

## SECTION BY SECTION – HAC ANS

### TITLE I—DEFINITIONS; RULEMAKING; PROVISIONAL REGISTRATION

#### *Section 101. Definitions under the Securities Act of 1933*

Section 101 amends Section 2(a) of the Securities Act of 1933 by adding definitions for the following terms, listed with their respective paragraph number: (20) Blockchain; (21) Blockchain Application; (22) Blockchain Protocol; (23) Blockchain System; (24) Decentralized Governance System; (25) Digital Asset; (26) Digital Commodity; (27) Digital Commodity Affiliated Person; (28) Digital Commodity Issuer; (29) Digital Commodity Related Person; (30) End User Distribution; (31) Mature Blockchain System; (32) Permitted Payment Stablecoin; and (33) Securities Laws.

#### *Section 102. Definitions under the Securities Act of 1934*

Section 102 amends Section 3(a) of the Securities Act of 1934 by adding definitions for the following terms, listed with their respective paragraph number: (82) Bank Secrecy Act; and (83) Additional Digital Commodity-Related Terms.

#### *Section 103. Definitions under the Commodity Exchange Act*

Subsection (a) of section 101 amends section 1a of the Commodity Exchange Act. Paragraphs (1), (2), and (3) amend paragraphs 1a (10), (11), and (12), respectively, of such Act by adding “digital commodity” as a commodity for purposes of defining “Commodity pool”, “Commodity pool operator”, and “Commodity trading advisor”. Paragraphs (1) and (2) of the bill also add clarifying language explicitly excluding from “Commodity pool” and “Commodity pool operators” transactions in digital commodities for the purpose of acting as a custodian, managing inventory or payment instruments, or maintaining or supporting the operation (or validating transactions on) a blockchain system. Paragraph (4) adds a new paragraph (16) to such Act of new “Terms Related To Digital Commodities”, including definitions for: (A) Associated Person of A Digital Commodity Broker; (B) Associated Person of A Digital Commodity Dealer; (C) Bank Secrecy Act; (D) Decentralized Finance Messaging System; (E) Decentralized Finance Trading Protocol; (F) Digital Commodity; (G) Digital Commodity Broker; (H) Digital Commodity Dealer; (I) Digital Commodity Exchange; (J) Mixed Digital Asset Transaction; and (K) Terms Defined Under the Securities Act of 1933. Paragraph (5) adds digital commodity exchanges under the definition of “registered entity” as defined by section 1a of the Commodity Exchange Act.

Subsection (b) lists multiple conforming amendments.

#### *Section 104. Definitions under this Act.*

Section 104 lists numerous definitions from the Commodity Exchange Act, the Securities Act of 1933, and the Securities Act of 1934, and provides that those defined terms will have the same meaning under the CLARITY Act.

#### *Section 105. Rulemakings*

Subsection (a) provides that the CFTC and the SEC shall jointly issue rules to further define numerous listed terms.

Subsection (b) requires the CFTC and SEC to jointly issue rules applicable to mixed digital asset transactions, including by further defining such term.

Subsection (c) retains for US individuals the rights to and protection of self-custody.

Subsection (d) requires the CFTC and SEC to jointly issue rules, procedures, or guidance relating to delisting assets for trading under section 106 within 180 days of enactment of this Act.

Subsection (e) requires the CFTC and SEC to issue joint rules for portfolio margining within 360 days of enactment of this Act.

#### *Section 106. Registration for Digital Commodity Exchanges, Brokers, and Dealers; Provisional Status.*

Subsection (a) provides that a person shall not act as a digital commodity broker, digital commodity dealer, or digital commodity exchange after the end of 270 days after enactment of this Act unless the person is registered as such, as appropriate, under the Commodity Exchange Act.

Subsection (b) allows a person registered in accordance with subsection (a) to have a provisional status until 270 days after final rulemakings required under section 4u or 5i of the Commodity Exchange Act have gone into effect.

Subsection (c) provides that a person in provisional status shall apply and be subject to the statutory requirements of this Act and any rules or regulations promulgated under this Act, as applicable.

