119TH CONGRESS
1ST SESSION

S. _____

To clearly draw the line between digital asset securities and commodities, to impose disclosure requirements for certain transactions involving ancillary assets, and for other purposes.

IN THE SENATE OF THE UNITED STATES

_____

_____ introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To clearly draw the line between digital asset securities and commodities, to impose disclosure requirements for certain transactions involving ancillary assets, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Responsible Financial Innovation Act of 2025''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

SEC. 2. DEFINITIONS.

In this Act:

(1) ANCILLARY ASSET; ANCILLARY ASSET ORIGINATOR.—The terms ''ancillary asset'' and ''ancillary asset originator'' have the meanings given those terms in section 4B(a) of the Securities Act of 1933, as added by this Act.

(2) BANK SECRECY ACT.—The term ''Bank Secrecy Act'' means—

(A) section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b);

(B) chapter 2 of title I of Public Law 91–508 (12 U.S.C. 1951 et seq.); and

(C) subchapter II of chapter 53 of title 31, United States Code.

(3) COMMISSION.—Except where otherwise expressly provided, the term ''Commission'' means the Securities and Exchange Commission.

(4) COMMON CONTROL.—The term ''common control'' has the meaning given the term by the Commission pursuant to rules promulgated under section 103(b).

(5) DECENTRALIZED GOVERNANCE SYSTEM.—

(A) IN GENERAL.—The term ''decentralized governance system'' means, with respect to a distributed ledger system, any transparent, rules-based system permitting persons to form consensus or reach agreement in the development, provision, publication, maintenance, or administration of such distributed ledger system, in which participation is not limited to, or under the effective control of, any person or group of persons under common control.

(B) RELATIONSHIP OF PERSONS TO DECENTRALIZED GOVERNANCE SYSTEMS.—With respect to a decentralized governance system, the decentralized governance system and any persons participating in the decentralized governance system shall be treated as separate persons unless such persons are under common control or acting pursuant to an agreement to act in concert.

(C) LEGAL ENTITIES FOR DECENTRALIZED GOVERNANCE SYSTEMS.—The term ''decentralized governance system'' shall include a legal entity, including a decentralized unincorporated nonprofit association created pursuant to State law, used to implement the rules-based system

described in subparagraph (A), provided that the legal entity does not operate pursuant to centralized management. For the purposes of this subparagraph, the delegation of ministerial or administrative authority at the direction of the participants in a decentralized governance system shall not be construed to be centralized management.

(6) DIGITAL ASSET.—The term ''digital asset'' means any digital representation of value that is recorded on a cryptographically-secured distributed ledger.

(7) DIGITAL ASSET SERVICE PROVIDER.—The term ''digital asset service provider'' has the meaning given the term in section 2 of the GENIUS Act (Public Law 119–27; 139 Stat. 419).

(8) DIGITAL COMMODITY.—The term ''digital commodity'' has the meaning given the term in section [____] of the Commodity Exchange Act.

(9) DISTRIBUTED LEDGER.—The term ''distributed ledger'' means technology—

(A) through which data is shared across a network that creates a public digital ledger of verified transactions or information among network participants; and

(B) in which cryptography is used to link the data described in subparagraph (A) to—

(i) maintain the integrity of the digital ledger described in that subparagraph; and

(ii) execute other functions.

(10) DISTRIBUTED LEDGER APPLICATION.—The term ''distributed ledger application'' means any executable software that is deployed to a distributed ledger and composed of source code that is publicly available and open-source, including a smart contract or any network of smart contracts, or other similar technology.

(11) DISTRIBUTED LEDGER PROTOCOL.—The term ''distributed ledger protocol'' means publicly available source code of a distributed ledger that is executed by the network participants of a distributed ledger to facilitate its functioning, or other similar technology.

(12) DISTRIBUTED LEDGER SYSTEM.—The term ''distributed ledger system'' means any distributed ledger, together with its distributed ledger protocol or any distributed ledger application or network of distributed ledger applications.

(13) SECURITIES LAWS.—The term ''securities laws'' has the meaning given the term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).

(14) SMART CONTRACT.—The term ''smart contract'' means a self-executing contract or program that—

(A) is stored on a distributed ledger system; and

(B) automatically performs or enforces digital asset transactions when explicit, pre-determined conditions are encoded in the contract or program, without intervention by any entity or natural person.

TITLE I—RESPONSIBLE SECURITIES INNOVATION

SEC. 101. DISCLOSURE REQUIREMENTS FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

The Securities Act of 1933 (15 U.S.C. 77a et seq.) is amended by inserting after section 4A (15 U.S.C. 77d–1) the following:

"SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

"(a) DEFINITIONS.—In this section:

"(1) ANCILLARY ASSET.—

"(A) IN GENERAL.—The term 'ancillary asset' means an intangible asset, including a digital commodity, that is offered, sold, or otherwise distributed to a person pursuant to the purchase and sale of a security through an arrangement that constitutes an investment contract, as that term is used in section 2(a)(1) and as further clarified by the Commission through the final rule adopted under section 105 of the Responsible Financial Innovation Act of 2025.

"(B) DISQUALIFYING FINANCIAL RIGHTS.—The term 'ancillary asset' does not include any of the following:

"(i) Any security, other than an investment contract or a certificate of interest or participation in any profit-sharing agreement.

"(ii) An investment contract or a certificate of interest or participation in any

profit-sharing agreement that represents or gives the holder any of the following:

"(I) A debt or equity interest, or an option on a debt or equity interest, in the ancillary asset originator or another person.

"(II) Liquidation rights with respect to the ancillary asset originator or another person.

"(III) An entitlement to an interest, dividend, or other payment from the ancillary asset originator or another person.

"(IV) An express or implied financial interest in (including a limited partner interest or interest in intellectual property of), or provided by, the ancillary asset originator or another person, as provided by notice and comment rulemaking of the Commission, provided that an indirect financial interest shall not exist if the ancillary asset originator has expressly and unambiguously disclaimed in writ-

ing that no such financial interest exists.

''(iii) Any interest that is, represents, or is functionally equivalent to an interest in an investment company, as defined in section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)), or a company (as defined in section 2 of that Act (15 U.S.C. 80a–2)) that would be an investment company under such section 3(a) but for the exclusions provided from that definition by section 3(c) of that Act (15 U.S.C. 80a–3(c)).

''(iv) An intangible asset that represents or is functionally equivalent to an interest in any entity or person that is not an investment company, as defined in section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)), but holds or will hold assets other than securities.

''(2) ANCILLARY ASSET ORIGINATOR.—

''(A) IN GENERAL.—Consistent with paragraph (3), the term 'ancillary asset originator' means, with respect to a particular ancillary asset, a person that (whether directly or

through 1 or more subsidiary or controlled entities)—

"(i) initially offers, sells, or distributes the ancillary asset; or

"(ii) during the 12-month period beginning on the date on which the ancillary asset is initially offered, sold, or distributed, controls or causes the initial offer, sale, or distribution of that ancillary asset.

"(B) JOINT AND SEVERAL CONSIDERATION.—For the purposes of this paragraph, if the person that initially offered, sold, or distributed an ancillary asset (or otherwise sold, distributed, controlled, or caused the initial offer, sale, or distribution of the ancillary asset) did not receive the largest amount of those ancillary assets distributed in the 12-month period following the commencement of that offer, sale, or distribution, then any person that—

"(i) is a related person (as defined in section 103(a) of the Responsible Financial Innovation Act of 2025) or under common control (as defined in section 2 of that Act) with the person that initially offered, sold, or distributed such ancillary asset (or

otherwise sold, distributed, controlled, or caused the initial offer, sale, or distribution of the ancillary asset); and

"(ii) received the largest amount of those ancillary assets in that period, other than in an intermediary capacity, solely through a gratuitous distribution, through an offer or sale of an investment contract to the public registered under section 5, or otherwise in a broad and public manner that the Commission determines, pursuant to rule or regulation, should not subject the entity to disclosure requirements under subsection (c), shall be jointly and severally considered to be an ancillary asset originator with respect to that ancillary asset (with the person that controlled such offer, sale, or distribution) solely for purposes of subsection (c).

"(C) RULE OF CONSTRUCTION.—Nothing in this section shall be construed as requiring more than 1 person to furnish the disclosures required under subsection (d).

"(D) REQUIRED GUIDANCE.—Not later than 360 days after the date of enactment of

this section, the Commission shall issue guidance regarding the circumstances under which persons who are jointly and severally considered an ancillary asset originator pursuant to (B) are responsible for furnishing the disclosures required under subsection (d) on behalf of the ancillary asset originator.

''(3) DIGITAL NETWORK PARAMETERS MANAGEMENT.—The term 'digital network parameters management' means 1 or more non-discretionary mechanisms, implemented in code and executed on a digital network, that—

''(A) collect, receive, or accrue consideration involved in the operational function of the digital network, which may accrue without creating a disqualifying financial right specified in paragraph (1)(B);

''(B) execute pre-disclosed, non-discretionary transactions relating to ancillary assets which are derived from consideration involved in the operational function of the digital network;

''(C) set, adjust, or apply parameters governing fees, consideration and other activities

involved in operational functioning of the digital network; and

''(D) operate solely pursuant to publicly specified rules.

''(4) FOREIGN ORIGINATOR.—

''(A) IN GENERAL.—The term 'foreign originator' means an ancillary asset originator incorporated or organized outside of the United States that has, as of the last business day of the most recently completed fiscal quarter of the ancillary asset originator, only offered, sold, or distributed ancillary assets outside of the United States or, to the knowledge of the ancillary asset originator, only to persons other than United States persons.

''(B) EXCLUSIONS.—Notwithstanding paragraph (A), the term 'foreign originator' shall not include—

''(i) a foreign government;

''(ii) an ancillary asset originator that—

''(I) does not have shareholders, members, or other equity owners;

''(II) the formation of which was directed or caused by 1 or more citi-

zens or residents of the United States, or entities formed under the laws of a State or Indian Tribe; or

''(III) the business of the ancillary asset originator is principally administered in the United States; or

''(iii) an ancillary asset originator for which—

''(I) more than 50 percent of the outstanding voting securities of the ancillary asset originator are directly or indirectly owned by residents of the United States; and

''(II)(aa) the majority of the executive officers or directors of the ancillary asset originator are citizens or residents of the United States;

''(bb) more than 50 percent of the assets of the ancillary asset originator are located in the United States or owned by persons located in the United States; or

''(cc) the business of the ancillary asset originator is principally administered in the United States.

"(5) GRATUITOUS DISTRIBUTION.—

"(A) IN GENERAL.—The term 'gratuitous distribution'—

"(i) means a distribution of ancillary assets or digital assets, without a disqualifying financial interest described in paragraph (1)(B), including a distribution effected by an agent or other service provider engaged solely in an administrative or ministerial capacity, in exchange for not more than a nominal value of cash, property, services, or other assets in a broad, equitable, and non-discretionary manner or in a manner reasonably designed to facilitate the consumption of goods or services involving use of the ancillary asset or digital asset without a disqualifying financial interest; and

"(ii) includes the mechanisms and methods of distribution described in subparagraph (B).

"(B) MECHANISMS AND METHODS OF DISTRIBUTION.—The mechanisms and methods of distribution described in this subparagraph are the following:

"(i) SELF STAKING.—The distribution of a unit of an ancillary asset or digital asset, as a programmatic result of validating or staking activity for a distributed ledger system's consensus mechanism, including the staking of a digital asset or ancillary asset, and the operation of a node or validator for such activity where the owner of the staked ancillary asset and operator of the node or validator are the same person or entity.

"(ii) SELF-CUSTODIAL STAKING WITH A THIRD PARTY.—The distribution of a unit of a digital asset or ancillary asset, as a programmatic result of validating or staking activity for a distributed ledger system's consensus mechanism, including the staking of either a digital asset or ancillary asset, and the operation of a node or validator for such activity in which—

"(I) the owner of the staked digital asset or ancillary asset, and operator of the node or validator for such activity are different persons or entities; and

"(II) the operator of the node or validator does not maintain custody or control of the staked digital asset or ancillary asset.

"(iii) LIQUID STAKING.—The distribution of digital assets or ancillary assets, and the issuance, transfer or redemption of liquid staking tokens representing a pro rata interest in staked digital assets or ancillary assets, and their associated rewards, provided that such tokens are issued as administrative or ministerial receipts and not pursuant to investment contracts or discretionary management.

"(iv) CUSTODIAL AND ANCILLARY STAKING SERVICES.—

"(I) IN GENERAL.—Subject to the rules issued pursuant to subclause (II), the provision of custodial or ancillary staking services enabling the owner of a digital asset or ancillary asset, to participate in validating or staking activity for a distributed ledger system's consensus mechanism that results in the programmatic distribu-

tion of a unit of a digital asset or ancillary asset, provided that such custodial or ancillary services are exclusively administrative or ministerial in nature.

"(II) RULEMAKING TO DEFINE THE CUSTODIAL AND ANCILLARY STAKING SERVICES.—The Commission shall issue rules defining the custodial and ancillary staking services described in subclause (I) that are exclusively administrative or ministerial in nature, consistent with what is necessary or appropriate for the public interest or for the protection of investors.

"(v) PROGRAMMATIC AND AUTOMATED DISTRIBUTIONS.—The automated, programmatic, protocol-defined, or rules-based distribution of digital assets, or ancillary assets achieved through the transparent functioning of distributed ledger system, distributed ledger, or distributed ledger applications, in which—

''(I) distributions occur pursuant to public, transparent, rules-based parameters set forth in publicly available, open-source code and accessible on a permissionless basis, without individualized or real-time negotiation with recipients;

''(II) recipients receive ancillary assets or digital assets, as a direct, programmatic result of objective, verifiable network participation, consumption, or contribution, including consensus participation, data availability, bandwidth, governance, or use and interaction with the protocol or application;

''(III) the number of ancillary assets or digital assets received is proportionate to the verifiable service, usage, or contribution;

''(IV) any expected utility or value of the ancillary assets or digital assets arises primarily from decentralized network participation and market forces, rather than the discretionary

actions of any single person or affiliated group; and

''(V) no person or group has unilateral authority to alter, restrict, or direct the issuance parameters or distribution mechanisms of the digital network, and any modification occurs only through rules-based, transparent, governance-constrained processes.

''(vi) TECHNOLOGY-NEUTRAL CLAUSE.—The distribution employing a mechanism, protocol, or technology not specifically described in clauses (i) through (v), without regard to whether such mechanism, protocol, or technology is in existence at the time of enactment of this section, and without regard to terminology or underlying technical framework, provided such distribution—

''(I) meets the principles of broad, equitable, and non-discriminatory access;

''(II) is not subject to discretion; and

"(III) is transparent, open, and objective in programmatic implementation.

"(b) TREATMENT OF ANCILLARY ASSETS AND TRANSACTIONS.—

"(1) IN GENERAL.—Notwithstanding any other provision of law, and subject to paragraph (2), an ancillary asset shall not be a security under—

"(A) section 2(a)(1);

"(B) section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a));

"(C) section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a));

"(D) section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a));

"(E) section 16 of the Securities Investor Protection Act of 1970 (15 U.S.C. 78lll); or

"(F) any applicable requirement of State law, including any provision of State law that directly or indirectly prohibits, limits, or imposes any conditions on the use, offer, sale, transfer, or disposition of an ancillary asset in a manner that is—

"(i) not substantially similar to prohibitions, limitations, or conditions imposed

by that State relating to assets that are commodities under the laws of that State; and

''(ii) inconsistent with this section.

''(2) SECONDARY MARKET TREATMENT.—Notwithstanding any other provision of law, the offer or sale of an ancillary asset that was originally sold as part of an investment contract by a person other than the ancillary asset originator, or an underwriter with respect to the investment contract pursuant to which such ancillary asset was originally sold, shall be deemed not to be an offer or sale of that investment contract between the ancillary asset originator involving the ancillary asset, or an underwriter thereof, and the purchaser of that ancillary asset under—

''(A) section 2(a)(1);

''(B) the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.);

''(C) the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.);

''(D) the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.);

''(E) the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.); and

''(F) any applicable requirement of State law, including any provision of State law that directly or indirectly prohibits, limits, or imposes any conditions on the use, offer, sale, transfer, or disposition of an ancillary asset in a manner that is—

''(i) not substantially similar to prohibitions, limitations, or conditions imposed by that State relating to assets that are commodities under the laws of that State; and

''(ii) inconsistent with this section.

''(3) GRATUITOUS DISTRIBUTION NOT AN OFFER OR SALE OF A SECURITY.—

''(A) IN GENERAL.—A gratuitous distribution shall not be considered an offer or sale of a security.

''(B) SAVINGS CLAUSE.—Nothing in this paragraph shall be construed to—

''(i) limit, impair, or otherwise affect the anti-fraud or anti-manipulation authorities of the Securities and Exchange Commission or the Commodity Futures Trading Commission or a State regulator; or

"(ii) limit the application of section 105 of the Responsible Financial Innovation Act of 2025 or any rule adopted thereunder defining 'investment contract,' nor create any presumption regarding whether any arrangement constitutes an investment contract under that section.

