

[DISCUSSION DRAFT]

118TH CONGRESS  
2D SESSION

**H. R.** \_\_\_\_\_

To codify the special purpose broker dealer, and for other purposes.

---

IN THE HOUSE OF REPRESENTATIVES

M. \_\_\_\_\_ introduced the following bill; which was referred to the  
Committee on \_\_\_\_\_

---

**A BILL**

To codify the special purpose broker dealer, and for other  
purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “[To be added Act of  
5 2024]”.

6 **SEC. 2. REGISTRATION AND REGULATION OF SPECIAL PUR-**  
7 **POSE BROKERS AND DEALERS.**

8 (a) IN GENERAL.—The Securities Exchange Act of  
9 1934 (15 U.S.C. 78a et seq.) is amended by inserting after  
10 section 15G the following:

1 **“SEC. 15H. REGISTRATION AND REGULATION OF SPECIAL**  
2 **PURPOSE BROKERS AND DEALERS.**

3 “(a) IN GENERAL.—A broker or dealer may file an  
4 application with the Commission to register as a special  
5 purpose broker or dealer.

6 “(b) REQUIREMENTS.—A broker or dealer may only  
7 register as a special purpose broker or dealer if the broker  
8 or dealer complies with the following:

9 “(1) The broker or dealer has access to quali-  
10 fied tokenized securities or permitted payment  
11 stablecoins and the capability to transfer them using  
12 distributed ledger technology;

13 “(2) The broker or dealer limits the business of  
14 the broker or dealer to—

15 “(A) dealing in, effecting transactions in,  
16 maintaining custody of, or operating an alter-  
17 native trading system for, and settlement of,  
18 qualified tokenized securities and permitted  
19 payment stablecoins;

20 “(B) holding proprietary positions in secu-  
21 rities other than qualified tokenized securities,  
22 but solely for the purposes of—

23 “(i) meeting the minimum net capital  
24 requirements of the broker or dealer re-  
25 quired under section 15c3–1 of title 17,

1 Code of Federal Regulations, or any suc-  
2 cessor rule; or

3 “(ii) hedging the risks of the propri-  
4 etary positions of the broker or dealer in  
5 such securities, qualified tokenized securi-  
6 ties, and permitted payment stablecoins.

7 “(3) The broker or dealer establishes, main-  
8 tains, and enforces reasonably designed written poli-  
9 cies and procedures to conduct and document an  
10 analysis that confirms that a qualified tokenized se-  
11 curity is offered and sold pursuant to an effective  
12 registration statement or an available exemption  
13 from registration.

14 “(4) The broker or dealer establishes, main-  
15 tains, and enforces reasonably designed written poli-  
16 cies and procedures to assess the characteristics of  
17 a qualified tokenized security’s distributed ledger  
18 technology and associated network prior to under-  
19 taking to maintain custody of the qualified tokenized  
20 security and at reasonable intervals thereafter.

21 “(5) The broker or dealer does not undertake  
22 to maintain custody of a qualified tokenized security  
23 if the broker or dealer—

24 “(A) is aware of any material security or  
25 operational problems or weaknesses with the

1 distributed ledger technology and associated  
2 network used to access and transfer the quali-  
3 fied tokenized security; or

4 “(B) is aware of other material risks posed  
5 to the business of the broker or dealer by the  
6 qualified tokenized security.

7 “(6) The broker or dealer establishes, main-  
8 tains, and enforces reasonably designed written poli-  
9 cies, procedures, and controls that are consistent  
10 with industry best practices to—

11 “(A) demonstrate the broker or dealer has  
12 exclusive control over any qualified tokenized  
13 securities and permitted payment stablecoins  
14 the broker or dealer holds in custody; and

15 “(B) protect against the theft, loss, and  
16 unauthorized and accidental use of the private  
17 keys necessary to access and transfer the quali-  
18 fied tokenized securities or the permitted pay-  
19 ment stablecoins the broker or dealer holds in  
20 custody.

21 “(7) The broker or dealer establishes, main-  
22 tains, and enforces reasonably designed written poli-  
23 cies, procedures, and arrangements to—

24 “(A) identify, in advance, the steps the  
25 broker or dealer will take in response to events

1 that could affect the broker or dealer’s custody  
2 of qualified tokenized securities, including—

3 “(i) blockchain malfunctions;

4 “(ii) 51 percent attacks;

5 “(iii) hard forks; or

6 “(iv) airdrops;

7 “(B) allow for the broker or dealer to com-  
8 ply with a court-ordered freeze or seizure of a  
9 qualified tokenized security or permitted pay-  
10 ment stablecoin; and

11 “(C) allow for the transfer of the qualified  
12 tokenized securities or permitted payment  
13 stablecoins held by the broker or dealer to an-  
14 other special purpose broker or dealer, a trust-  
15 ee, receiver, liquidator, or person performing a  
16 similar function, or to another appropriate per-  
17 son, in the event the broker or dealer can no  
18 longer continue as a going concern and self-  
19 liquidates or is subject to a formal bankruptcy,  
20 receivership, liquidation, or similar proceeding.

21 “(8) The broker or dealer provides written dis-  
22 closures to prospective customers, clarifying the fol-  
23 lowing:

24 “(A) Based on the broker or dealer’s reg-  
25 istration under this section, the broker or dealer

1 considers itself to be in possession or control of  
2 qualified tokenized securities or permitted pay-  
3 ment stablecoins in the same manner as a  
4 broker or dealer is in possession or control of  
5 fully-paid securities or excess margin securities  
6 for the purposes of section 15c3-3(b)(1) of title  
7 17, Code of Federal Regulations.