#### *Section 107. Commodity Exchange Act and Securities Laws Savings Provisions*

Subsection (a) provides that nothing in this Act shall apply to or effect: a contract of sale of a commodity for future delivery or an option on such contract; a swap; a security futures product; an option authorized under section 4c of the Commodity Exchange Act; an agreement, contract, or transaction described in section 2(c)(2)(C)(i) of such Act; a leverage transaction authorized under section 19 of such Act; a security-based swap; a security futures product; an

option on or based on the value of a security; or the activities of any person with respect to any such agreement, contract, or transaction.

Subsection (b) provides that this Act shall not authorize a digital commodity exchange, broker, or dealer to engage in any activities involving any transaction, contract, or agreement described in subsection (a)(1), solely by virtue of being registered or filing a statement of provisional registration as a digital commodity exchange, broker, or dealer.

#### *Section 108. Administrative Requirements.*

Section 108 amends section 4c(a) of the Commodity Exchange Act to prohibit certain government employees from using certain governmental information as a means to personally profit from a contract of sale of a digital commodity or to impart nonpublic information to assist another person in entering a contract of sale of a digital commodity. It further provides it shall be unlawful for a person to knowingly use or steal such information to enter into for personal gain a contract of sale of a digital commodity.

#### *Section 109. International Cooperation.*

Section 109 provides that the CFTC and SEC shall consult and coordinate with foreign regulatory authorities on the application of consistent international standards with respect to the regulation of digital assets, and may enter into such information-sharing arrangements as may be deemed to be necessary or appropriate in the public interest.

#### *Section 110. Application of the Bank Secrecy Act.*

Subsection (a) adds “digital commodity broker,” “digital commodity dealer,” and “and any digital commodity exchange registered, or required to register, under the Commodity Exchange Act which permits direct customer access” to the “Additional definitions” subsection of the Bank Secrecy Act (31 U.S.C. 5312(c)).

Subsection (b) requires the Comptroller General of the United States to conduct a study and issue a report to Congress on the risks posed by centralized intermediaries that are primarily located in foreign jurisdictions that provide services to U.S. persons without regulatory requirements that are substantially similar to the requirements of the Bank Secrecy Act.

#### *Section 111. Implementation.*

Subsection (a) provides that unless otherwise provided, the CFTC and SEC shall promulgate rules and regulations required under this Act not later than 360 days of enactment.

Subsection (b) allows the CFTC or SEC to prepare for the Act’s implementation before any effective date provided in the Act.

## TITLE II—OFFERS AND SALES OF DIGITAL COMMODITIES

### *Section 201. Treatment of Investment Contract Assets*

Subsection (a) amends section 2(a) of the Securities Act by adding in paragraph (1) that the term “investment contract” does not include an investment contract asset. It also adds a new paragraph (36) defining the term “investment contract asset”.

Subsections (b) through (e) make conforming amendments to the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Securities Exchange Act of 1934, and the Securities Investor Protection Act of 1970, respectively.

### *Section 202. Exempted Primary Transaction In Digital Commodities*

Subsection (a)(1) amends section 4(a) of the Securities Act of 1933 by adding a new paragraph (8) exempting from section (5) of such Act (Prohibitions Relating to Interstate Commerce and the Mails) the offer or sale of an investment contract involving units of a digital commodity by its digital commodity issuer under certain conditions.

Subsection (a)(2) amends the Securities Act of 1933 by adding a new section 4B: “Requirements with Respect to Certain Digital Commodity Transactions”. Section 4B(a) provides for SEC jurisdiction on disclosures described in the section. Section 4B(b) lists in detail the terms and conditions for a digital commodity issuer offering or selling an investment contract involving units of a digital commodity. Section 4B(c) provides requirements for a person acting as an intermediary in connection with the offer or sale of an investment contract involving units of a digital commodity. Section 4B(d) directs the SEC to issue rules to apply the disqualification provisions under section 230.262 of title 17, Code of Federal Regulations, to the exemption provided under section 4(a)(8). Section 4B(e)(1) directs the SEC to issue rules applying additional obligations to digital commodity issuers, digital commodity related persons, and digital commodity affiliated persons of a blockchain system that does not timely become a mature blockchain system; paragraph (2) of such section forbids the SEC from permitting additional raising of capital for a blockchain system that has failed to mature, unless the SEC has qualified any offering statement related to such additional raising of capital.

Subsection (b) makes conforming amendments to section 12(g)(6) of the Securities Exchange Act of 1934 and section 18(b)(4) of the Securities Act of 1933.

Subsection (c) addresses digital commodity issuer requirements for prior issuers.