"(4) DIGITAL NETWORK PARAMETERS MANAGEMENT TREATMENT.—

"(A) IN GENERAL.—Notwithstanding any other provision of law, the establishment, operation, or modification of digital network parameters management, provided all conditions described in subparagraph (B) are met, shall not solely by itself, cause a digital asset to be excluded from the definition of ancillary asset, nor cause any ancillary asset (including a digital commodity) to be treated as—

"(i) an offer or sale of a security, or an investment contract;

"(ii) a dividend, redemption, distribution, or the equivalent by an issuer; or

"(iii) broker, dealer, exchange, alternative trading system, market making, transfer agent activity, or the equivalent.

"(B) CONDITIONS DESCRIBED.—The conditions described in this subparagraph are the following:

"(i) TRANSPARENCY.—A description of the mechanism, including sources and sinks of funds, triggers, rate or size limits, price-sensitivity logic, and any circuit breakers, shall be published an made freely and publicly available, and any material change shall be published on a timely basis.

"(ii) NO COMMON CONTROL.—The digital network parameters management shall not be subject to common control, as defined in section 2 of the Responsible Financial Innovation Act of 2025.

"(5) SELF-CERTIFICATION.—

"(A) SUBMISSION.—An ancillary asset originator may, in connection with an offer, sale, or distribution of the related ancillary asset, submit to the Commission a written self-certification, supported by reasonable evidence, that such ancillary asset does not provide the owner of the asset with a right described in subsection (a)(1)(B).

"(B) AUTOMATIC EFFECTIVENESS.—A self-certification submitted under subparagraph (A) by an ancillary asset originator shall become effective upon the earlier of—

"(i) the date on which the Commission notifies the ancillary asset originator in writing that the Commission does not object to the self-certification; or

"(ii) if the Commission has not issued a rebuttal to the ancillary asset originator in accordance with subparagraph (C), 60 days after the date on which the ancillary asset originator submits the self-certification.

"(C) SEC DENIAL.—The Commission may deny a self-certification submitted under subparagraph (A) by an ancillary asset originator—

"(i) only during the 60-day period described in subparagraph (B)(ii); and

"(ii) by providing to the ancillary asset originator 10 days notice of the intent of the Commission to deny that self-certification, during which period interested persons shall have an opportunity to

submit written data, views, and arguments relating to that self-certification, and after which the Commission shall—

''(I) upon request of the ancillary asset originator, provide an opportunity for the oral presentation of data, views, and arguments by interested persons; and

''(II) have a vote of the Commission to deny the self-certification after a finding that the related asset provides the owner of the asset with a right described in subsection (a)(1)(B).

''(D) FINAL AGENCY ACTION.—Denial under this paragraph constitutes final agency action reviewable under applicable law.

''(E) VOLUNTARY.—Submission of a self-certification under this paragraph is voluntary and shall not be a precondition to any offer, sale, or distribution otherwise permitted by law.

''(F) NO ADVERSE INFERENCE.—Failure to submit a self-certification under this paragraph shall not be used to infer the status of any asset under the Federal securities laws or

the Commodity Exchange Act (7 U.S.C. 1 et seq.), or to infer that any person has violated those laws or any other applicable law.

''(c) DISCLOSURE REQUIREMENTS FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.—

''(1) SPECIFIED INITIAL AND PERIODIC DISCLOSURE REQUIREMENTS.—

''(A) IN GENERAL.—Any offer, sale, or distribution of an ancillary asset by, or caused by, an ancillary asset originator (other than a foreign originator) pursuant to an exemption from registration that is provided under this Act (and was added to this Act by the Responsible Financial Innovation Act of 2025), shall be subject to the initial and periodic disclosure requirements under subsection (d).

''(B) EXCLUSION.—Subparagraph (A) shall not apply if—

''(i) the aggregate value raised by the ancillary asset originator through the offer, sale, or distribution of the security to which the ancillary asset relates was $5,000,000 or less (adjusted for inflation) during the 12-month period immediately

following the date of the first such offer, sale, or distribution; or

''(ii) provided there is trading activity in the ancillary asset, the average daily aggregate value of trading in the ancillary asset in all United States domiciled spot markets for which trading volume is generally available is $5,000,000 or less (adjusted for inflation) during the 12-month period (or such shorter period as the Commission may determine) immediately preceding the reporting date specified by paragraph (2), based on the knowledge of the ancillary asset originator after due inquiry.

''(C) CALCULATION.—For the purposes of this paragraph, the calculation of daily aggregate value shall be based on a reasonable calculation of public data.

''(2) COMMENCEMENT OF COMPLIANCE WITH SPECIFIED INITIAL AND PERIODIC DISCLOSURE REQUIREMENTS.—

''(A) IN GENERAL.—An ancillary asset originator subject to the requirements of para-

graph (1) shall comply with the disclosure requirements under subsection (d)—

"(i) prior to any initial offer, sale, or distribution of an ancillary asset pursuant to an exemption from registration under this Act, or otherwise involving a public securities offering occurring within the United States that occurs after the implementation date specified in the applicable rulemaking required under section 102 of the Responsible Financial Innovation Act of 2025; and

"(ii) and semiannually thereafter.

"(B) EXCLUSION.—The requirements of this paragraph shall not apply to an offer, sale, or distribution of an ancillary asset that occurs after the date of enactment of this section if an ancillary asset originator has submitted a certification under subsection (d)(3)(B) and the Commission has not denied that certification within a 60-day period following the process under that subsection.

"(3) TRANSITION RULE.—

"(A) IN GENERAL.—An ancillary asset originator, other than a foreign originator, that

initially offered, sold, or distributed (or otherwise controlled or caused the offer, sale, or distribution of) an ancillary asset before the date of enactment of this section, shall avail itself of the periodic disclosure requirement under subsection (d), if applicable, beginning on the implementation date of the applicable rulemaking required in section 102 of the Responsible Financial Innovation Act of 2025.

''(B) EFFECT ON CERTIFICATION.—An ancillary asset originator subject to this paragraph that meets the requirements of subsection (d)(3) may furnish a certification as provided in that subsection without complying with the periodic disclosure requirements under subsection (d).

''(4) APPLICATION TO OTHER TRANSACTIONS.—

''(A) IN GENERAL.—For any initial offer, sale, or distribution of an ancillary asset occurring after the date of enactment of this section that is conducted pursuant to sections 230.500 through 230.508 of title 17, Code of Federal Regulations (commonly known as 'Regulation D'), or another private placement exemption under this Act, the disclosures required under

subsection (d) shall be furnished upon resale to the public in the United States (or when such resale is reasonably expected to occur) in a manner that would be subject to section 230.144 of title 17 (referred to in this paragraph as 'Rule 144'), and on a semiannual basis thereafter until terminated under subsection (d)(3), regardless of whether such transaction would be considered a transaction in a security.

''(B) CURRENT PUBLIC INFORMATION.—If Rule 144 is applicable to a transaction described in subparagraph (A), the disclosures required under subsection (d) shall be deemed to constitute current public information for purposes of Rule 144.

''(d) SPECIFIED INITIAL AND PERIODIC DISCLOSURE REQUIREMENTS.—

''(1) IN GENERAL.—

''(A) FURNISHING OF INFORMATION.—An ancillary asset originator that is subject to the requirements of paragraph (1) or (3) of subsection (c) shall furnish the Commission with, in connection with an initial offer, sale or distribution of an ancillary asset in reliance on an

exemption from registration under this Act, and on a semiannual basis thereafter, in such form as the Commission may prescribe by rule after notice and comment, and until the requirement terminates under paragraph (3) of this subsection, the information described in paragraph (2) of this subsection, to the extent that the information is material and known, or reasonably knowable, to the ancillary asset originator.

''(B) REQUIREMENTS FOR RULES.—A rule prescribed under subparagraph (A) shall be reasonably tailored based on the size of the applicable ancillary asset originator in accordance with section 109(b) of the Responsible Financial Innovation Act of 2025.

''(2) CATEGORIES OF INFORMATION.—The information required under paragraph (1) shall include the following with respect to the applicable ancillary asset originator and the related ancillary asset:

''(A) Basic corporate information regarding the ancillary asset originator and the ancillary asset activities of the ancillary asset originator, which may include the following items, as the Commission shall determine by rule:

''(i) The experience of the ancillary asset originator (or persons controlling the ancillary asset originator) in developing ancillary assets.

''(ii) If the ancillary asset originator (or persons controlling the ancillary asset originator) has previously distributed ancillary assets, information on the subsequent distribution history of those ancillary assets, including price history, if the information is publicly available.

''(iii) The activities that the ancillary asset originator has taken in the relevant disclosure period, and is projecting to take in the 1-year period following the submission of the disclosure, with respect to promoting the use, value, or resale of the ancillary asset (including any activity to facilitate the creation or maintenance of a trading market for the ancillary asset and any digital network, application, or system that uses the ancillary asset).

''(iv) The anticipated cost of the activities of the ancillary asset originator described in clause (iii), whether the ancillary

asset originator has unencumbered, liquid funds equal to that amount, and, if the ancillary asset originator does not have those funds, the anticipated plan of operations of the ancillary asset originator for the portion of time where those liquid funds are less than the anticipated cost of the activities of the ancillary asset originator.

''(v) To the extent the ancillary asset involves the use of a digital network or other technology, the experience of the ancillary asset originator with the use of that network or technology.

''(vi) The identities and expertise of the board of directors (or equivalent body), senior management, and key employees of the ancillary asset originator, the experience or functions of whom are material to the development or value of the ancillary asset, as well as any personnel changes relating to the ancillary asset originator during the period covered by the disclosure.

''(vii) A concise narrative description of the assets and liabilities of the ancillary

asset originator, to the extent material to the value of the ancillary asset.

''(viii) A description of any legal proceedings in which the ancillary asset originator is engaged.

''(ix) Risk factors arising from the activities of the ancillary asset originator with respect to the ancillary asset, and not generally applicable to other kinds of ancillary assets, that may limit the utility or liquidity of the ancillary asset, investor demand with respect to the ancillary asset, or the market price or value of the ancillary asset.

''(x) Information relating to ownership of the ancillary asset by—

''(I) persons owning not less than 10 percent of any class of equity security of the ancillary asset originator; and

''(II) the senior management of the ancillary asset originator.

''(xi) For any transaction involving the ancillary asset between the ancillary asset originator and any related person,

promoter, control person, or employee, a description of the parties, the number of ancillary assets involved, and a summary of any material features of the transaction, including any material terms or ongoing obligations.

''(xii) A summary, in the aggregate by year, of transactions in ancillary assets during the 4-year period preceding the furnishing of the disclosure, by the ancillary asset originator and persons that directly or indirectly control the ancillary asset originator.

''(xiii) Purchases or similar acquisitions of ancillary assets by the ancillary asset originator and affiliates of the ancillary asset originator.

''(xiv) A statement, made in good faith, from the chief financial officer of the ancillary asset originator or equivalent official, stating whether the ancillary asset originator reasonably expects to maintain or have the financial resources to continue business as a going concern for the 12-month period following the furnishing of

the disclosure, absent a change in circumstances.

''(B) Economic and technical information relating to the ancillary asset, which may include the following items, as the Commission shall determine by rule:

''(i) A general description of the ancillary asset and any digital network, application, or system that uses the ancillary asset, including—

''(I) a plain-English description of how the digital network, application, or system functions;

''(II) the intended or known functionality and uses of the ancillary asset and any associated fees for use or disposition of the ancillary asset;

''(III) the market for the ancillary asset;

''(IV) other assets or services that may compete with the ancillary asset;

''(V) the total supply of the ancillary asset or the manner and rate of

the ongoing production or creation of the ancillary asset; and

''(VI) the governance and consensus mechanism for the ancillary asset and any digital network, application, or system that uses the ancillary asset, as applicable, including for validating transactions, method of generating or mining ancillary assets, and any process for burning or destroying units of the ancillary asset on the digital network, application, or system that uses the ancillary asset.

''(ii) If the ancillary asset originator has offered, sold, or otherwise provided ancillary assets to affiliates, investors, employees, intermediaries, or resellers, a description of the amount of assets offered, sold, or otherwise provided to such person and a summary of any material resale restrictions or other material obligations arising from related contracts, agreements, or other arrangements.

''(iii) If ancillary assets were distributed by the ancillary asset originator with-

out charge or upon meeting certain conditions, a description of each distribution, including the identity of any recipient that received more than 5 percent of the total amount of ancillary assets (calculated as a percentage of the total supply of such asset at the time of distribution).

''(iv) The amount of ancillary assets owned by the ancillary asset originator.

''(v) For the 12-month period following the furnishing of the disclosure, a description of the current state and anticipated timeline for the development of any digital network, application, or system that uses the ancillary asset, including—

''(I) plans of the ancillary asset originator to support (or to cease supporting) the use or development of the ancillary asset, including markets for the ancillary asset and each digital network, application, or system that uses the ancillary asset;

''(II) the various roles that exist or are intended to exist in connection with the digital network, application,

or system, such as users, service providers, developers, transaction validators, and governance participants;

''(III) a discussion of any mechanisms by which control or authority are exerted with respect to the digital network, application, or system, or its related ancillary asset; and

''(IV) any critical operational dependencies of the distributed ledger system or its related digital commodity.

''(vi) Risk factors that may materially affect the liquidity of the ancillary asset, investor demand with respect to the ancillary asset, or the market price or value of the ancillary asset.

''(vii) To the extent available to the ancillary asset originator, the average daily price for a constant unit of value of the ancillary asset during the relevant reporting period, as well as the 12-month high and low prices for the ancillary asset, as calculated based on the 3 largest ex-

changes on which the ancillary asset trades.

''(viii) If applicable, and subject to cybersecurity best practices, information relating to any external audit of the code and functionality of the ancillary asset, including the entity performing the audit and the experience of the entity in conducting similar audits.

''(ix) Information relating to custodial services available for the ancillary asset.

''(x) Information on intellectual property rights claimed or disputed relating to the ancillary asset.

''(xi) A description of the technology underlying the initial distribution and trading of the ancillary asset, including the source code for the ancillary asset, if applicable, and technical requirements for holding, accessing, and transferring the ancillary asset.

''(xii) If applicable, a description of the steps necessary to independently access, search, and verify the transaction history of the ancillary asset.

"(C) In addition to the information expressly required to be included under subparagraphs (A) and (B), the ancillary asset originator shall provide such further material information, if any, as may be necessary to ensure that the statements made in the disclosure are not, in light of the circumstances under which the statements are made, materially misleading.

"(3) TERMINATION OF REQUIREMENTS.—

"(A) IN GENERAL.—The obligation of an ancillary asset originator to provide disclosures under paragraph (1) shall terminate on the date that is 90 days (or such shorter period as the Commission may determine) after the date on which the ancillary asset originator submits a certification under subparagraph (B) of this paragraph unless the Commission has denied that certification.

"(B) CERTIFICATION.—

"(i) IN GENERAL.—An ancillary asset originator may submit to the Commission a certification, based on the knowledge of the ancillary asset originator after due inquiry and supported by reasonable evidence, that states—

"(I) that during the 1-year period preceding the date on which the ancillary asset originator submits the certification, and as of the date of submission, the ancillary asset originator including a subsidiary or related party (as defined in section 103(a) of the Responsible Financial Innovation Act of 2025) of the ancillary asset originator or any entity that directly or indirectly controls or is controlled by a common entity with the ancillary asset originator (collectively referred to in this subparagraph as 'certification covered parties') did not engage in more than a nominal level of entrepreneurial or managerial efforts, and any such efforts were not a primary factor in determining the value of the related ancillary asset (which may include that any essential promises made by the ancillary asset originator have been fulfilled), except that providing administrative services shall not alone be considered entrepre-

neurial or managerial efforts for the purposes of this clause; and

''(II) in good faith that the ancillary asset originator does not reasonably expect there to be any efforts that would render the ancillary asset originator unable to provide a new certification following the date of the certification.

''(ii) AUTOMATIC EFFECTIVENESS.—A certification submitted under clause (i) by an ancillary asset originator shall become effective upon the earlier of—

''(I) the date on which the Commission notifies the ancillary asset originator in writing that the Commission does not object to the certification; or

''(II) if the Commission has not issued a notice of rebuttal under clause (iii), 60 days after the date on which the ancillary asset originator submits the certification.

''(iii) CHANGE IN CIRCUMSTANCES.—

"(I) EFFECTIVENESS OF THE CERTIFICATION.—A certification under this clause shall remain effective until the date on which any certification covered parties engaged in efforts that would render the ancillary asset originator unable to meet the standards of the certification.

"(II) NEW CERTIFICATION REQUIRED.—On and after the date described in subclause (I), the covered party undertaking efforts described in that subclause shall be responsible for furnishing to the Commission the disclosures required under paragraph (1), including a description of the change in circumstances.

"(III) PERIODIC DISCLOSURES.—The furnishing of disclosures pursuant to subclause (II) shall restart the schedule for periodic disclosures under paragraph (1).

"(IV) PRIOR CERTIFICATIONS.—A certification filed under this subparagraph prior to a change in cir-

cumstances shall not be deemed false or misleading solely by reason of subsequent reengagement under this clause.