8 “(B) The risks of investing in or holding  
9 qualified tokenized securities, including by—

10 “(i) describing the risks of fraud, ma-  
11 nipulation, theft, and loss associated with  
12 qualified tokenized securities;

13 “(ii) describing the risks relating to  
14 valuation, price volatility, and liquidity as-  
15 sociated with qualified tokenized securities;  
16 and

17 “(iii) describing the processes, soft-  
18 ware and hardware systems, and any other  
19 formats or systems utilized by the broker  
20 or dealer to—

21 “(I) create, store, or use the  
22 broker or dealer’s private keys; and

23 “(II) protect customer assets  
24 from loss, theft, or unauthorized or  
25 accidental use

1           “(9) The broker or dealer enters into a written  
2           agreement with each customer that sets forth the  
3           terms and conditions with respect to receiving, pur-  
4           chasing, holding, safekeeping, selling, transferring,  
5           exchanging, custodying, liquidating, and otherwise  
6           transacting in qualified tokenized securities on be-  
7           half of the customer.

8           “(c) CONSIDERATION OF APPLICATIONS.—With re-  
9           spect to an application to register as a special purpose  
10          broker or dealer, the Commission shall—

11           “(1) make a final decisions on the application  
12          not more than 60 days after receiving the applica-  
13          tion;

14           “(2) with respect to an application that is de-  
15          nied by the Commission—

16           “(A) include with the denial a clear articu-  
17          lation of the specific reasons for the denial and  
18          the specific modifications needed to receive ap-  
19          proval; and

20           “(B) permit the broker or dealer to re-  
21          apply.

22          “(d) RULE EXEMPTION.—Section 240.15c3-3 of title  
23          17, Code of Federal Regulations, (and any successor rule)  
24          does not apply to a special purpose broker or dealer reg-  
25          istered under this section.

1 “(e) RULEMAKING.—The Commission shall—

2 “(1) not later than six months after the date of  
3 enactment of this section, propose rules to carry out  
4 this section; and

5 “(2) not later than 12 months after the date of  
6 enactment of this section, issue final rules to carry  
7 out this section.

8 “(f) DEFINITIONS.—In this section:

9 “(1) PERMITTED PAYMENT STABLECOIN.—

10 “(A) IN GENERAL.—The term ‘permitted  
11 payment stablecoin’ means a digital asset issued  
12 using distributed ledger technology—

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

15 “(ii) the issuer of which—

16 “(I) is obligated to convert, re-  
17 deem, or repurchase for a fixed  
18 amount of monetary value;

19 “(II) represents will maintain or  
20 creates the reasonable expectation  
21 that it will maintain a stable value rel-  
22 ative to the value of a fixed amount of  
23 monetary value; or

24 “(III) is subject to regulation by  
25 a Federal or State regulator with au-



1                   thority over entities that issue pay-  
2                   ment stablecoins; and

3                   “(iii) that is not—

4                                 “(I) a national currency; or

5                                 “(II) a security issued by an in-  
6                   vestment company registered under  
7                   section 8(a) of the Investment Com-  
8                   pany Act of 1940 (15 U.S.C. 80a-  
9                   8(a)).

10                   “(B) MONETARY VALUE DEFINED.—For  
11                   purposes of subparagraph (A), the term ‘mone-  
12                   tary value’ means a national currency, deposit  
13                   (as defined under section 3 of the Federal De-  
14                   posit Insurance Act), or an equivalent instru-  
15                   ment that is denominated in a national cur-  
16                   rency.

17                   “(2) QUALIFIED TOKENIZED SECURITY.—The  
18                   term ‘qualified tokenized security’ means a security  
19                   that—

20                                 “(A) is issued using distributed ledger  
21                   technology as the definitive record of ownership;

22                                 “(B) is not a bearer asset; and

23                                 “(C) uses embedded smart contracts to en-  
24                   sure compliance with securities laws regarding  
25                   transfers.”.

1 (b) SUNSET.—Effective after the end of the 5-year  
2 period beginning on the date that the final rules required  
3 under section 15H(e)(2) of the Securities Exchange Act  
4 of 1934 are issued, such section 15H is repealed.

5 **SEC. 3. STUDY ON FINANCIAL MARKET INFRASTRUCTURE**  
6 **IMPROVEMENTS.**

7 (a) IN GENERAL.—The Securities and Exchange  
8 Commission shall conduct a study to assess whether addi-  
9 tional guidance or rules are necessary to facilitate the de-  
10 velopment of tokenized securities, to the extent such guid-  
11 ance or rules would foster the development of fair and or-  
12 derly financial markets, be necessary or appropriate in the  
13 public interest, and be consistent with the protection of  
14 investors and customers.

15 (b) REPORT.—

16 (1) TIME LIMIT.—Not later than 1 year after  
17 the date of enactment of this Act, the Securities and  
18 Exchange Commission shall submit to the relevant  
19 congressional committees a report that includes the  
20 results of the study required by subsection (a).

21 (2) RELEVANT CONGRESSIONAL COMMITTEES  
22 DEFINED.—In this section, the term “relevant con-  
23 gressional committees” means—

24 (A) the Committees on Financial Services  
25 of the House of Representatives; and

1 (B) the Committees on Banking, Housing,  
2 and Urban Affairs of the Senate.