Subsection (d)(1) provides a rule of construction that this section may not be construed as prohibiting the offer or sale of an investment contract involving units of a digital commodity in reliance on an exemption provided under section 3, 4(a), or 19 of the Securities Act of 1933 other than that provided under section 4(a)(8) of the Securities Act of 1933. Paragraph (2) permits the SEC to issue certain rules relating to capital raising of a blockchain system that has not matured, and for the offer and sale of investment contracts involving units of a digital commodity by foreign issuers.

*Section 203. Treatment of Secondary Transaction In Digital Commodities That Originally Involved Investment Contracts.*

Subsection (a) provides that the offer or sale of a digital commodity that originally involved an investment contract by a person other than the issuer of such digital commodity shall be deemed not to be an offer or sale of the investment contract originally involving the digital commodity between the issuer of the investment contract involving the digital commodity and the purchaser of such digital commodity under myriad securities, investment, and state laws.

Subsection (b) states that an end user distribution does not involve the offer or sale of a security.

Subsection (c) defines “agent” for this section.

*Section 204. Requirements for Offers and Sales of Digital Commodities by Digital Commodity Related Persons and Digital Commodity Affiliated Persons.*

Section 204 adds a new section 4C to the Securities Act of 1933.

Subsection (a) of section 4C states that it shall be a violation of this Act for a digital commodity affiliated person or a digital commodity related person to offer or sell a digital commodity acquired directly from its issuer pursuant to an investment contract other than as provided in this section.

Subsection (b) provides SEC jurisdiction over offers or sales of digital commodities described in subsection (a).

Subsection (c) provides restrictions on digital commodity related and affiliated persons prior to, and after blockchain system maturity.

Subsection (d) clarifies that for purposes of this section, the use of a digital commodity in the programmatic functioning of the blockchain system to which it relates is not an offer or sale of a digital commodity.

Subsection (e) makes it unlawful for any digital commodity issuer, related person, or affiliated person, to use or employ, in connection with the purchase or sale of any digital commodity, any manipulative or deceptive device or contrivance in contravention of such rules

and regulations as the SEC may prescribe as necessary or appropriate in the public interest or for the protection of investors.

Subsection (f) provides rules for previously issued digital commodities.

Subsection (g) provides rulemaking authority to the SEC to exempt a digital commodity related or affiliated person from the requirements of this section for the offer or sale of a digital commodity in order to foster the development of mature blockchain systems and fair and orderly markets.

#### *Section 205. Mature Blockchain System Requirements*

Section 205 amends Title I of the Security Exchange Act of 1934 by adding at the end a new section 42: “Mature Blockchain Systems.” Subsection (a) provides rules for the certification by the SEC that the blockchain system to which a digital commodity relates is a mature blockchain system.

Subsection (b) provides that the SEC may issue rules identifying conditions by which a blockchain system, together with its related digital commodity, shall be considered a mature blockchain system.

Subsection (c) provides that a blockchain system may be deemed mature if certain criteria are met relating to system value, functionality, openness, programming, governances, impartiality, and distribution.

Subsection (d) clarifies what a decentralized government system is, and how a blockchain system may not be precluded from being considered a mature blockchain system solely due to its decentralized governance system.

Subsection (e) provides that the SEC shall issue rules to carry out this section within 270 days of enactment.

#### *Section 206. Effective Date*

Section 206 provides an effective date of Title II of 360 days from enactment, unless a provision requires a rulemaking, in which case, the provision shall take effect on the later of 360 days after the date of enactment of this Act or 60 days after the publication in the Federal Register of the final rule implementing the provision.

### TITLE III—REGISTRATION OF DIGITAL COMMODITIES AND PERMITTED PAYMENT STABLECOINS

#### *Section 301. Treatment of Digital Commodities and Permitted Payment Stablecoins.*

Subsection (a) amends section 2(a)(1) of the Securities Act of 1933 to exclude from the term “security” a digital commodity or permitted payment stablecoin.

Subsection (b) amends section 3(a)(10) of the Securities Exchange Act of 1934 to exclude from the term “security” a digital commodity or permitted payment stablecoin.

Subsection (c) amends section 202(a) of the Investment Advisors Act of 1940 to exclude from the term “security” a digital commodity or permitted payment stablecoin, and adds a new paragraph (32) for digital commodity-related terms, defining the terms “digital commodity” and “permitted payment stablecoin”.