''(iv) SEC DENIAL.—The Commission may deny a certification submitted under clause (i) by an ancillary asset originator—

''(I)(aa) during the 60-day period described in clause (ii)(II); or

''(bb) with respect to any certification covered parties, upon determining that more than a nominal level of entrepreneurial or managerial efforts has been undertaken by such person after the filing of the certification; and

''(II) by providing to the ancillary asset originator 10 days' notice of the intent of the Commission to deny that certification, during which period interested persons shall have an opportunity to submit written data, views, and arguments relating to that certification, and after which the Commission shall—

''(aa) upon the request of the ancillary asset originator, provide an opportunity for the oral presentation of data, views, and arguments by interested persons; and

''(bb) have a vote of the Commission to deny the certification after a finding that the applicable ancillary asset does not meet the standard for certification under clause (i) .

''(v) FINAL AGENCY ACTION.—A denial under this paragraph constitutes final agency action reviewable under applicable law.

''(4) VOLUNTARY DISCLOSURE.—An ancillary asset originator may voluntarily furnish with the Commission the information required under this subsection if the ancillary asset originator determines that it is reasonably likely that the ancillary asset originator will become subject to the requirements of paragraph (1) or (3) of subsection (c) in the future.

"(5) RULEMAKING CONSIDERATIONS.—In promulgating rules under this subsection, the Commission shall—

"(A) require only such information as the Commission finds to be necessary and appropriate to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation, innovation, and efficiency; and

"(B) include in any final versions of those rules a cost–benefit analysis evaluating the effects of any rule on innovation, efficiency, competition, and capital formation.

"(6) LIMITATIONS.—Rules promulgated under this subsection shall not require the inclusion of financial statements of an ancillary asset originator, except with respect to the disclosure of financial information under paragraph (2).

"(e) EXEMPTIONS.—The Commission may, by order, exempt an ancillary asset originator, or any class of ancillary asset originators, from specified requirements under subsection (d) if it is in the public interest or for the protection of investors.

"(f) CONFIDENTIAL TREATMENT OF CERTAIN INFORMATION.—Notwithstanding any other provision of law, an ancillary asset originator required to furnish the Com-

mission with disclosures under subsection (c) may submit a request for confidential treatment of information included in such disclosures pursuant to procedures the Commission shall establish and that are modeled on or identical to section 230.406 of title 17, Code of Federal Regulations, or any successor regulation.

''(g) EFFECT OF FAILURE TO COMPLY.—The failure of an ancillary asset originator to comply with a provision of this section shall not cause an ancillary asset offered, sold, or distributed by that ancillary asset originator to be a security under any applicable law.

''(h) LIABILITY FOR FALSE OR MISLEADING STATEMENTS.—

''(1) IN GENERAL.—It shall be unlawful for an ancillary asset originator, in any disclosure, certification, or other document furnished under this section, to make an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

''(2) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed as creating a private right of action.

''(i) SPECIAL DISPOSITION RESTRICTIONS BY RELATED PERSONS.—The Commission shall adopt rules,

consistent with section 103 of the Responsible Financial Innovation Act of 2025, establishing limitations on the disposition of certain ancillary assets with specified characteristics by related persons, as defined in such section 103.

''(j) SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS.—No liability shall arise with respect to any forward-looking statement (including any statement of plans, objectives, projections, expectations, or assumptions concerning future performance, financial position, development milestones, asset utility, network adoption, or market conditions) made in an ancillary asset disclosure, statement, or other document furnished pursuant to this section, if the statement is—

''(1) identified as forward-looking; and

''(2) accompanied by meaningful cautionary language that identifies important factors that could cause actual results to differ materially.

''(k) TRANSACTIONS PRIOR TO EFFECTIVE DATE.—

''(1) PRIMARY TRANSACTIONS.—Notwithstanding any other provision of law, neither the Commission nor any private plaintiff shall initiate, pursue, or maintain any action, or its appeal, for violations of sections 5 or 12 of this Act, arising from any offer, sale, or distribution of ancillary as-

sets occurring before the effective date of the Responsible Financial Innovation Act of 2025, provided that the ancillary asset originator complies with the requirements under subsection (c)(3).

''(2) SECONDARY TRANSACTIONS.—Notwithstanding any other provision of law, the offer, sale, or distribution of an ancillary asset by a person other than an ancillary asset originator that occurred before the effective date of the Responsible Financial Innovation Act of 2025 shall be deemed to not be an offer, sale, or transfer of a security under—

''(A) section 2(a)(1);

''(B) section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 77b);

''(C) section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a));

''(D) section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a));

''(E) section 16 of the Securities Investor Protection Act of 1970 (15 U.S.C. 78lll); or

''(F) any applicable provision of State law.

''(3) NO INFERENCE OF LIABILITY.—The limitations under paragraphs (1) and (2) shall not be construed as an admission, acknowledgment, or in-

ference of liability for any act, transaction, or conduct occurring before the effective date of the Responsible Financial Innovation Act of 2025.

''(4) LIMITATION ON RETROACTIVE APPLICATION.—No provision herein shall be construed to impair vested rights or contractual obligations lawfully established before the effective date of the Responsible Financial Innovation Act of 2025.

''(l) RULES OF CONSTRUCTION.—Nothing in this section may be construed to—

''(1) preclude the Commission from bringing an appropriate action or entering into a settlement agreement relating to a violation or alleged violation of this section;

''(2) permit compliance with this section to be used in any administrative or judicial proceeding as evidence that an ancillary asset is a security; or

''(3) prohibit the offer, sale, or distribution of a digital asset in reliance on an exemption from registration under this Act, other than Regulation Crypto (as described in section 102 of the Responsible Financial Innovation Act of 2025).''.

SEC. 102. EXEMPTION AND RULEMAKING FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.

(a) PROMULGATION OF REGULATION CRYPTO.—The Commission shall adopt rules under the Securities Act of 1933 (15 U.S.C. 77a et seq.) and the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), which shall be referred to collectively as ''Regulation Crypto'', to implement subsections (b), (c), and (d) of this section.

(b) EXEMPTION FOR CERTAIN TRANSACTIONS INVOLVING ANCILLARY ASSETS.—

(1) IN GENERAL.—Rules adopted by the Commission under this section shall provide that the Securities Act of 1933 (15 U.S.C. 77a et seq.) (other than the provisions of sections 12(a)(2) and section 17 of that Act (15 U.S.C. 77l(a)(2), 77q)) shall not apply to an offer or sale of an investment contract involving an ancillary asset, if the offer or sale does not exceed the greater of—

(A) $75,000,000 in gross proceeds per calendar year for a period of not longer than 4 years; or

(B) 10 percent of the total dollar value of those ancillary assets that are outstanding, as of the date of that offer or sale.

(2) REVIEW AND ADJUSTMENT FOR INFLATION.—

(A) IN GENERAL.—Not later than 2 years after the date of enactment of this Act, and every 2 years thereafter, the Commission shall—

(i) review the amount described in paragraph (1)(A);

(ii) adjust the amount described in paragraph (1)(A) to account for inflation; and

(iii) increase the amount described in paragraph (1)(A) as the Commission determines appropriate, if that action would be in the public interest and consistent with the protection of investors.

(B) REPORT.—If the Commission, after conducting a review under subparagraph (A), determines not to increase the amount described in paragraph (1)(A) (other than to adjust that amount for inflation, as required under subparagraph (A)(ii) of this paragraph), the Commission shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Serv-

ices of the House of Representatives a report detailing the reasons that the Commission did not increase that amount.

(3) NO PRESUMPTION CREATED.—The failure to use or satisfy the exemption under this subsection may not be construed or deemed to create a presumption that an offer, sale, or distribution of an ancillary asset by any party is an offer or sale of a security.

(c) CONDITIONS FOR EXEMPTION.—The following conditions shall apply to the exemption provided under subsection (b):

(1) INITIAL DISCLOSURES.—Not later than 30 days before the date on which the applicable ancillary asset originator, any affiliate of the ancillary asset originator, or any underwriter of the investment contract, offers or sells an ancillary asset in reliance on Regulation Crypto, the ancillary asset originator shall furnish with the Commission the disclosures required under section 4B(d) of the Securities Act of 1933, as added by this Act, subject to the ongoing semiannual disclosure requirements of that section.

(2) COMMON CONTROL.—If the applicable ancillary asset is reliant on a digital network that is sub-

ject to common control by related persons, as defined in section 103(a), the restrictions on disposition under section 103 shall apply.

(3) CRITERIA.—The applicable ancillary asset originator may not be—

(A) a development stage company that either—

(i) has no specific business plan or purpose; or

(ii) has indicated that the business plan of the company is to merge with or acquire an unidentified company;

(B) an investment company, as defined in section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a–3), or excluded from the definition of the term ''investment company'' by subsection (c) of such section 3, provided that an ancillary asset originator shall not be deemed to be an investment company solely by virtue of investing, reinvesting, owning, holding, or trading ancillary assets, including ancillary assets offered for sale by the ancillary asset originator;

(C) a person issuing fractional undivided interests in other commodities;

(D) a person that is or has been subject to any order of the Commission entered pursuant to section 12(j) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(j)) after the date of enactment of this Act and during the 5-year period preceding the offer and sale; or

(E) a person that is or has been disqualified pursuant to section 230.506(d) of title 17, Code of Federal Regulations, or any successor regulation, unless waived by order of the Commission.

(4) FURNISHING NOTICE OF RELIANCE.—The applicable ancillary asset originator shall electronically furnish with the Commission a notice of reliance on Regulation Crypto not fewer than 30 days before the date on which the ancillary asset originator first offers, sells, or distributes an ancillary asset in reliance on Regulation Crypto, which shall contain the following information:

(A) The name of the ancillary asset originator.

(B) A statement by a person duly authorized by the ancillary asset originator that the conditions of Regulation Crypto are satisfied.

(C) The website where the white paper, if any, of the ancillary asset originator may be found.

(D) An email address at which the ancillary asset originator may be contacted.

(d) STATUS UNDER SECURITIES LAWS.—

(1) IN GENERAL.—An ancillary asset disclosure under section 4B of the Securities Act of 1933, as added by this Act, and any other document furnished under Regulation Crypto, shall be deemed to be—

(A) a ''prospectus'' solely—

(i) for purposes of section 12(a)(2) of the Securities Act of 1933 (15 U.S.C. 77l(a)(2)); and

(ii) with respect to the person that is the purchasing party in a transaction made in reliance on Regulation Crypto; and

(B) a ''statement'' solely for purposes of section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)) and section 240.10b5–1 of title 17, Code of Federal Regulations, or any successor regulation.

(2) REGISTRATION STATEMENT.—

(A) IN GENERAL.—An ancillary asset disclosure under section 4B of the Securities Act of 1933, as added by this Act, or any other document furnished under Regulation Crypto, shall not be deemed to be a ''registration statement'' for purposes of section 11 of the Securities Act of 1933 (15 U.S.C. 77k) or to have been furnished under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

(B) CIVIL LIABILITY.—Liability under section 12(a)(2) of the Securities Act of 1933 (15 U.S.C. 77l(a)(2)) relating to an ancillary asset disclosure or any other document furnished under Regulation Crypto shall only apply to the person making statements in that disclosure or other document and only a person that purchased an ancillary asset in a transaction made in reliance on Regulation Crypto shall have a claim under such section 12(a)(2).

(3) FORWARD-LOOKING STATEMENTS.—No liability shall arise with respect to any forward-looking statement (including a statement of plans, objectives, projections, expectations, or assumptions concerning future performance, financial position, development milestones, token utility, network adoption,

or market conditions) made in an ancillary asset disclosure, statement, or other document furnished pursuant to section 4B of the Securities Act of 1933, as added by this Act, or this section, if the statement is—

(A) identified as forward-looking; and

(B) accompanied by meaningful cautionary language that identifies important factors that could cause actual results to differ materially.

SEC. 103. SPECIAL DISPOSITION RESTRICTIONS BY RELATED PERSONS.

(a) DEFINITION.—In this section, the term ''related person''—

(1) means—

(A) any person that is, or was, a founder, executive officer, director, trustee, general partner, owner of more than 5 percent of any class of equity shares of the ancillary asset originator, or person serving in a similar capacity with respect to an ancillary asset originator; or

(B) any person or group of persons under common control that beneficially owns 1 percent or more of the outstanding units of an ancillary asset, if those units were acquired from—

(i) the applicable ancillary asset originator; or

(ii) persons acting on behalf of the applicable ancillary asset originator; and

(2) does not include a decentralized governance system

(b) COMMON CONTROL.—

(1) IN GENERAL.—The Commission shall promulgate clear and specific rules, based on the criteria described in paragraph (2), to define the circumstances under which a digital network is considered to be under common control by related persons for the purposes of sections 101(a)(2) and 102(c)(2).

(2) CONSIDERATIONS.—In promulgating rules under paragraph (1), the Commission shall consider criteria with respect to a digital network described in that paragraph, including the following:

(A) OPEN DIGITAL SYSTEM.—Whether the digital network is—

(i) a distributed ledger, the protocol of which is freely and publicly available open-source code;

(ii) a distributed ledger smart contract, the source code of which is—

(I) freely and publicly available open-source code; and

(II) recorded on a distributed ledger described in clause (i);

(iii) an analogue to a ledger or contract described in clause (i) or (ii), as determined by the Commission by rule or order.

(B) PERMISSIONLESS DIGITAL SYSTEM.—Whether person or group of persons under common control has—

(i) the unilateral authority, via operation of the network, to restrict, censor, or prohibit use of the network, including any applicable system-based user activity; or

(ii) private permissions, hard-coded privileges, or similar rights granted by the source code of the network that provides preferential treatment compared to other similarly situated persons.

(C) DISTRIBUTED DIGITAL NETWORK.—Whether a person or group of persons under common control has—

(i) the unilateral authority to direct the voting of, in the aggregate, not less

than 25 percent of the then outstanding voting power of any governance system that relates to the network; or

(ii) beneficial ownership of, in the aggregate, not less than 25 percent of the outstanding ancillary assets.

(D) AUTONOMOUS DIGITAL NETWORK.—Whether—

(i) the network has reached an autonomous state; and

(ii) a person or group of persons under common control has the unilateral authority, directly or indirectly, to alter or change the functionality, operation, or rules of consensus or agreement of the network.

(E) ECONOMIC INDEPENDENCE.—Whether the primary programmatic mechanisms of the network that are intended to facilitate substantial value accrual to the ancillary asset through the functioning of the network are functional.

(3) SAFE HARBORS.—

(A) IN GENERAL.—The Commission shall establish safe harbors under which a digital network will not be considered to be under com-

mon control by related persons for the purposes of section 102(c)(2).

(B) NONEXCLUSIVE.—The safe harbors established under subparagraph (A) shall not be exclusive and the Commission shall consider such other circumstances as the Commission finds in the public interest or for the protection of investors.

(4) EVIDENCE.—The Commission may, in promulgating rules under this subsection, require such certifications, third party verifications, or other evidence as the Commission determines necessary or appropriate to determine whether a digital network is under common control by related persons for the purposes of section 102(c)(2).

(c) CERTAIN RESTRICTIONS ON SALE.—The Commission shall adopt rules that provide that, with respect to transactions involving an ancillary asset conducted pursuant to the exemption under section 102(b), when a sale of that ancillary asset is made by a related person, the following restrictions on that sale shall apply:

(1) SALES PRIOR TO CERTIFICATION.—If the ancillary asset relies on a digital network, the ancillary asset may be sold by a related person before that digital network is certified as not subject to

common control by related persons, pursuant to subsection (d), if—

(A) with respect to that digital network, disclosures have been furnished pursuant to section 4B(d) of the Securities Act of 1933, as added by this Act;

(B) the holder of the ancillary asset has held the units for not less than 12 months;

(C) the net amount of ancillary assets sold in any 12 month period by the related person in any calendar year is not greater than 20 percent of the total amount of ancillary assets acquired from the applicable ancillary asset originator; and

(D) not later than 5 business days after that sale, the related person furnishes the Commission with a public report with such information as the Commission may require by rule consistent with reports required under section 16(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78p(a)), relating to the number of ancillary assets sold and the material terms of that sale.

(2) SALES AFTER CERTIFICATION.—The ancillary asset may be sold by a related person after the

digital network on which the ancillary asset relies is certified as not subject to common control by related persons, pursuant to subsection (d), if—

(A) with respect to that digital network, disclosures have been furnished pursuant to section 4B(d) of the Securities Act of 1933, as added by this Act;

(B) the holder of the ancillary asset has held the units for not less than 12 months;

(C) the net amount of ancillary assets sold in any 12 month period by the related person in any calendar year is not greater than 10 percent of the total amount of outstanding units of such ancillary assets; and

(D) in the case of a related person that beneficially owns 5 percent or more of the outstanding ancillary assets, the related person, not later than 5 business days after that sale, furnishes the Commission with a public report with such information as the Commission may require by rule relating to the assets sold and the circumstances surrounding that sale.

(d) CERTIFICATION OF NON-CONTROL BY RELATED PERSONS.—

(1) SUBMISSION.—With respect to an ancillary asset that satisfies the conditions for an exemption under section 102(b) and that relies on a digital network, the ancillary asset originator may furnish to the Commission a written certification, in such form and manner as the Commission may specify by rule consistent with subsection (b), stating that the digital network is not under the common control of related persons.

