry or the Director with respect to such information or material, the person to whom such information or material pertains waives that privilege, in whole or in part, based on the discretion of such person.

“(c) COORDINATION WITH OTHER LAW.—Any State or Federal law, including any State open records law, relating to the disclosure of confidential supervisory information or any information or material described in subsection (a) that is inconsistent with subsection (a) shall be superseded by the requirements of such provision to the extent the State or Federal law provides less confidentiality or a weaker privilege.

“(d) CONFERENCE OF STATE BANK SUPERVISORS.—The Conference of State Bank Supervisors shall be considered the agent of the State financial regulators for the purposes of sharing information under this provision.

“(e) DEFINITION.—In this section, the term ‘financial regulator’ means—

“(1) the Board of Governors of the Federal Reserve System and the Federal Reserve banks;
“(2) the Commodity Futures Trading Commission;

“(3) the Department of the Treasury, including
the Financial Crimes Enforcement Network and the
Office of Foreign Assets Control;

“(4) the Federal Deposit Insurance Corporation;

“(5) the Federal Housing Finance Agency;

“(6) the National Credit Union Administration;

“(7) the Office of the Comptroller of the Currency;

“(8) the Bureau of Consumer Financial Protection;

“(9) the Securities and Exchange Commission; and

“(10) State agencies that regulate, supervise, or
license banks, trust companies, credit unions, consumer credit, consumer protection, money trans-
mission, securities, commodities, and similar areas.”.

SEC. 904. REPORT ON ENERGY CONSUMPTION IN CRYPTO

ASSET MARKETS.

(a) In General.—Not later than December 31 of
each year, the Administrator of the Energy Information
Administration shall submit to the Committees on Energy
and Natural Resources and Environment and Public
Works of the Senate and the Committees on Energy and Commerce and Natural Resources of the House of Representatives, and make publicly available in a machine-readable format, a report containing an analysis of the following topics with respect to crypto assets:

(1) Energy consumption for mining and staking of crypto asset transactions in the financial services industry.

(2) The effect of energy consumption described in paragraph (1) on national, regional, and local energy prices.

(3) The effects of mining and staking of crypto asset transactions on baseload power levels.

(4) The use of renewable energy sources or non-renewable energy sources for powering crypto asset mining operations that would otherwise be expended.

(5) A comparison of crypto asset market energy consumption with the energy consumption of the financial services industry and economy as a whole.

(6) The sources and reliability of the data used to analyze the topics described in paragraphs (1) through (5).

(b) Consultation.—The Administrator of the Energy Information Administration shall prepare the report under subsection (a) in consultation with the Commodity

SEC. 905. ANALYSIS OF ENERGY CONSUMPTION BY DISTRIBUTED LEDGER TECHNOLOGIES.

(a) AGREEMENT.—The Director of the National Institute of Standards and Technology shall seek to enter into an agreement with the National Academies of Sciences, Engineering, and Medicine (in this section referred to as the “National Academies”) to conduct the analysis under subsection (b) and submit the report under subsection (c).

(b) ANALYSIS.—Under an agreement between the Director and the National Academies entered into pursuant to subsection (a), the National Academies shall conduct an analysis of matters relating to energy consumption by distributed ledger technologies, including analysis of the following topics as they pertain to such technologies:

(1) Evidence-based analysis of energy consumption by proof of stake and proof of work consensus mechanisms relating to distributed ledger technology generally.

(2) Industry best practices to reduce energy consumption using proof of stake and proof of work consensus mechanisms.
(3) Recommendations for legislative or administrative action to reduce energy consumption and incentivize energy efficiency across related industries.

(c) REPORT.—Under an agreement entered into between the Director and the National Academies under subsection (a), the National Academies shall, not later than 1 year after the date of the enactment of this Act, submit to the Director, the Secretary of Energy, the Committee on Energy and Natural Resources and the Committee on Environment and Public Works of the Senate, and the Committee on Energy and Commerce and the Committee on Natural Resources of the House of Representatives a report containing the findings of the National Academies with respect to the analysis under subsection (b) and a detailed description of such analysis.