Subsection (d) amends section 2(a) of the Investment Company Act of 1940 to exclude from the term “security” a digital commodity or permitted payment stablecoin, and adds a new paragraph (55) for digital commodity-related terms, defining the terms “digital commodity” and “permitted payment stablecoin”.

Subsection (e) amends the Securities Investment Protection Act of 1970 to exclude from the term “security” a digital commodity or permitted payment stablecoin.

### *Section 302. Anti-Fraud Authority Over Permitted Payment Stablecoins and Certain Digital Commodity Transactions.*

Subsection (a) amends section 10 of the Securities Exchange Act of 1934 by adding a new subsection (e) requiring rules that prohibit fraud, manipulation, or insider trading, and related judicial precedents, shall apply to permitted payment stablecoins and digital commodities.

Subsection (b) adds a new section 6A to Title I of the Securities Exchange Act of 1934. Section 6A(a) provides that permitted payment stablecoins may be brokered, traded, or custodied by a broker, dealer or through an alternative trading system or national securities exchange. Sections 6A(b) and (c) detail when the SEC shall have jurisdiction over permitted payment stablecoin transactions. Section 6A(d) is a rule of construction making clear that nothing in this section may be construed to prohibit permitted payment stablecoins from being custodied by any person or entity that is not a broker, dealer, alternative trading system, or national securities exchange.

### *Section 303. Eligibility of Alternative Trading Systems.*

Subsection (a) amends section 5 of the Securities Exchange Act of 1934 to add a new subsection (b) preventing the SEC from precluding a trading platform from operating pursuant to a covered exemption (defined in paragraph (2)) on the basis that the assets traded or to be traded on such platform include digital commodities or permitted payment stablecoins, and securities.

Subsection (b) amends section 3(a)(2) of the Securities Exchange Act of 1934 to amend the term “facility” by adding that an alternative trading system primarily facilitating the trading

of digital commodities, permitted payment stablecoins, or both, is not a “facility” of an exchange.

Subsection (c) is a rule of construction clarifying that nothing in this section or section 304 may be construed to prohibit a national securities exchange from owning or operating any other type of alternative trading system, or create a presumption that any other type of alternative trading system owned or operated by a national securities exchange is a facility of that exchange.

#### *Section 304. Operations of Alternative Trading Systems*

Subsection (a) provides that the SEC shall have jurisdiction over digital commodity activities engaged in by a registered broker or registered dealer exempt from registration with the CFTC, and national securities exchanges.

Subsection (b) provides the SEC with rulemaking authority over digital commodity activities and transactions engaged in by a broker, dealer, or national securities exchange registered with the SEC and exempt from registration with the CFTC.

Subsection (c) requires the SEC to revise the covered regulations to permit a national securities exchange or affiliate thereof to operate an alternative trading system that permits the trading of digital commodities, permitted payment stablecoins, or both by registered brokers or registered dealers that are exempt from registration with the CFTC.

Subsection (d) requires the SEC to revise the covered regulations to permit a registered broker or registered dealer that is exempt from registration with the CFTC to operate an alternative trading system that permits the trading of digital commodities, permitted payment stablecoins, or both.

Subsection (e) permits alternative trading systems to trade upon notice to the SEC in a manner prescribed by the SEC any digital commodity that has been listed by a digital commodity exchange in compliance with section 5i(c)(3) of the Commodity Exchange Act.

Subsection (f) requires the SEC to issue and revise rules regarding whether alternative trading systems have an obligation to provide the prices and sizes of orders displayed to more than one person in such alternative trading system of digital commodities to self-regulatory organizations with members who trade in digital commodities or permitted payment stablecoins.

Subsection (g) requires the SEC to issue and revise rules relating to listed principles of trade.

Subsection (h) provides that the SEC shall require any registered national securities association that has as a member a registered broker or registered dealer that operates an alternative trading system or otherwise transacts in digital commodities or permitted payment stablecoins to adopt such rules as may be necessary to further compliance with this section.

Subsection (i) is a rule of construction that enumeration of any category of rules or regulations in this section shall not be construed to limit the authority of the SEC to promulgate

such rules as may be necessary or appropriate to implement this section and the purposes of this Act.

Subsection (j) requires the SEC and CFTC to enter into a memorandum of understanding relating to enforcement of section 5k of the Commodity Exchange Act and this Act.