(2) AUTOMATIC EFFECTIVENESS.—A certification furnished under paragraph (1) shall become effective, and the digital network shall be deemed not to be under the common control of related persons, on the date that is the earlier of—

(A) the date on which the Commission notifies the ancillary asset originator in writing that the Commission does not object to the certification; or

(B) if the Commission has not denied the certification under paragraph (3), the date that is 90 days after the date on which the certification is furnished, or such shorter period as the Commission may determine by rule.

(3) DENIAL.—

(A) IN GENERAL.—The Commission may deny a certification furnished under paragraph (1)—

(i) only during the 90-day period beginning on the date on which the certification is furnished, or such shorter period as the Commission may determine by rule; and

(ii) by providing to the ancillary asset originator 10 days notice of the intent of the Commission to deny that certification, after which the Commission shall—

(I) conduct a hearing before the Commission; and

(II) vote to deny the certification after a finding that the applicable ancillary asset does not meet the standard for certification that the digital network is not under such common control.

(B) FINAL AGENCY ACTION.—Denial under this paragraph constitutes final agency action reviewable under applicable law.

(4) VERIFICATION.—The Commission may, by rule, require appropriate third-party verification of a self-certification furnished under paragraph (1).

(e) DISGORGEMENT.—

(1) IN GENERAL.—Any profit realized by a related person from the sale of an ancillary asset in violation of the restrictions under subsection (b), shall inure to, and be recoverable by, the holders of the ancillary asset, irrespective of any intention of holding the asset.

(2) ENFORCEMENT.—An action to recover profit described in subparagraph (A)—

(A) may be instituted at law or in equity in any court of competent jurisdiction of the United States by—

(i) the applicable ancillary asset originator; or

(ii) the owner of any units of the applicable ancillary asset, in the name and on behalf of the ancillary asset originator, if the ancillary asset originator—

(I) fails or refuses to bring the action within 60 days after a written request by any owner of not less than

5 percent of the units of that ancillary asset; or

(II) fails to diligently prosecute the action; and

(B) shall be brought not later than 2 years after the date that profit was realized.

(3) EXPENSES.—If an action under this subsection is brought by a person described in paragraph (2)(A)(ii) and that action is unsuccessful, the person that brought the action shall be responsible for the fees and expenses incurred by the person against which the action is brought.

SEC. 104. FINANCIAL INTERESTS OF ANCILLARY ASSETS.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Commission shall promulgate regulations that provide that an ancillary asset shall not be considered as meeting a disqualifying financial interest under section 4B(a)(1)(B) of the Securities Act of 1933, as added by this Act, when the market value of the asset is primarily derived, or is reasonably expected to be primarily derived, from its system-based utility on a digital network (including where the ancillary asset is used within, facilitates access to, enables participation in, or is otherwise incorporated into the operation of a distrib-

uted ledger system) or from the broader adoption and use of such a system.

(b) RULING BEFORE DATE OF ENACTMENT.—If, before the date of enactment of this Act, a court of the United States, in a non-appealable final judgment, finds that a digital asset transaction was not an offer or sale of a security, a digital asset transferred pursuant to that offer or sale shall not, be considered to be a security under any provision of law described in subsection (b)(1) of section 4B of the Securities Act of 1933, as added by this Act.

SEC. 105. INVESTMENT CONTRACT RULEMAKING.

(a) IN GENERAL.—Not later than 2 years after the date of enactment of this Act, the Commission shall adopt a final rule specifying clear criteria and definitions governing the term ''investment contract'', which shall apply to the term ''investment contract'', as used in—

(1) section 2(a)(1) of the Securities Act of 1933 (15 U.S.C. 77b(a)(1));

(2) section 3(a)(10) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(10));

(3) section 2(a)(36) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(36)); and

(4) section 202(a)(18) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)(18)).

(b) REQUIREMENTS.—The rule adopted under subsection (a) shall provide that a contract shall be considered an investment contract only if the contract meets the following elements:

(1) An investment of money by an investor, which shall include more than a de minimis amount of cash (or its equivalent), property, or services.

(2) An investment described in paragraph (1) is made in an enterprise or venture, whether incorporated, unincorporated, organized, or unorganized.

(3) An express or implied agreement or arrangement is required whereby the issuer makes, directly or indirectly, certain promises to perform entrepreneurial or managerial efforts on behalf of the enterprise.

(4) The investor reasonably expects profits such as a direct share or participation in the income of the enterprise, return on investment, earnings, operating results, and capital appreciation of the enterprise, and may provide for a fixed, adjustable, or floating rate of return, based on the terms of the agreement or arrangement itself and the totality of statements by the counterparty and its agents, when it is clear from the context that such statements—

(A) are made by or authorized by the enterprise; and

(B) are accessible to the investor.

(5) Profits under paragraph (4) are derived from the entrepreneurial or managerial efforts of the counterparty or its agents on behalf of the enterprise, where such efforts—

(A) are post-sale and essential to the operation or success of the enterprise; and

(B) do not include ministerial, technical, or administrative activities.

(c) FURTHER REQUIREMENTS.—The rule adopted under subsection (a) shall—

(1) provide that an investment contract shall require an investment in an enterprise, but does not require commonality;

(2) clarify what constitutes more than a nominal level of entrepreneurial or managerial efforts, including for purposes of compliance with section 101(d)(3)(B) of this Act;

(3) provide that interests in a limited partnership interest, a non-managing interest in a limited liability company, and an interest in a managed trust or in a trust the corpus of which includes securities or commodities is an investment contract; and

(4) provide that a certificate of interest in a profit-sharing arrangement is an investment contract that is evidenced by a certificate, document, or other instrument.

(d) RETENTION OF COMMISSION AUTHORITY.—The Commission shall retain authority to further define the terms used within the investment contract definition adopted under subsection (a), consistent with this section.

(e) PROCEDURE.—Rules adopted by the Commission under subsection (a) shall be adopted pursuant to notice and comment rulemaking, with a public comment period of not less than 180 days.

SEC. 106. EXEMPTIVE AUTHORITY.

(a) CONTINUED APPLICABILITY.—Nothing in this Act, or any amendment made by this Act, may be construed to amend, limit, impair, or otherwise affect the authority of the Commission to grant an exemption pursuant to any provision of law that is in effect on the day before the date of enactment of this Act, including pursuant to any of the following:

(1) Section 28 of the Securities Act of 1933 (15 U.S.C. 77z–3).

(2) Section 36 of the Securities Exchange Act of 1934 (15 U.S.C. 78mm).

(3) Section 6(c) of the Investment Company Act of 1940 (15 U.S.C. 80a–6(c)).

(4) Section 206A of the Investment Advisers Act of 1940 (15 U.S.C. 80b–6a).

(5) Section 304(d) of the Trust Indenture Act of 1939 (15 U.S.C. 77ddd(d)).

(6) Section 4(g) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78ddd(g)).

(b) GENERAL EXEMPTIVE AUTHORITY.—Section 28 of the Securities Act of 1933 (15 U.S.C. 77z–3) is amended, in the matter preceding to the matter relating to Schedule A—

(1) by striking ''by rule or regulation'' and inserting ''by rule, regulation, or order''; and

(2) by adding at the end the following: ''The Commission shall, by rule or regulation, determine the procedures under which an exemptive order under this section shall be granted and may, in the sole discretion of the Commission, decline to entertain any application for an order of exemption under this section.''.

SEC. 107. MODERNIZATION OF THE SECURITIES AND EXCHANGE COMMISSION MISSION.

(a) SECURITIES ACT OF 1933.—Section 2(b) of the Securities Act of 1933 (15 U.S.C. 77b(b)) is amended—

(1) in the subsection heading, by inserting ''Innovation,'' after ''Efficiency,''; and

(2) by inserting ''innovation,'' after ''efficiency,''.

(b) SECURITIES EXCHANGE ACT OF 1934.—Section 3(f) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(f)) is amended—

(1) in the subsection heading, by inserting ''Innovation,'' after ''Efficiency,''; and

(2) by inserting ''innovation,'' after ''efficiency,''.

(c) INVESTMENT ADVISERS ACT OF 1940.—Section 202(c) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(c)) is amended—

(1) in the subsection heading, by inserting ''Innovation,'' after ''Efficiency,''; and

(2) by inserting ''innovation,'' after ''efficiency,''.

(d) INVESTMENT COMPANY ACT OF 1940.—Section 2(c) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(c)) is amended—

(1) in the subsection heading, by inserting ''Innovation,'' after ''Efficiency,''; and

(2) by inserting ''innovation,'' after ''efficiency,''.

SEC. 108. MODERNIZATION OF RECORDKEEPING REQUIREMENTS.

(a) IN GENERAL.—The Commission shall promulgate rules to modernize the books and records requirements under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.), and the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.), including to allow a person to consider records from a distributed ledger system to satisfy such books and records requirements.

(b) TAILORING.—To ensure transparency and accountability, the Commission shall tailor the regulations regarding recordkeeping, including regulations promulgated under subsection (a), to what is reasonably necessary in the public interest or for the protection of investors.

SEC. 109. MODERNIZATION OF SECURITIES REGULATIONS FOR DIGITAL ASSET ACTIVITIES.

(a) TAILORING OF EXISTING REQUIREMENTS.—

(1) DEFINITION.—In this subsection:

(A) DIGITAL ASSET RECEIPT; LIQUIDITY PROVIDER TOKEN; VAULT TOKEN.—The terms ''digital asset receipt'', ''liquidity provider token'', and ''vault token'' mean a digital token or electronic receipt that—

(i) is issued by a vault or a smart contract to a user depositing digital assets; and

(ii) evidences the proportionate interest of the user in, or the right of the user to redeem, the underlying digital assets and any accrued yield or profits.

(B) VAULT.—The term ''vault'' means a programmable, self-custodial smart contract on a distributed ledger system—

(i) that deploys digital assets according to pre-defined code;

(ii) the strategies governing which are not subject to control by any single person or entity; and

(iii) under which the user retains ownership of the digital assets described in clause (i), as evidenced by digital asset receipts, liquidity provider tokens, or vault tokens.

(2) REQUIREMENT.—The Commission shall amend, rescind, replace, or supplement by rule, order, guidance, exemptive relief, or any other appropriate action (provided such action is consistent with chapter 5 of title 5, United States Code, and

other applicable law) each regulation, form, interpretive statement, or other requirement within the jurisdiction of the Commission that is not otherwise amended by this Act (or required to be amended because of a provision of this Act or an amendment made by this Act), to the extent that such provision applies to any digital asset activity, including any activity involving a security that is issued, recorded, or transferred using distributed ledger technology, so that the provision is no longer outdated, unnecessary, or unduly burdensome in light of the unique technological characteristics of digital assets, which may include regulatory provisions governing—

(A) the custody and possession or control of digital assets;

(B) transfer agent or recordkeeping obligations;

(C) clearing, settlement, and net-capital or customer protection requirements;

(D) broker-dealer, alternative trading system, and exchange registration or conduct standards (including market access, transparency regarding trading operations, fees, conflicts, pre and post trade data, fair access, sys-

tems security and integrity, compliance, and trading venue obligations);

(E) issuer disclosure and ongoing reporting requirements tailored to digital asset securities; and

(F) the use of vaults, digital asset receipts, vault tokens, or liquidity provider tokens.

(b) REQUIREMENTS.—In tailoring the provisions to which subsection (a) applies, and in imposing future obligations as those obligations relate to digital assets, the Commission shall ensure that the regulatory obligations applicable to a digital asset activity are not more burdensome (in cost, complexity, or operational constraints) than those applicable to a functionally analogous activity conducted without the use of digital assets that presents a similar risk profile.

(c) RULE OF CONSTRUCTION.—Nothing in this section may be construed to limit the authority of the Commission to pursue fraud, manipulation, or deceptive practices involving digital assets.

(d) USE OF EXISTING AUTHORITY.—When considering, proposing, adopting, or engaging in any rule or program or developing new rules or programs, including those mandated or authorized under this Act, or any amendment made by this Act, the activities of the Commission

(which may include the solicitation of data and other input from investors, regulated entities, and market participants or the representatives of any of those persons) shall be considered actions taken under subsection (e) of section 19 of the Securities Act of 1933 (15 U.S.C. 77s) and shall be subject to subsection (f) of that section.

(e) PREEMPTION FOR EXEMPTIONS AND DIGITAL ASSET ACTIVITIES UNDER THE SECURITIES ACT.—Section 18 of the Securities Act of 1933 (15 U.S.C. 77r) is amended—

(1) in subsection (b)—

(A) in paragraph (3)—

(i) in the heading, by inserting ''IN QUALIFIED TRANSACTIONS OR'' after ''SALES'';

(ii) in the first sentence, by inserting ''in a qualified transaction or'' after ''the security''; and

(iii) in the second sentence—

(I) by striking ''term 'qualified purchaser' '' and inserting ''term 'qualified transaction' and 'qualified purchaser' '';

(II) by inserting ''and categories of transactions, including secondary transactions,'' after ''securities''; and

(III) by inserting ''and with due regard to the facilitation of capital formation and the promotion of innovation'' before the period at the end; and

(B) in paragraph (4)—

(i) in subparagraph (A), by inserting ''or, if the issuer does not file such reports, where the Commission otherwise determines, consistent with the public interest and the protection of investors and with due regard to the facilitation of capital formation and the promotion of innovation'' before the semicolon at the end;

(ii) in subparagraph (D)(ii) after ''offered or sold'' by inserting ''in a qualified transaction or'';

(iii) in subparagraph (F), by striking ''or'' at the end;

(iv) in subparagraph (G), by striking the period at the end and inserting ''; or''; and

(v) by adding at the end the following:

''(H) Commission rules or regulations issued under section 28, except that this subparagraph does not apply to rules or regulations adopted prior to the date of enactment of this subparagraph.''.

(f) PREEMPTION FOR ANCILLARY ASSET ACTIVITIES UNDER THE SECURITIES EXCHANGE ACT.—Section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 78o) is amended by adding at the end the following:

''(p) LIMITATIONS ON STATE LAW REGARDING ANCILLARY ASSETS.—

''(1) DEFINITIONS.—In this subsection, the terms 'ancillary asset' and 'digital asset' have the meanings given those terms in section 2 of the Responsible Financial Innovation Act of 2025.

''(2) LIMITATIONS.—No law, rule, regulation, or order, or other administrative action of any State or political subdivision thereof shall establish any licensing, registration, money transmitter, ancillary asset, capital, custody, margin, financial responsibility, recordkeeping, bonding, financial or operational reporting, or any other regulatory requirement on any person registered with the Commission (or, with respect to such persons registered with the

Commission, on any supervised person, as defined in section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)), or person associated with a broker or dealer) in connection with that person's business in digital assets.

''(3) ENFORCEMENT PERMITTED.—Nothing in this subsection shall prohibit any State or political subdivision thereof from investigating and bringing enforcement actions with respect to fraud or deceit in connection with a business in digital assets.''.

SEC. 110. SECURITIES INVESTOR PROTECTION CORPORATION APPLICABILITY.

Section 16(14) of the Securities Investor Protection Act of 1970 (15 U.S.C. 78lll(14)) is amended, in the second sentence, by adding ''The term 'security' does not include a digital commodity.'' after the period at the end.

TITLE II—PROTECTING AGAINST ILLICIT FINANCE

SEC. 201. TREATMENT UNDER THE BANK SECRECY ACT AND SANCTIONS LAWS.

(a) IN GENERAL.—A digital asset service provider shall—

(1) be treated as a financial institution for purposes of the Bank Secrecy Act; and

(2) be subject to all Federal laws applicable to a financial institution located in the United States relating to economic sanctions, prevention of money laundering, customer identification, and due diligence, including—

(A) maintenance of an effective anti-money laundering program, which shall include appropriate risk assessments and designation of an officer to supervise the program;

(B) retention of appropriate records;

(C) monitoring and reporting of any suspicious transaction relevant to a possible violation of law or regulation;

(D) technical capabilities, policies, and procedures to block, freeze, and reject specific or impermissible transactions that violate Federal or State law;

(E) maintenance of an effective customer identification program, including identification and verification of account holders with the digital asset service provider, high-value transactions, and appropriate enhanced due diligence; and

(F) maintenance of an effective economic sanctions compliance program, including

verification of sanctions lists, consistent with Federal law.

(b) RULEMAKING.—The Secretary of the Treasury shall adopt rules, tailored to the size and complexity of digital asset service provider, to implement this section.

(c) RESERVATION OF AUTHORITY.—Nothing in this section shall restrict the authority of the Secretary of the Treasury to implement, administer, and enforce the provisions of subchapter II of chapter 53 of title 31, United States Code.

SEC. 202. DIGITAL ASSET EXAMINATION STANDARDS.

(a) DEFINITIONS.—In this section:

(1) FEDERAL FUNCTIONAL REGULATOR.—The term ''Federal functional regulator'' has the meaning given the term in section 509 of the Gramm-Leach-Bliley Act (15 U.S.C. 6809).

(2) FINANCIAL INSTITUTION.—The term ''financial institution'' has the meaning given the term in section 5312(a)(2) of title 31, United States Code.

(b) EXAMINATION AND REVIEW.—The Secretary of the Treasury, in consultation with Federal functional regulators, shall establish risk-based examination standards for financial institutions to assess the following relating to digital assets:

(1) The adequacy of reporting obligations and anti-money laundering programs under subsections (g) and (h) of section 5318 of title 31, United States Code, respectively, as applied to the financial institutions.

