

[DISCUSSION DRAFT]

118TH CONGRESS
2D SESSION

H. R. _____

To require the Securities and Exchange Commission, Commodity Futures Trading Commission, and the Secretary of the Treasury to jointly carry out a study on decentralized finance.

IN THE HOUSE OF REPRESENTATIVES

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

A BILL

To require the Securities and Exchange Commission, Commodity Futures Trading Commission, and the Secretary of the Treasury to jointly carry out a study on decentralized finance.

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 [“ _____ Act
5 of 2024”].

1 **SEC. 2. STUDY ON DECENTRALIZED FINANCE.**

2 (a) STUDY REQUIRED.—The Secretary of the Treas-
3 ury, in coordination with the Securities and Exchange
4 Commission and Commodity Futures Trading Commis-
5 sion, shall carry out a study on decentralized finance that
6 analyzes—

7 (1) the nature, size, role, and use of decentral-
8 ized finance blockchain protocols;

9 (2) the operation of blockchain protocols that
10 comprise decentralized finance;

11 (3) the interoperability of blockchain protocols
12 and blockchain systems;

13 (4) the interoperability of blockchain protocols
14 and software-based systems, including websites and
15 wallets;

16 (5) the decentralized governance systems
17 through which blockchain protocols may be devel-
18 oped, published, constituted, administered, main-
19 tained, or otherwise distributed, including—

20 (A) whether the systems enhance or de-
21 tract from—

22 (i) the decentralization of the decen-
23 tralized finance; and

24 (ii) the inherent benefits and risks of
25 the decentralized governance system; and

1 (B) any procedures, requirements, or best
2 practices that would mitigate the risks identi-
3 fied in subparagraph (A)(ii);

4 (6) the benefits of decentralized finance, includ-
5 ing—

6 (A) operational resilience and availability
7 of blockchain systems;

8 (B) interoperability of blockchain systems;

9 (C) market competition and innovation;

10 (D) transaction efficiency;

11 (E) transparency and traceability of trans-
12 actions; and

13 (F) disintermediation;

14 (7) the risks of decentralized finance, includ-
15 ing—

16 (A) pseudonymity of users and trans-
17 actions;

18 (B) disintermediation; and

19 (C) cybersecurity vulnerabilities;

20 (8) the extent to which decentralized finance
21 has integrated with the traditional financial markets
22 and any potential risks or improvements to the sta-
23 bility of the markets;

1 (9) how the levels of illicit activity in decentral-
2 ized finance compare with the levels of illicit activity
3 in traditional financial markets;

4 (10) methods for addressing illicit activity in
5 decentralized finance and traditional markets that
6 are tailored to the unique attributes of each;

7 (11) how decentralized finance may increase the
8 accessibility of cross-border transactions;

9 (12) the feasibility of embedding self-executing
10 compliance and risk controls into decentralized fi-
11 nance; and

12 (13) any businesses or service providers that
13 are necessary to the communication of user informa-
14 tion for a material portion of any decentralized fi-
15 nance transaction.

16 (b) REPORT.—Not later than 1 year after the date
17 of enactment of this Act, the Secretary of the Treasury,
18 in coordination with the Securities and Exchange Commis-
19 sion and Commodity Futures Trading Commission, shall
20 submit to the relevant congressional committees a report
21 that includes the results of the study required by sub-
22 section (a).

23 (c) GAO STUDY.—The Comptroller General of the
24 United States shall—

1 (1) carry out a study on decentralized finance
2 that analyzes the information described in para-
3 graphs (1) through (13) of subsection (a); and

4 (2) not later than 1 year after the date of en-
5 actment of this Act, submit to the relevant congres-
6 sional committees a report that includes the results
7 of the study required by paragraph (1).

8 (d) DEFINITIONS.—In this section:

9 (1) DECENTRALIZED FINANCE.—The term “de-
10 centralized finance” means blockchain protocols that
11 allow users to engage in financial transactions in a
12 self-directed manner so that a third-party inter-
13 mediary does not effectuate the transactions or take
14 custody of digital assets of a user during any part
15 of the transactions.

16 (2) RELEVANT CONGRESSIONAL COMMIT-
17 TEES.—The term “relevant congressional commit-
18 tees” means—

19 (A) the Committees on Financial Services
20 and Agriculture of the House of Representa-
21 tives; and

22 (B) the Committees on Banking, Housing,
23 and Urban Affairs and Agriculture, Nutrition,
24 and Forestry of the Senate.