SEC. 906. REPORT ON DISTRIBUTED LEDGER APPLICATIONS IN ENERGY.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Secretary of Energy shall submit to the Committees on Energy and Natural Resources and Environment and Public Works of the Senate and the Committees on Energy and Commerce and Natural Resources of the House of Representatives a report containing—
(1) an analysis of, with respect to distributed ledger technology in energy—

(A) existing, developing, and potential use cases of distributed ledger technology in energy development and transmission, and related topics, as determined by the Secretary; and

(B) industry best practices to implement distributed ledger technology; and

(2) recommendations for any necessary guidelines for the usage of distributed ledger technology.

(b) Consultation.—The Secretary of Energy shall prepare the report under subsection (a) in consultation with the National Institute of Standards and Technology and the Secretary of Commerce.

SEC. 907. PERMITTING FEDERAL GOVERNMENT EMPLOYEES TO GAIN EXPERIENCE WITH CRYPTO ASSET TECHNOLOGIES.

(a) In General.—Solely for the purposes of section 2640.202 of title 5, Code of Federal Regulations, or any successor regulation, crypto assets listed for traded on a crypto asset exchange registered under the Commodity Exchange Act (7 U.S.C. et seq.) shall be considered to be publicly traded securities, except that the de minimis exemption under paragraph (a)(2) of that section, after aggregation of all crypto assets, shall be $1,000.
(b) Legal Opinions.—The legal advisories issued by the Office of Government Ethics entitled “Guidance for Reporting Virtual Currency on Financial Disclosure Reports” (LA–18–06; issued June 18, 2018) and “Application of the Securities and Mutual Fund Exemptions to Cryptocurrency, Stablecoins, and Related Investments” (LA–22–04; issued July 5, 2022) shall have no force or effect to the extent that either such advisory is inconsistent with subsection (a).

SEC. 908. ADVISORY COMMITTEE ON FINANCIAL INNOVATION.

(a) Establishment.—There is established the Advisory Committee on Financial Innovation (in this section referred to as the “Committee”).

(b) Membership.—

(1) Composition.—The Committee shall be composed of 11 members, as follows:

(A) 2 members appointed by the President from the financial technology industry.

(B) 4 members appointed by the President with specializations in consumer protection, consumer education, financial literacy, or financial inclusion.
(C) The Director of the Office of Financial Innovation of the Commodity Futures Trading Commission.

(D) The Director of the Office of Financial Innovation of the Securities and Exchange Commission.

(E) A member of the Board of Governors of the Federal Reserve System, as voted upon by the Board.

(F) A State banking supervisor, as designated by the Conference of State Bank Supervisors.

(G) A State securities regulator, as designated by the National Association of State Securities Administrators.

(2) POLITICAL AFFILIATION.—Not more than 4 of the members of the Committee shall be from the same political party.

(3) APPOINTMENT DATE.—The appointments of the members of the Committee shall be made not later than 60 days after the date of enactment of this Act.

(4) PERIOD OF APPOINTMENT; VACANCIES.—

(A) IN GENERAL.—A member of the Committee shall be appointed for a term of 4 years.
(B) VACANCIES.—A vacancy in the Committee—

(i) shall not affect the powers of the Committee; and

(ii) shall be filled in the same manner as the original appointment.

(5) MEETINGS.—

(A) INITIAL MEETING.—Not later than 60 days after the date on which all members of the Committee have been appointed, the Committee shall hold its first meeting.

(B) FREQUENCY.—The Committee shall meet at the call of the Chair.

(C) QUORUM.—A majority of the members of the Committee shall constitute a quorum, but a lesser number of members may hold hearings.

(6) CHAIRPERSON.—The members described in subparagraphs (C) and (D) of paragraph (1) shall alternate, on a yearly basis, as Chairperson of the Committee, with the member described in such subparagraph (D) serving as the Chair for the 1-year period following establishment of the Committee.

(e) DUTIES.—

(1) MATTERS STUDIED.—The matters studied by the Committee shall include—
259

(A) crypto assets;

(B) consumer education and financial literacy;

(C) innovations in the securities and commodities markets;

(D) innovations banking, payments, and settlement;

(E) consumer credit;

(F) financial inclusion, including reducing the cost of financial services for all people of the United States and promoting access to those services;

(G) efficiency in the financial system;

(H) reduction of systemic risk;

(I) competition in financial services; and

(J) the State-Federal partnership in financial services regulation.

