

**AMENDMENT TO THE AMENDMENT IN THE  
NATURE OF A SUBSTITUTE TO H.R. 4763  
OFFERED BY MR. DAVID SCOTT OF GEORGIA**

SUMMARY: The amendment removes registration exemptions for digital commodity dealers that enter into digital commodity transactions only with eligible contract participants (ECPs).

Also narrows the definition of “ancillary activity” to exclude decentralized trading protocols. It requires the CFTC to prescribe rules and regulations relating to the use of decentralized trading protocols by digital commodity exchanges.

**AMENDMENT TO THE AMENDMENT IN THE  
NATURE OF A SUBSTITUTE TO H.R. 4763**

**OFFERED BY** *Mr. David Scott of Georgia*

Page 25, beginning on line 6, strike “that is not an eligible contract participant”.

Page 27, strike lines 8 through 10.

Page 27, line 11, strike “(ii)” and insert “(i)”.

Page 27, line 14, strike “(iii)” and insert “(ii)”.

Page 27, line 18, strike “(iv)” and insert “(iii)”.

Page 27, line 23, strike “(v)” and insert “(iv)”.

Page 170, beginning on line 2, strike “(other than an eligible contract participant)”.

Page 187, after line 22, insert the following:

1 **SEC. 408. REGULATION OF DECENTRALIZED TRADING PRO-**

2 **TOCOLS.**

3 (a) IN GENERAL.—The Commission shall prescribe  
4 such rules and regulations as are appropriate for the im-  
5 plementation of this section.

6 (b) DECENTRALIZED TRADING PROTOCOLS.—

1           (1) PRIOR SUBMISSION OF REPORT RE-  
2           QUIRED.—Prior to prescribing any rule or regulation  
3           under subsection (a) relating to the use of decentral-  
4           ized trading protocols by digital commodity ex-  
5           changes, the Commission shall complete and submit  
6           the report required by section 505.

7           (2) REQUIREMENTS.—With respect to the rules  
8           and regulations prescribed under subsection (a) of  
9           this section relating to the use of decentralized trad-  
10          ing protocols by digital commodity exchanges, the  
11          Commission shall—

12                   (A) define the term “decentralized trading  
13                   protocol” in the rules and regulations; and

14                   (B) in prescribing the rules and regula-  
15                   tions—

16                           (i) be informed by the findings in the  
17                           report described in section 505 of this Act;  
18                           and

19                           (ii) consider the objectives described  
20                           in paragraph (3) of this subsection, while  
21                           recognizing the attributes that are unique  
22                           to decentralized trading protocols.

23           (3) OBJECTIVES.—The objectives referred to in  
24           paragraph (2)(B)(ii) are—

1 (A) detecting and preventing fraud, manip-  
2 ulation, and price distortions;

3 (B) customer protection;

4 (C) financial stability and mitigating sys-  
5 temic risks;

6 (D) access to safe and affordable financial  
7 services;

8 (E) countering illicit finance;

9 (F) United States leadership and competi-  
10 tiveness in the global financial system;

11 (G) responsible innovation; and

12 (H) any other objective that the Commis-  
13 sion determines to be relevant.

14 (4) EXEMPTIONS.—As appropriate to further  
15 the objectives described in paragraph (3), while rec-  
16 ognizing the attributes that are unique to decentral-  
17 ized trading protocols, the Commission may, by rule,  
18 regulation, or order, after notice and opportunity for  
19 a hearing—

20 (A) exempt a digital commodity exchange,  
21 or a category of digital commodity exchange,  
22 using decentralized trading protocols from com-  
23 pliance with certain requirements otherwise ap-  
24 plicable—

- 1 (i) unconditionally or on stated terms  
2 or conditions or for stated periods; and  
3 (ii) retroactively or prospectively; and  
4 (B) impose additional requirements for  
5 those digital commodity exchanges as are ap-  
6 propriate to promote compliance with the Com-  
7 modity Exchange Act.

Redesignate succeeding sections and references thereto, and amend the table of contents, accordingly.

Page 189, strike line 1 and all that follows through page 190, line 2, and insert the following:

8 “(c) ANCILLARY ACTIVITIES.—In this section, the  
9 term ‘ancillary activities’ means activities related to devel-  
10 oping or publishing software, subject to the condition that  
11 the software is not deployed to a distributed ledger or in  
12 another environment in which the software is functionally  
13 able to execute or match digital commodity trades.”.