Subsection (k) defines “covered regulations” for purposes of this section.

Subsection (l) is a rule of construction that nothing in this section shall be construed to limit the anti-fraud, anti-manipulation, or false reporting enforcement authorities of the CFTC with respect to a contract of sale of a commodity and persons effecting such contracts.

#### *Section 305. Modernization of Recordkeeping Requirements.*

Subsection (a) provides that a person may consider records from a blockchain system for purposes of books and records requirements for brokers, dealers, and exchanges under the Securities and Exchange Act of 1934.

Subsection (b) requires the SEC to issue and revise such rules as may be necessary to implement this section.

#### *Section 306. Exemptive Authority.*

Section 306 amends section 28 of the Securities Act of 1933 by adding “orders” of the SEC to its exemptive authority under that section.

#### *Section 307. Additional Registrations with the Commodity Futures Trading Commission.*

Section 307 amends section 15 of the Securities Exchange Act of 1934 by adding a new subsection (p), which provides that a registered broker or registered dealer shall be permitted to maintain a registration with the CFTC as a digital commodity broker or digital commodity dealer, to list or trade contracts of sale for digital commodities.

#### *Section 308. Exempting Digital Commodities from State Securities Laws.*

Section 308 amends section 18(b) of the Securities Act of 1933 by adding a new paragraph (5) providing that a digital commodity shall be treated as a covered security exempt from State securities laws.

#### *Section 309. Exclusion for Decentralized Finance Activities.*

Section 309 amends the Securities Exchange Act of 1934 by adding a new section 15H: “Decentralized Finance Activities Not Subject to this Act.” Section 15H(a) lists decentralized finance activities that will not be subject to such Act. Section 15H(b) excepts from subsection (a) the anti-fraud and anti-manipulation authorities of the SEC.

*Section 310. Treatment of Custody Activities by Banking Institutions.*

Subsection (a) limits certain requirements and liabilities of entities engaged in custody activities of digital commodities or permitted payment stablecoins.

Subsection (b) defines certain banking and credit union terms for purposes of this section.

*Section 311. Digital commodity Activities That Are Financial in Nature.*

Section 311 amends sections 4(k)(4)(A) and (E) of the Bank Holding Company Act of 1956 to include certain digital commodity activities as being financial in nature for purposes of that Act.

*Section 312. Effective Date; Administration.*

Section 312 provides an effective date for this title of 360 days after enactment of this Act, or 60 days after final rule publication, if applicable.

*Section 313. Studies on Foreign Adversary Participation.*

Subsection (a) provides that the Secretary of the Treasury, in consultation with the CFTC and SEC, shall conduct a study and submit a report to Congress on foreign government adversary participation, ownership, and use of digital commodity markets.

Subsection (b) directs the Comptroller General to conduct a study and submit a report to Congress on foreign government adversary participation, ownership, and use of digital commodity markets.

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

*Section 401. Commission Jurisdiction Over Digital Commodity Transactions.*

Subsection (a) amends section 2(a)(1) of the Commodity Exchange Act by adding a new subparagraph (J) regarding this Act and the jurisdiction of the CFTC.

Subsection (b) amends section 2(c)(1) of the Commodity Exchange Act to exclude from CFTC jurisdiction permitted payment stablecoins.

Subsection (c)(1) amends section 2(c)(2) of the Commodity Exchange Act to allow a digital commodity broker to offer to or enter into an agreement for margin financing with a customer for the purchase or sale of a digital commodity. Paragraph (2) adds a new subparagraph (F) to such Act providing for CFTC jurisdiction with respect to digital commodity transactions. It also adds a new subparagraph (G) providing the CFTC with certain limited jurisdiction over a cash or spot agreement, contract, or transaction in a permitted payment stablecoin that is on a registered entity.

Subsection (d) makes a conforming amendment to section 2(a)(1)(A) of the Commodity Exchange Act.

#### *Section 402 Requiring Futures Commission Merchants to Use Qualified Digital Asset Custodians.*

Section 402 amends section 4d of the Commodity Exchange Act to allow futures commissions merchants to use qualified digital asset custodians.

#### *Section 403 Trading Certification and Approval for Digital Commodities.*

Section 403 amends section 5c of the Commodity Exchange Act to include digital commodity exchanges under common provisions applicable to registered entities. Paragraph (3) adds a new section 5c(c)(5) in such Act to provide special rules for digital commodity contracts. Paragraph (4) adds a new section (d) in such Act to provide for the certification for digital commodity trading.