(2) Compliance of the institutions with anti-money laundering and countering the financing of terrorism requirements under subchapter II of chapter 53 of title 31, United States Code.

SEC. 203. PREVENTING ILLICIT FINANCE THROUGH PARTNERSHIP.

(a) DEFINITIONS.—In this section:

(1) COVERED AGENCY.—The term ''covered agency'' means—

(A) the Department of Justice, including the Federal Bureau of Investigation and the Drug Enforcement Administration;

(B) the Financial Crimes Enforcement Network; and

(C) the Department of Homeland Security.

(2) DESIGNATED PRIVATE SECTOR ENTITY.—The term ''designated private sector entity'' means a private sector entity designated under subsection (c).

(3) DIRECTOR.—The term ''Director'' means the Director of the Financial Crimes Enforcement Network.

(4) ILLICIT FINANCE VIOLATION.—The term ''illicit finance violation'' means the illicit use of digital assets.

(5) ILLICIT USE.—The term ''illicit use'' includes fraud, darknet marketplace transactions, money laundering, the purchase and sale of illicit goods, sanctions evasion, theft of funds, funding of illegal activities, transactions related to child sexual abuse material, and any other financial transaction involving the proceeds of specified unlawful activity, as defined in section 1956(c) of title 18, United States Code.

(6) MONEY SERVICES BUSINESS.—The term ''money services business'' has the meaning given the term in section 1010.100 of title 31, Code of Federal Regulations (or any corresponding similar regulation).

(7) SECRETARY.—The term ''Secretary'' means the Secretary of Homeland Security.

(b) ESTABLISHMENT OF PROGRAM.—The Attorney General shall establish a pilot program under which covered agencies and designated private sector entities se-

curely share information about potential illicit finance violations and threats and emerging risks relating to illicit finance violations.

(c) DESIGNATION OF PRIVATE SECTOR ENTITIES.—

(1) REQUIRED ACTION.—

(A) INITIAL COMPANIES.—Not later than 90 days after the date of enactment of this Act, the Attorney General, in consultation with the Director and the Secretary, shall designate 10 private sector entities that are money services businesses and 10 private sector entities from the digital asset industry to participate in the pilot program established under subsection (b), if such entities agree to participate in the program.

(B) BIANNUAL REVIEW.—Not less frequently than once every 6 months, the Attorney General, in consultation with the Director and the Secretary, shall review and, as appropriate, replace the private sector entities designated under this paragraph.

(C) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed as—

(i) requiring an entity to participate in the pilot program established under this section; or

(ii) enabling the Attorney General to select an entity to participate in the pilot program without the consent of such entity.

(2) OPTIONAL DESIGNATION.—In addition to the 20 private sector entities designated under paragraph (1), the Attorney General, in consultation with the Director and the Secretary, may designate 1 or more information sharing and analysis centers to participate in the pilot program.

(d) INFORMATION SHARING WITH PRIVATE SECTOR ENTITIES.—A covered agency that initiates an investigation into a potential illicit finance violation, or identifies a threat or emerging risk relating to an illicit finance violation, may share with any designated private sector entity such information about the investigation, threat, or emerging risk as the covered agency determines is appropriate.

(e) USE OF INFORMATION BY PRIVATE SECTOR ENTITIES.—Information received by a designated private sector entity under this section may not be used for any purpose other than identifying and reporting on activities that

may involve illicit finance violations or threats and emerging risks relating to illicit finance violations.

(f) MEANS OF SHARING INFORMATION.—The covered agencies and designated private sector entities may share information about potential illicit finance violations, or threats and emerging risks relating to illicit finance violations, with each other—

(1) through a portal established by the Attorney General or a similar mechanism determined appropriate by the Attorney General;

(2) through secure email; or

(3) at monthly meetings, which shall be facilitated by the Attorney General.

(g) LIMITATION ON LIABILITY.—A designated private sector entity that transmits, receives, or shares information for the purposes of identifying and reporting activities that may constitute illicit finance violations, or threats and emerging risks relating to illicit finance violations, shall not be liable to any person for such disclosure or for any failure to provide notice of such disclosure to the person who is the subject of such disclosure or any other person identified in such disclosure.

(h) SUNSET.—The pilot program established under subsection (b) shall terminate on the date that is 5 years after the date of enactment of this Act.

SEC. 204. FINANCIAL TECHNOLOGY PROTECTION.

(a) DEFINITIONS.—In this section:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ''appropriate congressional committees'' means—

(A) the Committee on Banking, Housing, and Urban Affairs, the Committee on Finance, the Committee on Foreign Relations, the Committee on Homeland Security and Governmental Affairs, the Committee on the Judiciary, and the Select Committee on Intelligence of the Senate; and

(B) the Committee on Financial Services, the Committee on Foreign Affairs, the Committee on Homeland Security, the Committee on the Judiciary, the Committee on Ways and Means, and the Permanent Select Committee on Intelligence of the House of Representatives.

(2) DIGITAL ASSET.—The term ''digital asset'' means any digital representation of value that is recorded on a cryptographically secured digital ledger or any similar technology.

(3) DISTRIBUTED LEDGER ANALYTICS COMPANY.—The term ''distributed ledger analytics company'' means any business providing software, research, or other services (such as tracing tools,

geofencing, transaction screening, the collection of business data, and sanctions screening) that—

(A) support private and public sector investigations and risk management activities; and

(B) involve cryptographically secured distributed ledgers or any similar technology or implementation.

(4) EMERGING TECHNOLOGIES.—The term ''emerging technologies'' means the critical and emerging technology areas listed in the Critical and Emerging Technologies List developed by the Fast Track Action Subcommittee on Critical and Emerging Technologies of the National Science and Technology Council, including any updates to such list.

(5) FOREIGN TERRORIST ORGANIZATION.—The term ''foreign terrorist organization'' means an organization that is designated as a foreign terrorist organization under section 219 of the Immigration and Nationality Act (8 U.S.C. 1189).

(6) ILLICIT USE.—The term ''illicit use'' includes fraud, darknet marketplace transactions, money laundering, the purchase and sale of illicit goods, sanctions evasion, theft of funds, funding of illegal activities, transactions related to child sexual

abuse material, and any other financial transaction involving the proceeds of specified unlawful activity (as defined in section 1956(c) of title 18, United States Code).

(7) TERRORIST.—The term ''terrorist'' includes a person carrying out domestic terrorism or international terrorism (as such terms are defined, respectively, under section 2331 of title 18, United States Code).

(b) INDEPENDENT FINANCIAL TECHNOLOGY WORKING GROUP TO COMBAT TERRORISM AND ILLICIT FINANCING.—

(1) ESTABLISHMENT.—There is established the Independent Financial Technology Working Group to Combat Terrorism and Illicit Financing (in this section referred to as the ''Working Group''), which shall consist of the following:

(A) The Secretary of the Treasury or their designee, who shall serve as the chair of the Working Group.

(B) A senior-level representative from each of the following:

(i) The Department of the Treasury.

(ii) The Office of Terrorism and Financial Intelligence.

(iii) The Internal Revenue Service.

(iv) The Department of Justice.

(v) The Federal Bureau of Investigation.

(vi) The Drug Enforcement Administration.

(vii) The Department of Homeland Security.

(viii) The United States Secret Service.

(ix) The Department of State.

(x) The Office of the Director of National Intelligence.

(C) At least 5 individuals appointed by the Secretary of the Treasury to represent the following:

(i) Digital asset companies.

(ii) Distributed ledger analytics companies.

(iii) Financial institutions.

(iv) Institutions or organizations engaged in research.

(v) Institutions or organizations focused on individual privacy and civil liberties.

(D) Such additional individuals as the Secretary of the Treasury may appoint as necessary to accomplish the duties described in paragraph (2).

(2) DUTIES.—The Working Group shall—

(A) conduct research on terrorist and illicit use of digital assets and other related emerging technologies; and

(B) develop legislative and regulatory proposals to improve anti-money laundering, counter-terrorist, and other counter-illicit financing efforts in the United States.

(3) REPORTS.—

(A) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, and annually for the 3 years thereafter, the Working Group shall submit to the Secretary of the Treasury, the heads of each agency represented in the Working Group pursuant to paragraph (1)(B), and the appropriate congressional committees a report containing the findings and determinations made by the Working Group in the previous year and any legislative and regulatory proposals developed by the Working Group.

(B) FINAL REPORT.—Before the date on which the Working Group terminates under paragraph (4)(A), the Working Group shall submit to the appropriate congressional committees a final report detailing the findings, recommendations, and activities of the Working Group, including any final results from the research conducted by the Working Group.

(4) SUNSET.—

(A) IN GENERAL.—The Working Group shall terminate on the later of—

(i) the date that is 4 years after the date of enactment of this Act; or

(ii) the date on which the Working Group completes any wind-up activities described in subparagraph (B).

(B) AUTHORITY TO WIND UP ACTIVITIES.—If there are ongoing research, proposals, or other related activities of the Working Group ongoing as of the date that is 4 years after the date of enactment of this Act, the Working Group may temporarily continue working in order to wind-up such activities.

(C) RETURN OF APPROPRIATED FUNDS.—On the date on which the Working Group ter-

minates under subparagraph (A), any unobligated funds appropriated to carry out this subsection shall be transferred to the Treasury.

(c) PREVENTING ROGUE AND FOREIGN ACTORS FROM EVADING SANCTIONS.—

(1) REPORT AND STRATEGY WITH RESPECT TO DIGITAL ASSETS AND OTHER RELATED EMERGING TECHNOLOGIES.—

(A) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the President, acting through the Secretary of the Treasury and in consultation with the head of each agency represented on the Working Group, shall submit to the appropriate congressional committees a report that describes—

(i) the potential uses of digital assets and other related emerging technologies by States, non-State actors, foreign terrorist organizations, and other terrorist groups to evade sanctions, finance terrorism, or launder monetary instruments, and threaten the national security of the United States; and

(ii) a strategy for the United States to mitigate and prevent the illicit use of dig-

ital assets and other related emerging technologies.

(B) FORM OF REPORT; PUBLIC AVAILABILITY.—

(i) IN GENERAL.—The report required by subparagraph (A) shall be submitted in unclassified form, but may include a classified annex.

(ii) PUBLIC AVAILABILITY.—The unclassified portion of each report required by subparagraph (A) shall be made available to the public and posted on a publicly accessible website of the Department of the Treasury—

(I) in precompressed, easily downloadable versions, in all appropriate formats; and

(II) in machine-readable format, if applicable.

(C) SOURCES OF INFORMATION.—In preparing the reports required by subparagraph (A), the President may utilize any credible publication, database, or web-based resource, and any credible information compiled by any government agency, nongovernmental organization,

or other entity that is made available to the President.

(2) BRIEFING.—Not later than 2 years after the date of enactment of this Act, the Secretary of the Treasury shall brief the appropriate congressional committees on the implementation of the strategy required by paragraph (1).

SEC. 205. SANCTIONS COMPLIANCE RESPONSIBILITIES OF PAYMENT STABLECOIN ISSUERS.

(a) IN GENERAL.—Not later than 120 days after the date of enactment of this Act, the Secretary of the Treasury shall issue guidance clarifying the sanctions compliance responsibilities and liability of an issuer of a payment stablecoin with respect to downstream transactions relating to the stablecoin that take place after the stablecoin is first provided to a customer of the issuer.

(b) CONTENTS OF GUIDANCE.—The guidance issued under subsection (a) shall include that a payment stablecoin issuer shall not be held strictly liable for sanctions violations due to downstream transactions that take place within a certain transaction interval, frequency, or time period after the stablecoin is first provided to a non-sanctioned customer of the issuer, so long as the payment stablecoin issuer maintains—

(1) processes to conduct due diligence on its primary customers on a risk-based basis;

(2) processes and controls to prevent digital addresses listed on an applicable sanctions list from accumulating the payment stablecoin; and

(3) the technological ability to freeze or prevent the transfer of payment stablecoins in a digital address upon the discovery that the digital address holding the payment stablecoin is owned by a sanctioned person.

TITLE III—RESPONSIBLE BANKING INNOVATION

SEC. 301. PERMISSIBILITY OF DIGITAL ASSET ACTIVITIES.

(a) DEFINITIONS.—In this section:

(1) FINANCIAL HOLDING COMPANY.—The term ''financial holding company'' has the meaning given the term in section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841).

(2) STATE MEMBER BANK.—The term ''State member bank'' has the meaning given the term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(b) AUTHORIZED ACTIVITIES FOR FINANCIAL HOLDING COMPANIES.—

(1) IN GENERAL.—A financial holding company may use a digital asset or distributed ledger system to perform, provide, or deliver any activity, function, product, or service that the financial holding company is otherwise authorized by law to perform, provide, or deliver.

(2) FINANCIAL IN NATURE.—The activities described in subsection (f) are financial in nature for purposes of section 4(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)).

(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to exempt the performance, provision, or delivery by a financial holding company of an activity, function, product, or service from a requirement that would apply if the activity were not performed, provided, or delivered using a digital asset or distributed ledger system.

(c) AUTHORIZED ACTIVITIES FOR NATIONAL BANKS.—

(1) IN GENERAL.—

(A) AUTHORIZED ACTIVITIES.—A national bank may use a digital asset or distributed ledger system to perform, provide, or deliver any activity, function, product, or service that

the national bank is otherwise authorized by law to perform, provide, or deliver.

(B) FEDERAL-LICENSED BRANCHES AND STATE-LICENSED BRANCHES.—The activities authorized for a national bank under subparagraph (A) shall be permissible for a Federal-licensed branch and a State-licensed branch, respectively, to engage in as a principal.

(2) BUSINESS OF BANKING.—The activities described in subsection (f) are authorized as part of, or incidental to, the business of banking under the paragraph designated as the ''Seventh'' of section 5136 of the Revised Statutes (12 U.S.C. 24).

(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to exempt the performance, provision, or delivery by a national bank of an activity, function, product, or service from a requirement that would apply if the activity were not performed, provided, or delivered using a digital asset or distributed ledger system.

(d) INSURED STATE BANKS AND SUBSIDIARIES OF INSURED STATE BANKS.—For purposes of subsections (a) and (d) of section 24 of the Federal Deposit Insurance Act (12 U.S.C. 1831a), the activities authorized for a national bank under subsection (c)(1) shall be permissible

for an insured State bank and any subsidiary of an insured State bank to engage in as principal.

(e) STATE MEMBER BANKS AND SUBSIDIARIES OF STATE MEMBER BANKS.—For purposes of the 13th undesignated paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 330), the activities authorized for a national bank under subsection (c)(1) shall be permissible for a State member bank and any subsidiary of a State member bank to engage in as principal.

(f) AUTHORIZED ACTIVITIES.—The activities described in this subsection are—

(1) providing custodial, fiduciary, or safekeeping services for digital assets;

(2) providing related custodial services for digital assets and distributed ledgers, including staking, facilitating digital asset lending, distributed ledger governance services, and advancing funds for the purchase of digital assets or in respect of distributions on digital assets, whether as principal or agent;

(3) facilitating customer purchases and sales of digital assets;

(4) making loans collateralized by digital assets;

(5) engaging in payment activities involving digital assets;

(6) holding digital assets as principal or agent for any investment or trading purpose, including to make a market in digital assets;

(7) operating a node on a distributed ledger;

(8) providing self-custodial wallet software;

(9) engaging in derivatives transactions, including related hedging activities, in a manner consistent with section 7.1030 of title 12, Code of Federal Regulations, as in effect as of the date of enactment of this Act;

(10) providing brokerage services, including clearing and execution services, whether alone or in combination with other incidental activities;

(11) facilitating transactions in the secondary market for all types of digital assets on the order of customers as a riskless principal to the extent of engaging in a transaction in which a company, after receiving an order to buy or sell a digital asset from a customer, purchases or sells the digital asset for its own account to offset a contemporaneous sale to or purchase from the customer;

(12) holding as principal digital assets to the extent incidental to an otherwise permissible activity, which shall include, without limitation, holding dig-

ital assets as principal in order to pay fees arising from interactions with a distributed ledger system;

(13) underwriting, dealing in, or making a market in digital assets; and

(14) exercising all such incidental powers as are necessary to carry out any of the activities described in paragraphs (1) through (13).

(g) OTHER REQUIREMENTS.—There shall be no other prior notice or approval requirements to engage in the activities described in subsections (b) through (f) of this section other than those required under the National Bank Act (12 U.S.C. 38 et seq.), the Federal Reserve Act (12 U.S.C. 226 et seq.), or the Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.).

(h) RULE OF CONSTRUCTION.—Nothing in this section may be construed to—

(1) exclude other possible permissible activities that are not listed under subsection (f);

(2) imply that inclusion of an activity on the list under subsection (f) means that the activity is otherwise impermissible; or

(3) limit the authority of a Federal banking agency to determine that activities other than those listed under subsection (f) are permissible through interpretations, guidance, or rulemaking.

(i) APPLICATION.—The authorities described in this section shall not apply to non-fungible assets.

SEC. 302. JOINT RULES FOR PORTFOLIO MARGINING DETERMINATIONS.

