

**AMENDMENT TO THE AMENDMENT IN THE
NATURE OF A SUBSTITUTE TO H.R. 3633
OFFERED BY Ms. Waters**

Add at the end the following:

1 TITLE VI—CRYPTO INVESTORS
2 BILL OF RIGHTS

3 SEC. 601. SHORT TITLE.

4 This title may be cited as the “Crypto Investors Bill
5 of Rights Act”.

6 SEC. 602. FINDINGS.

7 Congress finds the following:

8 (1) Digital-asset markets now involve millions
9 of United States retail participants, yet core investor
10 protections lag far behind those available in securi-
11 ties and banking markets.

12 (2) Opaque fee structures, weak custody stand-
13 ards, and inadequate incident reporting have ex-
14 posed consumers to substantial and avoidable losses.

15 (3) Incorporating time-tested principles—such
16 as fiduciary duty, best execution, truthful fee disclo-
17 sure, insurance backstops, and prompt redress—will
18 foster lawful innovation while restoring public con-
19 fidence.

1 **SEC. 603. CRYPTO INVESTOR BILL OF RIGHTS.**

2 (a) **DEFINITIONS.**—In this section:

3 (1) **COMMISSION.**—The term “Commission”
4 means either of the Securities and Exchange Com-
5 mission or the Commodity Futures Trading Com-
6 mission, and the term “Commissions” means both
7 the Securities and Exchange Commission and the
8 Commodity Futures Trading Commission.

9 (2) **COVERED ENTITY DEFINED.**—The term
10 “covered entity” means a trading facility, broker,
11 dealer, exchange, custodian, or other person that—

12 (A) is within the jurisdiction of a Commis-
13 sion; and

14 (B) directly or indirectly provides digital
15 asset services to retail customers.

16 (b) **ENUMERATED RIGHTS.**—Pursuant to rules
17 issued under section 604, each covered entity shall imple-
18 ment, through policies, procedures, and practices, at a
19 minimum, the following rights:

20 (1) **TRUTH-IN-FEES DISCLOSURE.**—Provide a
21 one-page, plain-English “Fees-Only” schedule, acces-
22 sible before order placement, that lists the aggregate
23 dollar or percentage cost of every reasonably foresee-
24 able fee, including gas costs and costs related to pri-
25 ority settlement, trading, withdrawal, staking (own

1 or third-party), over-the-counter, custody, and ac-
2 count-closure fees.

3 (2) PROMPT STABLECOIN FREEZE.—For any
4 permitted payment stablecoin that the covered entity
5 issues, manages, or lists, freeze suspect addresses or
6 assets within one hour when reasonable evidence of
7 theft, hacking, or fraud exists, irrespective of pend-
8 ing government process, and maintain documented
9 incident logs.

10 (3) TRANSPARENT AND ADEQUATE INSUR-
11 ANCE.—

12 (A) IN GENERAL.—Disclose, in a standard-
13 ized format, insurance information with respect
14 to—

- 15 (i) total coverage limits;
16 (ii) per-occurrence limits;
17 (iii) major exclusions; and
18 (iv) whether coverage is first-dollar or
19 pro rata.

20 (B) AUDIT.—Obtain an annual SOC 2
21 Type II audit (not merely an attestation) of
22 custody and security controls.

23 (4) DATA-BREACH NOTIFICATION.—Within 48
24 hours of discovering any cybersecurity or physical-
25 security breach that compromises customer assets or

1 personally identifiable information, notify affected
2 customers and the Commissions describing—

3 (A) the nature and scope of the incident;

4 (B) the types of data exposed;

5 (C) remedial steps taken; and

6 (D) available customer recourse.

7 (5) SIPC OR EQUIVALENT COVERAGE.—Main-
8 tain Securities Investor Protection Corporation
9 membership, if eligible, or, if not eligible, maintain
10 an equivalent fidelity and customer-asset protection
11 fund and display proof of such coverage in the cus-
12 tomer interface.

13 (6) FIDUCIARY DUTY.—

14 (A) DUTY OF CARE.—Only recommend or
15 prompt the offering of products or strategies
16 suited to the customer's risk profile and invest-
17 ment objectives.

18 (B) DUTY OF LOYALTY.—Fully disclose all
19 revenue streams, mark-ups, and conflicts, in-
20 cluding how the firm benefits from changes in
21 a product's value.

22 (C) AVOIDANCE OF SELF-DEALING.—No
23 affiliated proprietary trading firm or market
24 maker may trade against customers on the
25 same platform.

1 (7) NO FRONT-RUNNING; BEST EXECUTION.—

2 Record and settle customer orders ahead of any pro-
3 prietary orders and employ order-handling practices
4 reasonably designed to achieve best execution.

5 (8) TRANSPARENT VALUATIONS.—Display
6 mark-to-market valuations refreshed at least once
7 per minute, derived from multi-venue price feeds or
8 other Commission-approved sources.