#### *Section 404. Registration of Digital Commodity Exchanges.*

Section 404 amends the Commodity Exchange Act by adding a new section 5i: “Registration of Digital Commodity Exchanges”.

Section 5i(a) provides generally that a trading facility that offers or seeks to offer a cash or spot market in at least 1 digital commodity shall register with the CFTC as a digital commodity exchange.

Section 5i(b) applies prohibitions on certain trading practices relating to digital commodity transactions, and prohibits a digital commodity exchange from acting as its own counterparty, with exceptions.

Section 5i(c) requires generally that to be registered, a digital commodity exchange must comply with the CFTC’s core principles and other applicable requirements the CFTC may impose by rule or regulation, including rules relating to listing standards, standards on treatment

of customer assets, trading and trade processing monitoring, the ability for the exchange to obtain certain information, the exercise of emergency authority, the timely publication of trading information, recordkeeping and reporting, antitrust considerations, conflicts of interest, financial resources, disciplinary procedures, governance fitness standards, and system safeguards.

Section 5i(d) provides generally that a digital commodity exchange shall hold customer money, assets, and property in a manner to minimize the risk of loss to the customer or unreasonable delay in customer access to the money, assets, and property of the customer. Paragraph (2) provides rules on the segregation of customer funds. Paragraph (3) lists permitted investments of customer funds described in paragraph (2). Paragraph (4) describes customer protection during bankruptcy. Paragraph (5) states certain unlawful uses of customer funds. Paragraph (6) provides that a customer shall have the right to waive restrictions and participate in blockchain services, with certain limitations.

Section 5i(e) provides that the CFTC may by rule, impose any additional requirements related to the operations and activities of the digital commodity exchange and an affiliated digital commodity broker necessary to protect market participants, promote fair and equitable trading on the digital commodity exchange, and promote responsible innovation.

Section 5i(f) requires digital commodity exchanges to designate a chief compliance officer.

Section 5i(g) allows for the CFTC to appoint a trustee over a digital commodity exchange under certain circumstances.

Section 5i(h) requires digital commodity exchanges to hold customer property with a qualified digital asset custodian.

Section 5i(i) allows that the CFTC may exempt a registered digital commodity exchange from certain requirements of this section if the CFTC makes certain determinations.

Section 5i(j) defines the term “customer” for this section.

Section 5i(k) provides for federal preemption and exclusive CFTC jurisdiction over any digital commodity exchange registered under this section with respect to activities and transactions subject to this Act.

#### *Section 405. Qualified Digital Asset Custodians.*

Section 405 amends the Commodity Exchange Act by creating a new section 5j: “Qualified Digital Asset Custodians.”

Section 5j(a) offers the general definition of a qualified digital asset custodian as a person who holds digital assets on behalf of a person registered under this Act or a customer of a person registered under this Act.

Sections 5j(b) and (c) provide supervision and other requirements over qualified digital asset custodians.

Section 5j(d) defines the terms “adequate supervision” and “appropriate regulation” for purposes of subsection (b).

Section 5j(e) provides the CFTC with the authority to temporarily suspend requirements to utilize a qualified digital asset custodian.

*Section 406. Registration and Regulation of Digital Commodity Brokers and Dealers.*

Section 406 amends the Commodity Exchange Act by creating a new section 4u: “Registration and Regulation of Digital Commodity Brokers and Dealers.”

Section 4u(a) provides that it shall be unlawful for any person to act as a digital commodity broker or digital commodity dealer unless the person is registered as such with the CFTC.

Section 4u(b) lists the required contents of the application for a person registering with the CFTC as a digital commodity broker or dealer.

Section 4u(c) provides the CFTC with general and specific rulemaking authority over digital commodity brokers and registered digital commodity dealers.

Section 4u(d) directs the CFTC to prescribe rules for minimum capital requirements for digital commodity brokers and dealers.

Section 4u(e) requires certain reporting and recordkeeping by digital commodity brokers and dealers.

Section 4u(f) requires digital commodity brokers and dealers to maintain daily trading records.

Section 4u(g) requires digital commodity brokers and dealers to conform with applicable business conduct standards the CFTC prescribes.