(a) IN GENERAL.—The Commodity Futures Trading Commission and the Commission shall jointly issue rules to facilitate portfolio margining of securities (including related extensions of credit), security-based swaps, futures contracts for future delivery, options on futures contracts for future delivery, swaps, and digital commodities, or any subset thereof, for persons registered with either such Commission, in—

(1) a securities account carried by a registered broker or dealer or a security-based swap account carried by a registered security-based swap dealer;

(2) a futures or cleared swap account carried by a registered futures commission merchant;

(3) a swap account carried by a swap dealer; or

(4) a digital commodity account carried by a registered digital commodity broker or digital commodity dealer that is also registered in such other capacity as is necessary to also carry the other customer or counterparty positions being held in the account.

(b) PROCESS.—The rules required to be jointly issued under subsection (a) shall—

(1) describe the treatment of any account to which the rules relate, and any assets that may be held therein, in a proceeding under title 11, United States Code, the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.), title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 et seq.), or other applicable insolvency law with respect to the person carrying the account;

(2) be issued only if that issuance is in the public interest and provides for the appropriate protection of customers, including appropriate disclosures to each current and potential customer concerning the treatment of any account to which the rules relate, and any assets that may be held therein, in a proceeding under title 11, United States Code, the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.), title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381 et seq.), or other applicable insolvency law with respect to the person carrying the account;

(3) require the Commission and the Commodity Futures Trading Commission to consider the public interest of, and the protection of investors by, those rules through the solicitation of public comments; and

(4) require the Commission and the Commodity Futures Trading Commission to—

(A) consult with other relevant foreign or domestic regulators, including the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency and State bank supervisors, as appropriate; and

(B) if the rules pertain to a securities account carried by a registered broker or dealer that is a member of the Securities Investor Protection Corporation, consult with the Securities Investor Protection Corporation.

SEC. 303. CAPITAL REQUIREMENTS TO ADDRESS NETTING AGREEMENTS.

(a) DEFINITIONS.—In this section, the terms ''depository institution holding company'' and ''insured depository institution'' have the meanings given those terms in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(b) CAPITAL REQUIREMENTS.—Not later than 360 days after the date of enactment of this Act, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Chair of the Federal Deposit Insurance Corporation shall develop risk-based and leverage capital requirements for insured depository institutions, depository institution holding companies, and nonbank financial companies supervised by the Board of Governors of the Federal Reserve System that address netting agreements that provide for termination and close-out netting across multiple types of financial transactions, consistent with section 302, in the event of the default of a counterparty.

TITLE IV—RESPONSIBLE REGULATORY INNOVATION

SEC. 401. CFTC-SEC MICRO-INNOVATION SANDBOX.

(a) DEFINITIONS.—In this section:

(1) COMMISSION.—The term ''Commission'' means either of the Commissions, as the context requires.

(2) COMMISSIONS.—The term ''Commissions'' means the Securities and Exchange Commission and the Commodity Futures Trading Commission.

(3) ELIGIBLE FIRM.—The term ''eligible firm'' means a person that is eligible to participate in the

Sandbox, in accordance with the requirements under this section.

(4) INNOVATIVE.—The term ''innovative'' means new or emerging technology, or a new use of existing technology, that—

(A) provides a financial product, service, business model, or delivery mechanism to the public; and

(B) has no substantially comparable, widely available analogue in common use in the United States.

(5) SANDBOX.—The term ''Sandbox'' means the CFTC-SEC Micro-Innovation Sandbox established under subsection (b).

(6) SELF-REGULATORY ORGANIZATION.—The term ''self-regulatory organization'' means a self-regulatory organization, as defined in—

(A) section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)); or

(B) section 1.52(a)(2) of title 17, Code of Federal Regulations, or any successor regulation.

(b) ESTABLISHMENT.—Not later than 360 days after the date of enactment of this Act, the Commissions shall, by joint notice and comment rulemaking, establish a

CFTC-SEC Micro-Innovation Sandbox to enable eligible firms described in subsection (c) to test innovative activities within the United States, subject to existing Federal and State statutory anti-fraud prohibitions and the limitations of this section.

(c) ELIGIBLE FIRM.—Any person may participate in the Sandbox upon filing a notice of participation under subsection (e) if the person—

(1) seeks to conduct an eligible innovative activity in the United States; and

(2) is not subject to a bad actor disqualification under the securities laws or State law; and

(3) does not have a criminal conviction for fraud.

(d) ELIGIBLE ACTIVITIES AND ACTIVITY CEILINGS.—

(1) LIST OF ELIGIBLE ACTIVITIES.—

(A) IN GENERAL.—The Commissions shall maintain and publish a list of eligible innovative activities, which shall be—

(i) updated from time to time based on public comment;

(ii) reasonably tailored to include activities that further the purposes of this section;

(iii) sufficiently flexible to accommodate evolving technological developments, including distributed ledger-based products and services; and

(iv) focused on activities for which specific provisions of the securities laws may create a material impediment to the proposed innovative activity.

(B) IDENTIFICATION OF REQUIREMENTS.—

(i) IN GENERAL.—For each eligible innovative activity, the Commissions shall, consistent with existing statutory and regulatory precedent concerning the respective jurisdiction of each Commission, identify the requirements that each Commission will administer.

(ii) JOINT JURISDICTION.—With respect to an eligible innovative activity that is subject to the jurisdiction of both Commissions, the rulemaking under subsection (b) shall specify which requirements each Commission will administer and any coordinated conditions needed to protect investors and market integrity.

(2) ACTIVITY CEILINGS.—For each eligible innovative activity, the Commissions shall, after public input and consultation, establish customer and monetary ceilings, which—

(A) the Commissions may extend on an individual basis, as the Commissions determine may be necessary for the protection of investors or in the public interest; and

(B) shall be designed to permit meaningful market testing while protecting investors, maintaining market integrity, and ensuring that Sandbox activity remains limited in scale relative to the broader applicable market.

(e) NOTICE OF PARTICIPATION.—

(1) IN GENERAL.—An eligible firm seeking to participate in the Sandbox shall submit to the Commission or Commissions, as applicable, a notice that—

(A) describes the proposed innovative activity and the desired outcomes;

(B) identifies the provisions of law from which the eligible firm proposes to be exempt, subject to approval of the Commission, which shall not include any Federal or State antifraud law;

(C) sets forth how current law presents a significant barrier to the innovative activity;

(D) identifies material risks to investors, customers, or market integrity and how the eligible firm will mitigate those risks;

(E) certifies that the eligible firm will comply with applicable Federal and State anti-fraud laws; and

(F) states the exit objective of the eligible firm, which may include registration, an exemptive order, interpretive or no-action relief, or a rulemaking petition, together with milestones and metrics the eligible firm will use to demonstrate readiness for that exit.

(2) EFFECTIVE DATE.—A notice submitted under this subsection that is substantially complete (as provided by rule of the applicable Commission or the Commissions) shall be deemed effective 10 business days after the date on which the notice is submitted to the applicable Commission or Commissions, after which the eligible firm submitting the notice may commence eligible activities in the Sandbox.

(3) UPDATES AND STATUS REPORTS.—Each eligible firm shall submit to the applicable Commission

or to the Commissions, on a semi-annual basis while participating in the Sandbox, an updated notice that—

(A) describes any material changes to the information originally provided under paragraph (1); and

(B) reports the progress of the eligible firm toward the stated exit objective described in paragraph (1)(F), including milestones achieved, remaining impediments, and any pending requests for official action before the applicable Commission or the Commissions.

(4) UNREDACTED AND REDACTED VERSIONS.—

(A) IN GENERAL.—An eligible firm that submits an initial or updated notice under this subsection may submit to the applicable Commission or the Commissions an unredacted version, together with a request for confidential treatment, pursuant to procedures the applicable Commission shall establish that are modeled on the rules of that Commission relating to the confidential treatment of information, which shall include—

(i) for the Securities and Exchange Commission, sections 200.83, 230.406, and

2402.24b–2 of title 17, Code of Federal Regulation, or any successor regulations; and

(ii) for the Commodity Futures Trading Commission, section 145.9 of title 17, Code of Federal Regulations, or any successor regulations.

(B) OMITTED INFORMATION.—An eligible firm may omit information granted confidential treatment under subparagraph (A) from any public posting under subsection (h) in accordance with the procedures established under subparagraph (A).

(C) INDICATION OF CONFIDENTIAL INFORMATION.—Any omission in a public posting under subsection (h) shall be clearly indicated by brackets with a prominent legend stating that—

(i) confidential information has been omitted; and

(ii) an unredacted version has been furnished to the applicable Commission or the Commissions.

(f) DURATION OF PARTICIPATION.—

(1) DURATION.—Except as provided in paragraph (2), an eligible firm may participate in the Sandbox for a period of not more than 2 years, provided that the eligible firm does not exceed the ceilings established under subsection (d)(2).

(2) EXTENSION.—

(A) SOLE JURISDICTION.—Where an eligible innovative activity is subject only to the jurisdiction of 1 Commission, that Commission may extend participation by an eligible firm in the Sandbox by not more than 1 additional year (or such other time as the Commission determines may be necessary for the protection of investors or in the public interest) if the eligible firm is actively pursuing permanent rulemaking or exemptive or other relief.

(B) JOINT JURISDICTION.—Where an eligible innovative activity is subject to the jurisdiction of both Commissions, an extension of participation by an eligible firm in the Sandbox shall be by joint order of the Commissions.

(3) COMMISSIONS PRE-EXIT FACILITATION.—Prior to the completion of Sandbox participation by an eligible firm, including any extension, the Commissions shall aim, to the extent practicable and

consistent with the securities laws and the Commodity Exchange Act (7 U.S.C. 1 et seq.), to take appropriate steps designed to facilitate a transition to Commission-level relief or other action consistent with the stated exit objective of the eligible firm, so as to avoid undue disruption of the innovative activity, which may include—

(A) issuing an order granting, denying, or conditionally granting requested exemptive relief;

(B) providing interpretive or no-action relief;

(C) issuing a responsive rulemaking;

(D) providing conditional or time-limited relief to bridge to final Commission action; or

(E) issuing a written statement explaining why such action is not appropriate at that time.

(g) CONDITIONS AND ENFORCEMENT.—

(1) CONDITIONS.—An eligible firm shall comply with applicable regulatory conditions approved by the applicable Commission or the Commissions under subsection (e)(1)(B), which shall be consistent with applicable Federal and State anti-fraud laws.

(2) MONITORING.—The Commissions shall monitor Sandbox activities and enforce compliance

with applicable regulatory conditions and Federal and State anti-fraud laws.

(3) COORDINATION.—The Commissions shall coordinate supervision, information requests, and examinations to avoid duplication while each Commission retains full authority under the provisions of law that such Commission administers.

(4) SELF-REGULATORY ORGANIZATIONS.—Each self-regulatory organization shall recognize and respect Sandbox conditions that are applicable to a participant in the Sandbox.

(h) PUBLIC DISCLOSURE.—

(1) INITIAL POSTING.—Each eligible firm shall post, in a prominent location on a public website of the eligible firm, the information required under subsection (e)(1), subject to confidential treatment under subsection (e)(5), not later than the date on which the notice becomes effective under subsection (e)(3).

(2) UPDATES.—Each eligible firm shall post, in the same manner as under paragraph (1), the information required under subsection (e)(4), subject to confidential treatment under subsection (e)(5), concurrently with submission to the applicable Commission or the Commissions.

(3) DISCLOSURE REQUIREMENTS.—Each post under this subsection shall satisfy the disclosure requirements of both Commissions where the jurisdictions of both Commissions are implicated.

(i) USE OF DATA BY COMMISSIONS.—Each Commission may collect and share data from Sandbox activities with the other Commission to inform permanent, principles-based regulatory frameworks that promote efficiency, competition, capital formation, and investor protection.

(j) PUBLICATION BY COMMISSIONS.—Not less frequently than annually, each Commission shall publish on the public website of the Commission a report summarizing the activities conducted under this section, including—

(1) the number and general nature of eligible firms participating in the Sandbox;

(2) the categories of innovative activities tested;

(3) the impact of Sandbox participation on innovation, investor protection, market integrity, and the public interest; and

(4) exit outcomes, including the types of relief requested and actions taken by the Commissions.

SEC. 402. INTERNATIONAL COOPERATION.

(a) IN GENERAL.—In order to promote United States leadership in effective, reciprocal, and innovative global regulation of digital assets, and to advance the strategic economic and policy interests of the United States, the Commission, as appropriate—

(1) shall consult and coordinate with foreign regulatory authorities or other relevant international organizations on the application of consistent international standards with respect to the regulation of digital assets;

(2) may enter into such information sharing arrangements as may be determined to be necessary or appropriate in the public interest or for the protection of investors, customers, and users of digital assets;

(3) shall pursue reciprocal arrangements with foreign regulatory authorities that ensure United States-based digital asset firms, exchanges, and infrastructure providers receive treatment equivalent to that granted to foreign counterparts operating within the United States;

(4) shall advocate in international fora for the development and adoption of technology-neutral, open standards that preserve lawful access to public distributed ledger infrastructure, support dollar-de-

nominated digital asset usage, and safeguard individual rights, including self-custody and privacy; and

(5) may, as appropriate, engage in, at the least, cooperative enforcement, supervisory coordination, and joint technical assistance, in a manner that promotes responsible innovation in digital financial markets.

(b) CROSS-BORDER SANDBOX.—The Commission may leverage the activities described in paragraphs (1) through (5) of subsection (a) to establish or participate in cross-border regulatory sandboxes that build upon the Micro-Innovation Sandbox established pursuant to section 401.

SEC. 403. AUTOMATED REGULATORY COMPLIANCE STUDY.

(a) SENSE OF CONGRESS.—Congress finds that—

(1) distributed ledger technology may make compliance data natively transparent and machine-readable, enabling new forms of ''embedded'' or code-based compliance with existing regulatory obligations, such as proof-of-reserves, on-chain audit-trail logging, and anti-money laundering screenings; and

(2) smart-contract functionality can, as of the date of enactment of this Act, automate contractual terms, meaning that embedding applicable disclosure

and compliance obligations in similar smart-contract code could lower costs, cut lag times, and improve investor protection.

(b) STUDY REQUIRED.—Not later than 2 years after the date of enactment of this Act, the Comptroller General of the United States shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report that—

(1) maps the landscape of existing (as of the date on which the report is submitted) distributed ledger-based compliance tools, including open-source libraries, standard schemas, and smart-contract templates for—

(A) statutory disclosures;

(B) real-time reporting and audit-trail logging; and

(C) anti-money-laundering practices, sanctions screening, and customer-identification checks;

(2) evaluates the feasibility, benefits, and risks of allowing or requiring registrants to satisfy applicable regulatory obligations through on-chain, code-based mechanisms;

(3) assesses interoperability with current (as of the date on which the report is submitted) Commission data collection systems and identifies standards or taxonomies, if any, the Commission could publish to ensure consistency;

(4) analyzes the costs and benefits to issuers of different sizes, secondary market intermediaries, investors, and other applicable parties;

(5) recommends pilot programs, guidance, or rule changes, and specifies any statutory amendments, needed to implement automated compliance; and

(6) benchmarks international efforts and consults with any appropriate State, Federal, or foreign regulators.

SEC. 404. REPORT ON LEGISLATIVE RECOMMENDATIONS.

(a) DEFINITIONS.—In this section:

(1) APPROPRIATE COMMITTEES OF CONGRESS.—The term ''appropriate committees of Congress'' means—

(A) the Committee on Banking, Housing and Urban Affairs of the Senate;

(B) the Committee on Agriculture, Nutrition, and Forestry of the Senate;

(C) the Committee on Financial Services of the House of Representatives; and

(D) the Committee on Agriculture of the House of Representatives.

(2) FEDERAL FINANCIAL REGULATOR.—The term ''Federal financial regulator'' means—

(A) the Board of Governors of the Federal Reserve System;

(B) the Commodity Futures Trading Commission;

(C) the Department of the Treasury;

(D) the Federal Deposit Insurance Corporation;

(E) the Federal Housing Finance Agency;

(F) the National Credit Union Administration;

(G) the Office of the Comptroller of the Currency;

(H) the Bureau of Consumer Financial Protection; and

(I) the Commission.

(b) REQUIREMENT.—Not later than 1 year after the date of enactment of this Act, and every 3 years thereafter for a total of not fewer than 12 years after the date of enactment of this Act, each Federal financial regulator

shall submit to the appropriate committees of Congress a report that includes—

(1) a description of the implementation of this Act and the amendments made by this Act (including the adoption of rules and guidance, and the approval or rejection of applications submitted, under this Act and the amendments made by this Act), where applicable to the Federal financial regulator; and

(2) any legislative recommendations for the further effective implementation of this Act and the amendments made by this Act.

SEC. 405. OFFICE OF THE OMBUDSMAN FOR INNOVATION.

Section 4 of the Securities Exchange Act of 1934 (15 U.S.C. 78d) is amended—

(1) by redesignating subsection (j) as subsection (k); and

(2) by inserting after subsection (i) the following:

''(j) OFFICE OF THE OMBUDSMAN FOR INNOVATION.—

''(1) DEFINITIONS.—In this subsection:

''(A) COVERED REQUESTER.—The term 'covered requester' means—

''(i) any person, or representative of a person, that is, or seeks to be, subject to the securities laws;

''(ii) any person seeking to register with the Commission or a self-regulatory organization to—

''(I) obtain exemptive relief; or

''(II) determine applicable obligations under the securities laws;

''(iii) a self-regulatory organization, national securities exchange, national securities association, alternative trading system, or clearing agency; or

''(iv) an industry consortium or a standards body engaging the Commission on innovative matters.