9 (9) FAIR PRICING.—Prohibit excessive, hidden,
10 or discriminatory fees. A covered entity's commission
11 schedule shall be no less favorable than those of the
12 10 largest United States retail brokers or dealers by
13 account count, unless the covered entity dem-
14 onstrates materially higher regulatory or clearing
15 costs.

16 (10) SAFE CUSTODY AND VOLUNTARY STAK-
17 ING.—Segregate customer assets in bankruptcy-re-
18 mote accounts and prohibit rehypothecation, lending,
19 or staking without the customer's affirmative, rev-
20 ocable consent.

21 (11) CYBER AND MALFEASANCE HISTORIES.—
22 Maintain and make easily accessible a log of all ma-
23 terial security incidents, regulatory actions, and
24 criminal sanctions within the preceding 10 years.

1 (12) LICENSE TRANSPARENCY.—Prominently
2 display all Federal and State licenses, registration
3 numbers, and other authorizations applicable to the
4 firm's operations.

5 (13) PROMPT WITHDRAWAL AND TRANSFER.—
6 Honor customer requests to withdraw cash or trans-
7 fer digital assets within 24 hours, absent a docu-
8 mented good-faith fraud concern.

9 (14) HUMAN SUPPORT.—Provide continuous
10 (24 hours a day, 7 days a week) access to a trained
11 human representative, ensuring that no customer
12 waits more than 5 minutes to connect by telephone
13 or live chat.

14 (15) RIGHT TO RECOMPENSE.—Maintain re-
15 serves—through a surety bond, insurance, or insured
16 trust—sufficient to make customers whole for losses
17 arising from the covered entity's violation of any
18 duty under this section or the rule of a Commission,
19 and suspend settlement of suspected-fraud trans-
20 actions pending review.

21 (16) SETTLEMENT CYCLE.—Clear and settle all
22 matched trades as soon as practicable and not later
23 than the business day following the trade date.

24 (17) FREE EXIT.—A covered entity that adver-
25 tises free account opening or no minimum balances

1 may not impose fees for account closure or outbound
2 asset transfers.

3 (18) RELATIVE-LOSS METRIC.—For each listed
4 asset, prominently display, in real time, the percent-
5 age of customers who purchased the asset at prices
6 higher than the current prevailing price.

7 (19) INTERACTIVE DEMONSTRATION.—Each
8 covered entity shall provide a risk-free simulated-
9 trading environment for new retail customers.

10 (20) PROOF-OF-RESERVES AND SOLVENCY
11 DASHBOARD.—Any covered entity that holds cus-
12 tomer assets shall publish, at least monthly, a cryp-
13 tographically verifiable proof-of-reserves accom-
14 panied by an attestation from a licensed public ac-
15 countant.

16 (21) OBJECTIVE AND NON-DISCRIMINATORY
17 SETTLEMENT.—A covered entity may not discrimi-
18 nate among orders for settlement and execution pur-
19 poses, and a covered entity may not prioritize the or-
20 ders of affiliated and related persons over the cov-
21 ered entity's retail customers.

22 **SEC. 604. RULEMAKING; ENFORCEMENT.**

23 (a) JOINT RULES.—Not later than 18 months after
24 the date of enactment of this Act, the Commissions shall
25 jointly issue final rules to—

1 (1) define technical disclosure formats for the
2 “Fees-Only” schedule and the insurance-disclosure;

3 (2) prescribe minimum insurance thresholds by
4 customer-asset tier;

5 (3) set quantitative best-execution benchmarks
6 and order-handling reporting analogous to Commis-
7 sion Rule 605 and Rule 606;

8 (4) establish audit standards for proof-of-re-
9 serves, cybersecurity controls, and staking activities;

10 (5) create safe-harbor procedures for freezing
11 suspect permitted payment stablecoin assets, includ-
12 ing notice to appropriate law enforcement agencies;
13 and

14 (6) coordinate with the Financial Stability
15 Oversight Council on systemic-risk thresholds.

16 (b) ENFORCEMENT.—A violation of this title, or of
17 any rule promulgated under this title, shall be deemed a
18 violation of the Securities Exchange Act of 1934 or the
19 Commodities Exchange Act, as applicable.

20 **SEC. 605. RELATIONSHIP TO STATE LAW.**

21 Nothing in this title preempts State consumer protec-
22 tion or investor protection laws.

1 **SEC. 606. EFFECTIVE DATE.**

2 (a) IN GENERAL.—All provisions of this title shall
3 take effect on the date that is 1 year after the date of
4 enactment of this Act.

5 (b) EXTENSION FOR SMALL ENTITIES.—The Com-
6 missions may grant a one-time extension of up to 1 year,
7 beginning on the effective date described in subsection (b),
8 to any small entity, as defined by the Commissions, to
9 comply with this title, if the small entity demonstrates
10 good-faith progress toward compliance with this title.