Section 4u(h) lists the duties of digital commodity brokers and dealers relating to: (1) risk management procedures; (2) disclosure of general information; (3) ability to obtain information; (4) conflicts of interest; and (5) antitrust considerations.

Section 4u(i) requires digital commodity brokers and dealers to designate a chief compliance officer.

Section 4u(j) lists rules relating to digital commodity brokers and dealers including: (1) holding of customer assets; (2) segregation of funds; (3) permitted investments; (4) customer protection during bankruptcy; (5) the misuse of customer property; and (6) participation in blockchain services.

Section 4u(k) provides for federal preemption and exclusive CFTC jurisdiction over any digital commodity broker or dealer registered under this section with respect to activities and subject to this Act.

Section 4u(1) allows that the CFTC may exempt a registered digital commodity broker or dealer from certain requirements of this section if the CFTC makes certain determinations.

#### *Section 407. Registration of Associated Persons*

Subsection (a) amends section 4k of the Commodity Exchange Act to make it unlawful for any person to act as an associated person of a digital commodity broker or an associated person of a digital commodity dealer unless the person is registered with the CFTC. Paragraph (3) amends section 4k(5) of such act to require persons desiring to be registered as an associated person of a digital commodity broker or dealer to apply to the CFTC.

Subsection (b) makes conforming amendments.

#### *Section 408. Registration of Commodity Pool operators and Commodity Trading Advisors.*

Subsection (a) amends section 4m(3) of the Commodity Exchange Act to add commodity pool operator or commodity trading advisor as a category exempted from the prohibition on entities not registered with the CFTC from engaging in interstate commerce in that business if they are registered with the SEC.

Subsection (b) amends section 4m of the Commodity Exchange Act by adding a new paragraph (4) requiring the CFTC to promulgate rules to provide appropriate exemptions for commodity pool operators and commodity trading advisors, to provide relief from duplicative, conflicting, or unduly burdensome requirements or to promote responsible innovation.

#### *Section 409. Exclusion for Decentralized Finance Activities.*

Section 409 amends the Commodity Exchange Act by adding a new section 4v: “Decentralized Finance Activities Not Subject To This Act.”

Section 4v(a) list decentralized finance activities not subject to the Commodity Exchange Act.

Section 4v(b) provides an exception to subsection (a) for anti-fraud, anti-manipulation, or false reporting enforcement authorities of the CFTC.

#### *Section 410. Resources for Implementation and Enforcement.*

Subsection (a) requires the CFTC to charge and collect a filing fee from each person who files with the CFTC an application for registration and is in provisional status as a digital commodity exchange, digital commodity broker, or digital commodity dealer. The fees authorized may be collected and available for obligation only in the amounts provided in advance in an appropriation Act.

Subsection (b) requires the CFTC to publish a fee schedule with certain requirements.

Subsection (c) allows the CFTC to impose a late payment penalty.

Subsection (d) provides for the reimbursement of excess fees to persons who have timely paid their annual fees.

Subsection (e) provides that amounts collected under this section shall be credited to the currently applicable appropriation, account, or fund of the CFTC as discretionary offsetting collections, and shall be available for the purposes authorized in subsection (f) only to the extent and in the amounts provided in advance in appropriations Acts.

Subsection (f) authorizes appropriations to the CFTC amounts collected under this section to cover the costs of carrying out the functions of the Commission under this Act.

Subsection (g) provides the CFTC with expedited hiring authority for certain positions.

Subsection (h) is a sunset provision ending the authorities under this section four fiscal years after the date of enactment of this Act.

#### *Section 411. Digital Commodity Activities by SEC-Registered Entities.*

Section 411 amends the Commodity Exchange Act by adding a new section 5k: “Exemption for Certain Registered Entities In Digital Commodity Activities”.

Section 5k(a) provides that on receipt by the CFTC from an alternative trading system of notice that contains such information as the CFTC may prescribe, the alternative trading system shall be exempt from registration as a digital commodity exchange if certain requirements are met.

Section 5k(b) provides that on receipt by the CFTC from a broker or dealer that is registered with the SEC of notice that contains such information as the CFTC may prescribe as necessary, the broker or dealer shall be exempt from registration as a digital commodity broker or digital commodity dealer if certain requirements are met.

#### *Section 412. Requirements Related to Control Persons.*

Section 412 amends the Commodity Exchange Act by adding a new section 4w: “Limitation On Transactions By Blockchain Control Persons.”