''(B) INNOVATIVE.—The term 'innovative' means new or emerging technology, or a new use of existing technology, that—

''(i) provides a financial product, service, business model, or delivery mechanism to the public; and

''(ii) lacks a substantially comparable analogue that is widely available in common use in the United States.

"(C) OFFICE.—The term 'Office' means the Office of the Ombudsman for Innovation established under paragraph (2).

"(D) OMBUDSMAN.—The term 'Ombudsman' means the Ombudsman for Innovation described in paragraph (2).

"(2) ESTABLISHMENT.—There is established in the Commission the Office of the Ombudsman for Innovation, which shall be headed by the Ombudsman for Innovation.

"(3) APPOINTMENT AND DUTIES OF THE OMBUDSMAN.—

"(A) IN GENERAL.—The Ombudsman shall—

"(i) be appointed, and may only be removed, by a majority vote of the Commission;

"(ii) report directly to the Commission; and

"(iii) carry out the functions of the Office independently of any other officer, employee, or division of the Commission.

"(B) MISSION.—The mission of the Ombudsman shall be to—

"(i) assist covered requesters in obtaining timely, coordinated, and clear responses from the Commission, and offices and divisions of the Commission, regarding innovative matters, including by—

"(I) convening and coordinate across offices and divisions of the Commission;

"(II) escalating unresolved process delays or conflicts for timely resolution;

"(III) shepherding matters into the appropriate channels for Commission or staff guidance, including interpretive guidance, no-action relief, exemptive relief, or rulemaking, while monitoring progress and actively following up with staff to seek timely resolution; and

"(IV) facilitating clear 2-way communication between Commission staff and covered requesters, including appropriate channels of feedback to covered requesters;

"(ii) assist covered requesters in resolving significant problems covered requesters may have with the Commission or self-regulatory organizations;

"(iii) identify, report on, and make recommendations in areas in which covered requesters would benefit from changes in the regulations of the Commission or the rules of self-regulatory organizations, consistent with the public interest and the protection of investors, including related process delays or conflicts and systemic issues;

"(iv) analyze the potential impact on covered requesters of—

"(I) proposed regulations of the Commission that are likely to have a significant economic impact on covered requesters; and

"(II) proposed rules of self-regulatory organizations registered under the securities laws that are likely to have a significant economic impact on covered requesters; and

"(v) conduct outreach and publish process guides, frequently asked questions, or advisories reflecting recurring issues, after removing confidential information.

"(4) ACCESS TO DOCUMENTS.—The Commission shall ensure that the Office has full access to the documents and information of the Commission and any self-regulatory organization as necessary to carry out the functions of the Office.

"(5) COORDINATION; LIAISONS.—

"(A) IN GENERAL.—Each office and division of the Commission, and each self-regulatory organization, shall designate a senior liaison to the Ombudsman and cooperate with the Ombudsman in good faith.

"(B) RULE OF CONSTRUCTION.—Nothing in this paragraph may be construed to authorize the Ombudsman to direct any office or division of the Commission, compel any particular outcome, or bind the Commission.

"(6) CONFIDENTIALITY; FOIA; PRIVILEGE; WHISTLEBLOWERS.—

"(A) NONPUBLIC SUBMISSIONS.—For the avoidance of doubt, materials submitted to or generated by the Ombudsman in connection

with a request made by a covered requester shall be nonpublic and treated in accordance with section 24.

''(B) NO WAIVER.—Submission of materials to the Ombudsman does not waive any applicable privilege or protection, including attorney-client privilege and work-product protection.

''(C) WHISTLEBLOWER & REFERRALS PRESERVED.—Nothing in this paragraph may be construed to limit—

''(i) the rights of whistleblowers under section 21F; or

''(ii) the ability of the Ombudsman to make referrals in accordance with paragraph (7).

''(7) REFERRAL TO ENFORCEMENT.—

''(A) IN GENERAL.—The Ombudsman may refer a matter to the Division of Enforcement of the Commission only upon a brief written determination that there is credible and specific information indicating—

''(i) ongoing or imminent conduct posing a material risk of significant investor or market-integrity harm; or

"(ii) a knowing or reckless violation of the securities laws.

"(B) REVIEW.—The Ombudsman shall obtain review by the Office of the General Counsel of the Commission of any referral under subparagraph (A) for legal sufficiency.

"(C) NOTIFICATION.—Where practicable and not prejudicial to an investigation, the Ombudsman shall notify the applicable covered requester that a referral has been made under subparagraph (A).

"(D) ROLE OF PARTICIPATION.—Participation by a covered requester in an Ombudsman process is not an admission of guilt and shall not be used as evidence against the covered requester except for false statements, obstruction, or independent wrongdoing.

"(8) METRICS; TRANSPARENCY; ANNUAL REPORT.—The Ombudsman shall—

"(A) track, and publish not less frequently than annually, anonymized metrics relating to the Office, including intake volumes, subject matter categories, median days-to-first-response, median days-to-resolution (and percentile bands), counts of cross-Division matters

convened, and counts by outcome type (such as staff-level letters, no-action letters, exemptive relief, frequently asked questions and advisories, and measures relating to the level of satisfaction of covered requesters);

''(B) submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives, and publish on a public website, an annual report—

''(i) identifying systemic process delays or conflicts;

''(ii) that includes aggregate observations regarding the consistency of the Commission with promoting innovation while protecting investors, maintaining fair and orderly markets, and serving the public interest; and

''(iii) that includes non-binding recommendations regarding process improvements at the Commission along with recommendations for such changes to the regulations, guidance, and orders of the Commission and such legislative actions as may be appropriate to resolve problems with the

Commission and self-regulatory organizations encountered by covered requesters; and

''(C) submit each annual report required under subparagraph (B) to the committees of Congress described in that subparagraph without any prior review or comment from the Commission, any commissioner, any other officer or employee of the Commission, or the Office of Management and Budget.

''(9) RESPONSE.—The Commission shall establish procedures requiring a formal response to all recommendations submitted to the Commission by the Office by not later than 90 days after the date of the submission.

''(10) LIMITATIONS.—

''(A) IN GENERAL.—The Ombudsman has no authority to—

''(i) compel agency action;

''(ii) require a particular interpretive or enforcement outcome;

''(iii) adjudicate rights;

''(iv) create binding precedent; or

''(v) engage in any activities which constitute legal representation for any covered requesters.

''(B) RULES OF CONSTRUCTION.—Nothing in this subsection may be construed to—

''(i) create a private right of action; or

''(ii) limit the authorities of the Commission.''.

SEC. 406. TOKENIZATION OF SECURITIES AND OTHER REAL-WORLD ASSETS.

(a) DEFINITIONS.—In this section:

(1) QUALIFIED THIRD-PARTY CUSTODIAN.—The term ''qualified third-party custodian'' means an independent entity that—

(A) is registered or regulated in a manner consistent with qualified custodians under the securities laws;

(B) meets standards for asset verification, custody, and audit, as established by the Commission pursuant to subsection (c); and

(C) is authorized to verify the legal existence, title, and ongoing status of real-world assets represented by digital tokens.

(2) REAL-WORLD ASSET.—The term ''real-world asset''—

(A) means any tangible property or property right, including real estate, a physical commodity, equipment, or a contractual right; and

(B) does not include—

(i) a security, as defined under any of the securities laws; or

(ii) a commodity interest, as defined in section 4m(3) of the Commodity Exchange Act (7 U.S.C. 6m(3)) and in regulations promulgated by the Commodity Futures Trading Commission.

(3) TOKENIZATION.—The term ''tokenization'' means the process of creating a unique digital representation of rights or interests in a real-world asset on a distributed ledger.

(4) TOKENIZED.—The term ''tokenized'', with respect to an asset, means that the asset has undergone tokenization.

(b) SENSE OF CONGRESS.—It is the sense of Congress that States should promptly consider and adopt commercial law frameworks under the Uniform Commercial Code that provide clear and uniform rules for the ownership, control, or enforceability of rights in digital assets.

(c) JOINT STUDY AND RULEMAKING.—

(1) JOINT STUDY.—

(A) IN GENERAL.—Not later than 360 days after the date of enactment of this Act, the Commission, in coordination with the Commodity Futures Trading Commission, shall conduct a comprehensive study of the regulatory treatment of tokenized real-world assets.

(B) CONTENTS.—The study required under subparagraph (A) shall—

(i) address standards for the verification, custody, audit, and reporting of underlying real-world assets issued as digital tokens, including setting criteria for qualified third-party custodians and how to address fraud and false claims; and

(ii) assess the Federal jurisdictional treatment of tokenized real-world assets, how State and international regulatory regimes may interact with that treatment, and mechanisms for interagency coordination, cross-border cooperation, and enforcement with respect to tokenized real-world assets.

(2) RULEMAKING.—

(A) IN GENERAL.—After completing the study required under paragraph (1), the Com-

mission and the Commodity Futures Trading Commission may initiate notice and comment rulemaking to establish tailored regulatory pathways for tokens that represent real-world assets.

(B) LIMITATION.—In issuing rules under a rulemaking carried out under subparagraph (A), the Commission and the Commodity Futures Trading Commission shall ensure that a qualified third-party custodian that serves solely as an asset verifier—

(i) shall be subject only to those standards that may be necessary for verification integrity, audit, and independence of those assets; and

(ii) shall not be required to meet requirements applicable exclusively to the safekeeping, transfer, or administration of securities.

(3) SECURITIES.—Notwithstanding any other provision of law or regulation—

(A) any instrument that is a security under the securities laws shall not cease to be a security because that instrument is issued, re-

corded, represented, or transferred using distributed ledger technology; and

(B) the tokenization of a real-world asset that is not otherwise a security under Federal law shall not, solely by reason of that tokenization, be deemed to be a security under Federal law.

SEC. 407. VOLUNTARY ADOPTION OF NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY POST-QUANTUM CRYPTOGRAPHY STANDARDS.

(a) DEFINITIONS.—In this section:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ''appropriate congressional committees'' means—

(A) the Committee on Banking, Housing, and Urban Affairs of the Senate;

(B) the Committee on Agriculture, Nutrition, and Forestry of the Senate;

(C) the Committee on Commerce, Science, and Transportation of the Senate;

(D) the Committee on Financial Services of the House of Representatives;

(E) the Committee on Agriculture of the House of Representatives; and

(F) the Committee on Energy and Commerce of the House of Representatives.

(2) DIRECTOR.—The term ''Director'' means the Under Secretary of Commerce for Standards and Technology.

(b) SENSE OF CONGRESS.—Congress finds the following:

(1) Technical standards with respect to digital assets ensure quality, interoperability, and reliability in products, processes, and services and facilitate innovation.

(2) The digital asset ecosystem should harness standards to solve coordination problems and foster innovation, not through regulation, but through voluntary, market-driven measures.

(3) Advances in quantum computing threaten existing cryptographic standards and the security of digital assets.

(c) VOLUNTARY ADOPTION.—The Secretary of Commerce, acting through the Director, shall support the voluntary adoption of post-quantum cryptography standards finalized by the National Institute of Standards and Technology, including Federal Information Processing Standard 203 (relating to module-lattice-based key-encapsulation mechanisms), Federal Information Processing Stand-

ard 204 (relating to module-lattice-based digital signatures), and Federal Information Processing Standard 205 (relating to stateless hash-based digital signatures) (or any successor to any such standard), across the digital asset ecosystem.

(d) INDUSTRY CONSULTATION.—In carrying out subsection (c), the Director shall, at a minimum—

(1) solicit regular input from a broad range of industry stakeholders regarding the feasibility and practical challenges of adopting the standards described in that subsection;

(2) facilitate ongoing dialogue between the National Institute of Standards and Technology and industry participants to identify, assess, and address barriers to the adoption of the standards described in that subsection;

(3) not later than 2 years after the date of enactment of this Act, and biennially thereafter until 2035, submit to the appropriate congressional committees a report on the carrying out of that subsection, including stakeholder engagement with respect to those actions and continued challenges in adopting the standards described in that subsection; and

(4) not later than 5 years after the date of enactment of this Act, make available to the public a report on stakeholder engagement and lessons learned in carrying out that subsection.

TITLE V—PROTECTING SOFTWARE DEVELOPERS AND SOFTWARE INNOVATION

SEC. 501. PROTECTING SOFTWARE DEVELOPERS.

(a) IN GENERAL.—The Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by inserting after section 15G (15 U.S.C. 78o–11) the following:

"SEC. 15H. APPLICATION TO SOFTWARE DEVELOPERS.

''(a) DEFINITIONS.—In this section:

''(1) DECENTRALIZED FINANCE TRADING PROTOCOL.—

''(A) IN GENERAL.—The term 'decentralized finance trading protocol' means a distributed ledger system through which multiple participants can execute a financial transaction—

''(i) in accordance with an automated rule or algorithm that is predetermined and non-discretionary; and

''(ii) without reliance on a person other than the user to maintain custody or

control of the digital assets subject to the financial transaction.

''(B) EXCLUSIONS.—

''(i) IN GENERAL.—The term 'decentralized finance trading protocol' does not include a distributed ledger system if—

''(I) a person or group of persons under common control or acting pursuant to an agreement to act in concert has the authority, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the distributed system; or

''(II) the distributed ledger system does not operate, execute, and enforce its operations and transactions based solely on pre-established, transparent rules encoded directly within the source code of the distributed ledger system.

''(ii) SPECIAL RULE.—For purposes of clause (i), a decentralized governance sys-

tem shall not be considered to be a person or a group of persons under common control or acting pursuant to an agreement to act in concert.

''(2) DIGITAL ASSET; DISTRIBUTED LEDGER APPLICATION; DISTRIBUTED LEDGER SYSTEM.—The terms 'digital asset', 'distributed ledger application', and 'distributed ledger system' have the meanings given those terms in section 2 of the Responsible Financial Innovation Act of 2025.

''(b) APPLICATION TO SOFTWARE DEVELOPERS.—Notwithstanding any other provision of this Act, a person shall not be subject to this Act and the regulations promulgated under this Act based on the person directly or indirectly engaging in any of the following activities, whether singly or in combination, in relation to the operation of a distributed ledger system or a distributed ledger application, or in relation to a decentralized finance trading protocol:

''(1) Compiling network transactions or relaying, searching, sequencing, validating, or acting in a similar capacity with respect to a distributed ledger protocol or distributed ledger system.

''(2) Providing computational work, operating a node or oracle service, or procuring, offering, or uti-

lizing network bandwidth, or providing other similar incidental services.

''(3) Providing a user interface that enables a user to read and access data about a distributed ledger system or distributed ledger application.

''(4) Developing, publishing, constituting, administering, maintaining, or otherwise distributing a distributed ledger system, a decentralized governance system relating to a decentralized finance trading protocol, or a decentralized finance trading protocol.

''(5) Developing, publishing, constituting, administering, maintaining, or otherwise distributing a decentralized finance messaging system or operating or participating in a liquidity pool.

''(6) Developing, publishing, constituting, administering, maintaining, or otherwise distributing software or systems that create or deploy hardware or software, including wallets or other systems, that facilitate the ability of a user to keep, safeguard, or custody the digital assets or related private keys of the user.

''(c) EXCEPTIONS.—Subsection (b) shall not apply to the anti-fraud, anti-manipulation, or false reporting enforcement authorities of the Commission.

''(d) FEDERAL PREEMPTION.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, no securities, commodities, or digital assets law of any State (or of any political subdivision of a State) shall apply to an activity described in subsection (b).

''(2) RULE OF CONSTRUCTION.—Nothing in paragraph (1) may be construed to apply to the anti-money laundering, anti-fraud, or anti-manipulation authorities of a State (or of a political subdivision of a State).''.

(b) UNLICENSED MONEY TRANSMITTING BUSINESSES.—Section 1960(a) of title 18, United States Code, is amended by inserting ''exercises control over currency, funds, or other value that substitutes for currency and'' after ''knowingly''.

(c) APPLICABILITY.—This section, and the amendments made by this section, shall apply to conduct occurring before, on, or after the date of enactment of this Act.

SEC. 502. SAFE HARBOR FOR NONFUNGIBLE DIGITAL TOKENS.

(a) DEFINITIONS.—In this section:

(1) NON-FUNGIBLE TOKEN.—The term ''non-fungible token'' means a digital unit recorded on a distributed ledger that—

(A) is individually identifiable and distinguishable from any other digital unit;

(B) represents ownership of, or rights in, a work of authorship, art, a collectible, a membership, an access credential, a certificate of authenticity, an in-game or in-application item, or another similar specific item or discrete digital or physical good, service, or benefit;

(C) is not interchangeable on a 1-to-1 basis with any other token or digital unit; and

(D) may be bought, sold, or transferred for consideration.

(2) PROMOTER.—The term ''promoter'' means a person or group that manages, controls, or operates an enterprise in which capital is invested, or any person or group acting on behalf of such a person or group with respect to such an enterprise, including an affiliate, agent, or coordinated actor that contributes to the capital raising efforts of the enterprise.