(2) REPORT.—On an annual basis, or as otherwise determined necessary by the Chair of the Committee, the Committee shall report to the President and to Congress on, and provide recommendations for legislation, regulation, and supervision relating to innovation in, the matters studied under paragraph (1).

(d) POWERS.—
(1) **Hearings.**—The Committee shall hold not less than 2 hearings per calendar year to hear from interested parties and to discuss the work of the Committee.

(2) **Information from Federal Agencies.**—

(A) In general.—The Committee may secure directly from a Federal department or agency such information as the Committee considers necessary to carry out this section.

(B) Furnishing information.—On request of the Chair of the Committee, the head of the department or agency shall furnish the information to the Committee.

(3) **Postal Services.**—The Committee may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Federal Government.

(c) **Compensation.**—

(1) In general.—All members of the Committee shall serve without compensation in addition to that received for their services as officers or employees of the United States, and all other members of the Committee shall serve without compensation.

(2) **Travel Expenses.**—Each member of the Committee may be allowed travel expenses, including
per diem in lieu of subsistence, in accordance with
sections 5702 and 5703 of title 5, United States
Code, while away from their homes or regular places
of business in performance of services for the Coun-
cil.

(f) STAFF.—

(1) IN GENERAL.—The Chair of the Committee
may, without regard to the civil service laws (includ-
ing regulations), appoint and terminate an executive
director and such other additional personnel as may
be necessary to enable the Committee to perform its
duties, except that the employment of an executive
director shall be subject to confirmation by the Com-
mittee.

(2) COMPENSATION.—The Chair of the Com-
mittee may fix the compensation of the executive di-
rector and other personnel without regard to chapter
51 and subchapter III of chapter 53 of title 5,
United States Code, relating to classification of posi-
tions and General Schedule pay rates, except that
the rate of pay for the executive director and other
personnel may not exceed the rate payable for level
V of the Executive Schedule under section 5316 of
that title.
(g) DETAIL OF GOVERNMENT EMPLOYEES.—A Federal Government employee may be detailed to the Committee without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(h) PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.—The Chair of the Committee may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals that do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of that title.

(i) TERMINATION.—Section 14 of the Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to the Committee.

TITLE X—EQUIPPING AGENCIES TO PROTECT CONSUMERS AND PROMOTE RESPONSIBLE INNOVATION

SEC. 1001. EXECUTIVE OFFICE OF THE PRESIDENT APPROPRIATIONS.

(a) OFFICE OF SCIENCE AND TECHNOLOGY POLICY.—For the purposes of hiring specialist positions within the Office of Science and Technology Policy to coordinate Federal activities and advise the President on mat-
ters of research and development relating to crypto assets, distributed ledger technology, artificial intelligence and other innovative financial technologies, including funding the position created by section 10671 of 136 Stat. 1688 and coordinating the national research and development strategy required by section 5913 of 136 Stat. 2395, there is authorized to be appropriated to the Executive Office of the President the following:

(1) $2,500,000 for fiscal year 2023, to remain available until September 30, 2024.

(2) $2,500,000 for fiscal year 2024, to remain available until September 30, 2025.

(3) $2,500,000 for fiscal year 2025, to remain available until September 30, 2026.

(4) $2,500,000 for fiscal year 2026, to remain available until September 30, 2027.

(5) $2,500,000 for fiscal year 2027, to remain available until September 30, 2028.

(b) NATIONAL ECONOMIC COUNCIL.—For the purposes of hiring specialist positions within the National Economic Council to coordinate Federal activities and advise the President on matters of financial and economic policy relating to crypto assets, distributed ledger technology, artificial intelligence and other innovative financial
technologies, there is authorized to be appropriated to the Executive Office of the President the following:

(1) $2,500,000 for fiscal year 2023, to remain available under September 30, 2024.

(2) $2,500,000 for fiscal year 2024, to remain available until September 30, 2025.

(3) $2,500,000 for fiscal year 2025, to remain available until September 30, 2026.

(4) $2,500,000 for fiscal year 2026, to remain available until September 30, 2027.

(5) $2,500,000 for fiscal year 2027, to remain available until September 30, 2028.

SEC. 1002. FINANCIAL CRIMES ENFORCEMENT NETWORK APPROPRIATIONS.