Section 4w(a) makes it unlawful for a blockchain control person with respect to a blockchain system certified as a mature blockchain system to sell a unit of a digital commodity related to the blockchain system unless the person files notice with the CFTC and complies with all applicable rules.

Section 4w(b) provides definitions for “blockchain control person” and “affiliated blockchain control person”.

*Section 413. Other Tradable Assets.*

Section 413 amends the Commodity Exchange Act by adding a new section 4x: “Trading Requirements for Other Tradable Assets”.

Section 4x(a) provides that a tradable asset shall not be dealt in, on, or subject to the rules of a registered entity except in accordance with subsection (b).

Section 4x(b)(1) provides that tradable assets dealt in, on, or subject to the rules of a registered entity shall be treated as a digital commodity for purposes of this Act. Paragraph (2) lists possible requirements the CFTC may impose on persons engaged in tradable assets.

Section 4x(c) defines “tradable asset”.

Section 4x(d) allows the CFTC to issue guidance establishing criteria for determining if the primary purpose of a tradable asset is to be used to commit fraud or market manipulation.

*Section 414. Effective Date.*

Section 414 provides that this title shall take effect 270 days after the date of enactment of this Act.

*Section 415. Sense of Congress.*

Section 415 provides the sense of Congress that nothing in this Act or any amendment made by this Act should be interpreted to authorize any entity to regulate any commodity, other than a digital commodity, on any spot market.

TITLE V—INNOVATION AND TECHNOLOGY IMPROVEMENTS

*Section 501. Findings; Sense of Congress*

Subsection (a) lists nine findings of Congress.

Subsection (b) lists six senses of Congress.

*Section 502. Modernization of the Securities and Exchange Commission Mission*

Section 502 updates the SEC Commission Mission in: (a) the Securities Act of 1933; (b) the Securities Act of 1934; (c) the Investment Advisers Act of 1940; and (d) the Investment Company Act of 1940, to include “innovation”, so that the SEC’s mission statement will be to promote efficiency, innovation, competition, and capital formation.

*Section 503. Strategic Hub for Innovation and Financial Technology.*

Section 504 amends section 4 of the Securities Exchange Act of 1934 by adding a new subsection (k) directing the SEC to establish a committee to be known as the Strategic Hub for Innovation and Financial Technology.

*Section 504. Codification of LabCFTC.*

Subsection (a) amends section 18 of the Commodity Exchange Act by adding a new subsection (c), which directs the CFTC to establish “LabCFTC”. Paragraphs (2) and (4) list the purposes and duties of LabCFTC.

Subsection (b) makes conforming amendments to Section 2(a)(6)(A) of the Commodity Exchange Act.

Subsection (c) requires the CFTC to implement the amendments made by this section within 180 days of enactment.

*Section 505. Study on Decentralized Finance.*

Subsection (a) directs the CFTC, SEC, and Secretary of the Treasury to jointly carry out a study on decentralized finance.

Subsection (b) requires the CFTC and SEC to consult the Treasury of the Secretary on the factors listed in paragraph (7) through (10) of subsection (a).

Subsection (c) requires the CFTC and SEC to submit a report to Congress.

Subsection (d) requires the Comptroller General of the United States to conduct the same study described in subsection (a) and file a report with Congress.

Subsection (e) defines “decentralized finance” and relevant congressional committees” for this section.

*Section 506. Study On Non-Fungible Tokens.*

Subsection (a) requires the Comptroller General of the United States to carry out a study on non-fungible tokens.

Subsection (b) requires the Comptroller General to make a report with their findings available to the public within a year of enactment of this Act.

*Section 507. Study on Expanding Financial Literacy Amongst Digital Commodity Holders.*

Subsection (a) requires the CFTC and SEC to jointly conduct a study on how to improve financial literacy amongst digital commodity holders.

Subsection (b) requires the CFTC and SEC to submit a written report on their study to Congress within one year of enactment of this Act.

*Section 508. Study on Financial Market Infrastructure Improvements.*

Subsection (a) requires the CFTC and SEC to jointly conduct a study to assess whether additional guidance or rules are necessary to facilitate the development of tokenized securities and derivatives products.

Subsection (b) requires the CFTC and SEC to submit a written report on their study to Congress within one year of enactment of this Act.