(a) Authorization of Appropriations.—For the purposes of developing policy relating to crypto assets, acquiring information technology resources, establishing the Financial Crimes Enforcement Network Innovation Laboratory and enforcement of the laws within its jurisdiction relating to crypto assets, there is authorized to be appropriated to the Financial Crimes Enforcement Network of the Department of the Treasury the following:

(1) $30,000,000 for fiscal year 2023, to remain available until September 30, 2024.
(2) $30,000,000 for fiscal year 2024, to remain available until September 30, 2025.

(3) $30,000,000 for fiscal year 2025, to remain available until September 30, 2026.

(4) $30,000,000 for fiscal year 2026, to remain available until September 30, 2027.

(5) $30,000,000 for fiscal year 2027, to remain available until September 30, 2028.

(b) Incentive Premium for Highly Qualified Individuals.—Notwithstanding any other provision of law or regulation, the Director of the Financial Crimes Enforcement Network of the Department of the Treasury may pay an annual incentive premium of not more than 20 percent of the annual rate of basic pay for a position if necessary to attract highly qualified individuals for positions that the Director has certified to the Director of the Office of Personnel Managements reflect the needs of the Financial Crimes Enforcement Network.

SEC. 1003. COMMODITY FUTURES TRADING COMMISSION APPROPRIATIONS.

(a) Office of Financial Innovation.—

(1) In general.—There is established within the Commodity Futures Trading Commission (referred to in this subsection as the “Commission”)


the Office of Financial Innovation (referred to in this subsection as the “Office”).

(2) DIRECTOR.—The Commission shall appoint a Director of the Office—

(A) to manage the duties of the Office; and

(B) to serve as the principal advisor to the Commission on matters relating to responsible financial innovation.

(3) DUTIES.—The duties of the Office shall be—

(A) to coordinate the activities of the Commission with respect to responsible financial innovation, including protection of consumers;

(B) to ensure the global competitiveness of the United States financial system;

(C) to conduct research; and

(D) to carry out any other duties as otherwise provided by law.

(b) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There is authorized to be appropriated to the Commodity Futures Trading Commission $100,000,000 for each of fiscal years 2023 through 2027 for the purposes of—

(A) implementing this Act and the amendments made by this Act;
(B) developing policy relating to crypto assets;

(C) establishing the Office of Financial Innovation under subsection (a);

(D) hiring experts;

(E) rulemaking;

(F) administrative and shared services;

and

(G) acquiring information technology resources relating to crypto assets.

(2) AVAILABILITY.—Amounts made available pursuant to paragraph (1) shall remain available for a period of 1 fiscal year.

(3) LIMITATIONS.—Amounts made available pursuant to paragraph (1)—

(A) with the exception of appropriations made available for fiscal year 2024, shall not be available until a customer protection and market integrity authority has been registered under section 9809 of title 31, United States Code; and

(B) may not be used for enforcement activities, unless otherwise provided by law.
SEC. 1004. SECURITIES AND EXCHANGE COMMISSION APPROPRIATIONS.

(a) Office of Financial Innovation.—

(1) Establishment.—There is established within the Securities and Exchange Commission (referred to in this section as the “Commission”) the Office of Financial Innovation (referred to in this section as the “Office”) to coordinate the activities of the Commission with respect to responsible financial innovation, including—

(A) with respect to the protection of consumers; and

(B) by—

(i) conducting research;

(ii) ensuring the global competitiveness of the financial system of the United States; and

(iii) performing duties as otherwise provided by law.

(2) Director.—The Commission shall appoint a Director—

(A) to—

(i) manage the duties of the Office;

and
(ii) serve as principal advisor to the Commission on matters relating to responsible financial innovation; and

(B) who shall be accountable to the Commission.

(b) Authorization of Appropriations.—Subject to subsection (c), for the purposes of implementing this Act, developing policy relating to crypto assets, establishing the Office, appointing individuals who are experts in their fields, conducting rulemakings, carrying out administrative and shared services, and acquiring information technology resources within the jurisdiction of the Commission relating to crypto assets, there is authorized to be appropriated to the Commission the following:

(1) $100,000,000 for fiscal year 2023, to remain available until September 30, 2024.

(2) $100,000,000 for fiscal year 2024, to remain available until September 30, 2025.

(3) $100,000,000 for fiscal year 2025, to remain available until September 30, 2026.

(4) $100,000,000 for fiscal year 2026, to remain available until September 30, 2027.

(5) $100,000,000 for fiscal year 2027, to remain available until September 30, 2028.
(c) LIMITATIONS.—With respect to amounts that are appropriated pursuant to the authorization under subsection (b), those amounts—

(1) except with respect to amounts that are made available for fiscal year 2024, shall not be available until a customer protection and market integrity authority has been registered under section 9809 of title 31, United States Code, as added by section 601; and

(2) may not be used for enforcement activities, unless otherwise provided by law.

SEC. 1005. FEDERAL TRADE COMMISSION APPROPRIATIONS.

(a) FINDINGS.—Congress finds the following:

(1) It is important that the United States remains a leader in innovation.

(2) Crypto assets and distributed ledger technology are driving innovation and providing consumers with increased choice and convenience.

(3) The use of crypto assets and distributed ledger technology is likely to increase in the future.

(4) The Federal Trade Commission is responsible for protecting consumers from unfair or deceptive acts or practices, including relating to crypto assets.
(5) The Federal Trade Commission has previously taken action against unscrupulous companies and individuals that committed unfair or deceptive acts or practices involving crypto assets.

(6) To bolster the ability of the Federal Trade Commission to enforce against unfair or deceptive acts or practices involving crypto assets, the Commission should ensure staff have appropriate training and resources to identify and pursue such cases.

(b) AUTHORIZATION OF APPROPRIATIONS.—For the purposes of executing the duties set forth in subsection (c) of this section, there is authorized to be appropriated to the Federal Trade Commission the following:

(1) $30,000,000 for fiscal year 2023, to remain available until September 30, 2024.

(2) $30,000,000 for fiscal year 2024, to remain available until September 30, 2025.

(3) $30,000,000 for fiscal year 2025, to remain available until September 30, 2026.

(4) $30,000,000 for fiscal year 2026, to remain available until September 30, 2027.

(5) $30,000,000 for fiscal year 2027, to remain available until September 30, 2028.
(c) PURPOSES.—The Federal Trade Commission shall use the funds appropriated under subsection (b) for the following purposes:

(1) Enforcement relating to unfair or deceptive acts or practices by persons in the crypto asset industry which are not currently supervised by a Federal or State financial regulator.

(2) Highlighting best practices by lawful crypto asset businesses.

(3) Promoting responsible innovation.

(4) Consumer education relating to fraudulent crypto asset activity.

(5) Investigating unlawful restraints of trade in the crypto asset industry.

(6) Operations of the Office of Crypto Asset Consumer Protection, as specified by subsection (d).

(d) OFFICE OF CRYPTO ASSET CONSUMER PROTECTION.—There is created within the Federal Trade Commission the Office of Crypto Asset Consumer Protection. The Office shall conduct consumer education relating to crypto assets and develop best practices for consumer protection for the crypto asset industry, and recommend enforcement action, as appropriate, to the Division of Enforcement of the Commission.
(c) Report to Congress.—Not later than September 30 of each year for which an appropriation was made available under subsection (a), the Federal Trade Commission shall provide a report of activities conducted pursuant to subsection (b) of this section to the following committees of Congress:

(1) The Committee on Commerce, Science, and Transportation of the Senate.

(2) The Committee on Appropriations of the Senate.

(3) The Committee on Energy and Commerce of the House of Representatives.

(4) The Committee on Appropriations of the House of Representatives.

SEC. 1006. ADVISORY COMMISSION ON FINANCIAL INNOVATION APPROPRIATIONS.

To carry out the duties of the Advisory Committee on Financial Innovation created by section 908 of this Act, there is appropriated:

(1) $2,500,000 for fiscal year 2023, to remain available until September 30, 2024.

(2) $2,500,000 for fiscal year 2024, to remain available until September 30, 2025.

(3) $2,500,000 for fiscal year 2025, to remain available until September 30, 2026.
(4) $2,500,000 for fiscal year 2026, to remain available until September 30, 2027.

(5) $2,500,000 for fiscal year 2027, to remain available until September 30, 2028.