(b) SAFE HARBOR.—

(1) IN GENERAL.—Except as provided in paragraph (3), the offer, sale, resale, transfer, or conveyance of a non-fungible token shall not be deemed to constitute an offer or sale of a security or invest-

ment contract under the Securities Act of 1933 (15 U.S.C. 77a et seq.), the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), or any equivalent State law, unless the transaction, in substance, involves all of the elements of an investment contract.

(2) RULES OF CONSTRUCTION.—Neither of the following shall be considered to be a security under the Securities Act of 1933 (15 U.S.C. 77a et seq.) or the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.):

(A) The resale or secondary market transfer of a non-fungible token, where the payment for that resale or transfer does not flow to a promoter or is not used to raise new capital for an enterprise.

(B) A non-fungible token that serves as a collectible, membership right, event ticket, access credential, or other non-investment-based use case solely because the non-fungible token may appreciate in value or depend in part on continued efforts or the reputation of the creator or issuer of the non-fungible token.

(3) EXCEPTIONS.—The safe harbor under paragraph (1) shall not apply to—

(A) a mass-minted series of items with substantially similar or nearly identical traits that are marketed or sold interchangeably;

(B) a fractionalized interest in a non-fungible token; or

(C) an interest representing a beneficial or economic claim on a non-fungible token or an asset that a non-fungible token represents.

(4) RELIANCE; PROSPECTIVE EFFECT.—

(A) RELIANCE.—A person, other than an originator or related person, that reasonably and in good faith relies on the safe harbor under this subsection shall not be subject to any civil or administrative penalties.

(B) PROSPECTIVE EFFECT.—Any determination by the Commission that the safe harbor under this subsection does not apply to a particular circumstance shall—

(i) be prospective only; and

(ii) take effect not earlier than 60 days after the date on which the Commission publicly posts that determination.

SEC. 503. STUDY ON NON-FUNGIBLE TOKENS.

(a) DEFINITION.—In this section, the term ''non-fungible token'' has the meaning given the term in section 502.

(b) STUDY.—The Comptroller General of the United States shall carry out a study of non-fungible tokens that analyzes—

(1) the nature, size, role, purpose, and use of non-fungible tokens;

(2) the similarities and differences between non-fungible tokens and other digital commodities, including digital commodities and payment stablecoins, and how the markets for those digital commodities intersect;

(3) how non-fungible tokens are minted by issuers and subsequently administered to purchasers;

(4) how non-fungible tokens are stored after being purchased by a consumer;

(5) the interoperability of non-fungible tokens between different distributed ledger systems;

(6) the scalability of different non-fungible token marketplaces;

(7) the benefits of non-fungible tokens, including verifiable digital ownership;

(8) the risks of non-fungible tokens, including—

(A) intellectual property rights;

(B) cybersecurity risks; and

(C) market risks;

(9) whether and how non-fungible tokens have been, or could be, integrated with traditional marketplaces, including marketplaces for music, real estate, gaming, events, and travel;

(10) whether and how non-fungible tokens have been, or could be, used to facilitate commerce or other activities through the representation of documents, identification, contracts, licenses, and other commercial, governmental, or personal records;

(11) any risks to traditional markets from the integration described in paragraph (9); and

(12) the levels and types of illicit activity in non-fungible token markets.

(c) REPORT.—Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall make publicly available a report that includes the results of the study required under subsection (b).

SEC. 504. SAFE HARBOR FOR DECENTRALIZED PHYSICAL INFRASTRUCTURE NETWORKS.

The Securities Act of 1933 (15 U.S.C. 77a et seq.) is amended by inserting after section 4B, as added by this Act, the following:

"SEC. 4C. EXEMPTION FOR DECENTRALIZED PHYSICAL INFRASTRUCTURE NETWORKS.

"(a) DEFINITIONS.—In this section:

"(1) DECENTRALIZED PHYSICAL INFRASTRUCTURE NETWORK.—The term 'decentralized physical infrastructure network' means a system that uses distributed ledger technology to coordinate and administer the contribution, operation, or maintenance of physical resources, including devices, data storage, computing power, connectivity, or energy infrastructure, by multiple independent participants in a manner that is designed to prevent any single person or entity from exercising unilateral control over the operation or governance of the system.

"(2) DECENTRALIZED PHYSICAL INFRASTRUCTURE NETWORK TOKEN.—The term 'decentralized physical infrastructure network token' means a digital asset that is—

"(A) issued solely for use within, and as an integral part of, a decentralized physical infrastructure network; and

"(B) designed to—

"(i) facilitate participation in the management, operation, resource provisioning, or governance of the decentralized

physical infrastructure network described in subparagraph (A); or

"(ii) reward participants for the participation described in clause (i).

"(3) DIGITAL ASSET; DISTRIBUTED LEDGER.—The terms 'digital asset' and 'distributed ledger' have the meanings given those terms in section 2 of the Responsible Financial Innovation Act of 2025.

"(b) EXEMPTION.—The offer or sale of a digital asset issued or sold in connection with a decentralized physical infrastructure network shall not be considered an offer or sale of a security, if—

"(1) the digital asset is issued and administered pursuant to programmatic rules that enable holders of the digital asset or participants in the decentralized physical infrastructure network to participate in a nondiscriminatory basis in the governance, operation, or management of the decentralized physical infrastructure network;

"(2) the principal purpose of the digital asset is to incentivize or provide compensation for the provision, deployment, operation, or maintenance of physical resources that comprise the decentralized physical infrastructure network;

''(3) no person or entity, alone or in concert with others, beneficially owns or controls not less than 20 percent of the outstanding supply of digital assets related to that decentralized physical infrastructure network at any time after the initial distribution of the digital asset; and

''(4) before the public launch of the decentralized physical infrastructure network—

''(A) no core developer or service provider sells, directly or indirectly, that digital asset to the general public or to a digital asset broker; and

''(B) the proportion of physical resources deployed or activated by core developers and services providers with respect to the decentralized physical infrastructure network, in the aggregate, does not exceed the proportion of those resources deployed or activated by unaffiliated participants.

''(c) NETWORK REQUIREMENTS.—A decentralized physical infrastructure network shall be eligible for the exemption under subsection (b) only if—

''(1) the operator of, or relevant participants in, the decentralized physical infrastructure network possess all licenses required by applicable Federal,

State, or local law to operate as a utility or infrastructure provider, if those licenses are required for lawful operation;

''(2) the architecture of the decentralized physical infrastructure network minimizes single points of failure by distributing essential infrastructure or control functions across multiple, independent participants;

''(3) the decentralized physical infrastructure network demonstrates scalability that is reasonably sufficient to address foreseeable increases in demand;

''(4) the decentralized physical infrastructure network incorporates technical and operational safeguards that are reasonably designed to secure infrastructure, participant data, and network operations against unauthorized access and malicious activity;

''(5) the decentralized physical infrastructure network includes mechanisms to promote operational reliability and to prevent, detect, and mitigate fraud or abuse; and

''(6) the decentralized physical infrastructure network provides for technical integration with existing infrastructure, systems, or users as necessary to promote adoption or utility.

''(d) NOTICE OF RELIANCE.—Any person or entity claiming the exemption under this section shall furnish the Commission with a notice of reliance in such form and in such manner as the Commission may prescribe by rule, which shall effective upon filing with the Commission, unless otherwise provided by the Commission.

''(e) RULEMAKING.—The Commission shall issue such rules, forms, or guidance as may be necessary or appropriate to carry out this section.''.

SEC. 505. TREATMENT OF CERTAIN NON-CONTROLLING DEVELOPERS WITH RESPECT TO MONEY TRANSMISSION LAWS.

(a) DEFINITIONS.—In this section:

(1) DEVELOPER OR PROVIDER.—The term ''developer or provider'' means any person or business that creates or publishes software to facilitate the creation of, or provide maintenance to, a distributed ledger, or a service associated with a distributed ledger.

(2) DISTRIBUTED LEDGER SERVICE.—The term ''distributed ledger service'' means any information, transaction, or computing service or system that provides or enables access to a distributed ledger network by multiple users, including a service or system that enables users to send, receive, exchange, or

store digital assets described by distributed ledger networks.

(3) NON-CONTROLLING DEVELOPER OR PROVIDER.—The term ''non-controlling developer or provider'' means a developer or provider of a distributed ledger service that, in the regular course of operations, does not have the legal right or the unilateral and independent ability to control, initiate upon demand, or effectuate transactions involving digital assets to which users are entitled, without the approval, consent, or direction of any other third party.

(b) TREATMENT.—Notwithstanding any other provision of law, a non-controlling developer or provider—

(1) shall not be treated as—

(A) a money transmitting business, as defined in section 5330 of title 31, United States Code, and the regulations promulgated under that section; or

(B) engaged in money transmitting, as defined in section 1960 of title 18, United States Code; and

(2) on or after the date of enactment of this Act, shall not be otherwise subject to any registration requirement that is substantially similar to a re-

quirement (as in effect on the day before the date of enactment of this Act) that applies to an entity described in subparagraph (A) or (B) of paragraph (1), solely on the basis of—

(A) creating or publishing software to facilitate the creation of, or providing maintenance services to, a distributed ledger or a service associated with a distributed ledger;

(B) providing hardware or software to facilitate a customer's own custody or safekeeping of the digital assets of the customer; or

(C) providing infrastructure support to maintain a distributed ledger service.

(c) RULES OF CONSTRUCTION.—Nothing in this section may be construed—

(1) to affect whether a developer or provider of a blockchain service is otherwise subject to classification or treatment as a money transmitter, or as engaged in money transmitting, under applicable Federal or State law, including laws relating to anti-money laundering or countering the financing of terrorism, based on conduct outside the scope of subsection (c);

(2) to affect whether a developer or provider is otherwise subject to classification or treatment as a

financial institution under subchapter II of chapter 53 of title 31, United States Code, this Act, any amendment made by this Act, or any Act enacted after the date of enactment of this Act;

(3) to limit or expand any law pertaining to intellectual property;

(4) to prevent any State from enforcing any State law that is consistent with this section; or

(5) to create a cause of action or impose liability under any State or local law that is inconsistent with this section.

SEC. 506. SELF-CUSTODY.

(a) DEFINITIONS.—In this section:

(1) COVERED USER.—The term ''covered user'' means a person that obtains digital assets to purchase goods or services on behalf of that person, without regard to the method in which that person obtained those digital assets.

(2) SELF-HOSTED WALLET.—The term ''self-hosted wallet'' means a digital interface—

(A) that is used to secure and transfer digital assets; and

(B) under which the owner of digital assets secured and transferred under subparagraph

(A) retains independent control over those digital assets.

(b) SELF-CUSTODY.—A Federal agency may not prohibit, restrict, or otherwise impair the ability of a covered user to self-custody digital assets using a self-hosted wallet or other means to conduct transactions for any lawful purpose.

TITLE VI—BANKRUPTCY

SEC. 601. CUSTOMER PROPERTY PROTECTIONS FOR ANCILLARY ASSETS AND DIGITAL COMMODITIES IN BANKRUPTCY.

(a) DEFINITIONS FOR STOCKBROKER LIQUIDATION.—

(1) IN GENERAL.—Section 741 of title 11, United States Code, is amended—

(A) by redesignating paragraphs (5) through (9) as paragraphs (7) through (11), respectively;

(B) by redesignating paragraphs (1) through (4) as paragraphs (2) through (5), respectively;

(C) by inserting before paragraph (2), as so redesignated, the following:

''(1) 'ancillary asset' has the meaning given that term section 2 of the Responsible Financial Innovation Act of 2025;'';

(D) in paragraph (3), as so redesignated—

(i) in subparagraph (A)(vi), by striking ''and'' at the end;

(ii) by redesignating subparagraph (B) as subparagraph (C);

(iii) by inserting after subparagraph (A) the following:

''(B) entity with whom a person deals as principal or agent and that has a claim against such person on account of a digital commodity or an ancillary asset received, acquired, or held by such person from or for the securities account or accounts of such entity for 1 or more of the purposes identified in clauses (i) through (vi) of subparagraph (A) of this paragraph; and''; and

(iv) in subparagraph (C), as so redesignated—

(I) in clause (i)—

(aa) by inserting '', ancillary asset, or digital commodity'' after ''security''; and

(bb) by inserting ''or (B)'' after ''subparagraph (A)''; and

(II) in clause (ii), by inserting ''an ancillary asset, a digital commodity,'' after ''a security,'';

(E) in paragraph (5), as so redesignated, in the matter preceding subparagraph (A), by inserting ''ancillary asset, digital commodity,'' after ''cash, security,'' each place it appears;

(F) by inserting after paragraph (5), as so redesignated, the following:

''(6) 'digital commodity' has the meaning given that term in section 2 of the Responsible Financial Innovation Act of 2025;''; and

(G) in paragraph (8), as so redesignated, in subparagraph (A)(i), by inserting '', ancillary asset positions, and digital commodities positions'' after ''securities positions''.

(b) EXTENT OF CUSTOMER CLAIMS.—Section 746(b) of title 11, United States Code, is amended, in the matter preceding paragraph (1), by striking ''cash or a security'' and inserting ''cash, a security, an ancillary asset, or a digital commodity''.

(c) DEFINITIONS FOR COMMODITY BROKER LIQUIDATIONS.—Section 761 of title 11, United States Code, is amended—

(1) by redesignating paragraphs (11) through (17) as paragraphs (13) through (19), respectively;

(2) by redesignating paragraphs (2) through (10) as paragraphs (3) through (11), respectively;

(3) by inserting after paragraph (1) the following:

''(2) 'ancillary asset' has the meaning given that term section 2 of the Responsible Financial Innovation Act of 2025;'';

(4) in paragraph (11), as so redesignated, in subparagraph (A)—

(A) in clause (viii), by striking ''and'' at the end;

(B) in clause (ix), by striking ''but'' at the end and inserting ''and''; and

(C) by adding at the end the following:

''(x) any ancillary asset or digital commodity held, controlled, or managed for customers in connection with custody, trading, staking, lending, or related services, and accurately classified on the provider's daily records, received, acquired, or

held by or for the account of the debtor from or for the account of a customer; but''; and

(5) by inserting after paragraph (11), as so redesignated, the following:

''(12) 'digital commodity' has the meaning given that term in section 2 of the Responsible Financial Innovation Act of 2025;''.

(d) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 546(e) of title 11, United States Code, is amended—

(A) by striking ''section 741(7)'' and inserting ''section 741''; and

(B) by striking ''section 761(4)'' and inserting ''section 761''.

(2) Section 561 of title 11, United States Code, is amended—

(A) in paragraph (1), by striking ''section 741(7)'' and inserting ''section 741''; and

(B) in paragraph (2), by striking ''section 761(4)'' and inserting ''section 761''.

(3) Section 752(c) of title 11, United States Code, is amended by striking ''section 741(4)(B)'' and inserting ''section 471(5)(B)''.

(e) CLARIFICATION.—For the avoidance of doubt—

(1) nothing in this section or an amendment made by this section shall be construed to apply to securities or cash held by a broker-dealer and such assets and related claims shall be governed exclusively by the Securities Investor Protection Act of 1970 (15 U.S.C. 78aaa et seq.);

(2) nothing in this section or an amendment made by this section shall be construed to apply to deposits held by a bank or commodity contracts, which shall be governed by the relevant applicable law; and

(3) in any liquidation proceeding under subchapter III or IV of chapter 7 of title 11, United States Code, those provisions shall be construed to treat ancillary assets and digital commodities held for customers as customer property governed by title 11 and required to be distributed according to such title.

TITLE VII—EFFECTIVE DATE AND RULEMAKING

SEC. 701. JOINT ADVISORY COMMITTEE ON DIGITAL ASSETS.

(a) ESTABLISHMENT.—The Commodity Futures Trading Commission and the Securities and Exchange Commission (referred to collectively in this section as the

''Commissions'') shall jointly establish the Joint Advisory Committee on Digital Assets (referred to in this section as the ''Committee'').

(b) PURPOSE.—

(1) IN GENERAL.—The Committee shall—

(A) provide the Commissions with official findings and nonbinding recommendations on—

(i) the rules, regulations, oversight, and other matters of the Commissions relating to digital assets, including with respect to regulatory harmonization between the Commissions;

(ii) how to further the regulatory harmonization of digital asset policy between the Commissions or areas in which that harmonization should occur; and

(iii) the implementation by the Commissions of this Act, and the amendments made by this Act, including with respect to regulatory harmonization between the Commissions and the Joint Micro-Innovation Sandbox established pursuant to section 401;

(B) develop and share objective methods and best practices for evaluating digital asset

networks and activities, including, as appropriate, technical features, economic design, and implications for market integrity, investor protection, and operational resilience; and

(C) issue nonbinding recommendations to assist in resolving disputes between the Commissions, as provided in section 702(b).

(c) REVIEW BY THE COMMISSIONS.—Each of the Commissions shall—

(1) review the findings and nonbinding recommendations provided under subsection (b)(1)(A);

(2) promptly publish a public statement each time the Committee submits a finding or nonbinding recommendation to the applicable Commission under subsection (b)(1)(A) that—

(A) assesses the finding or recommendation;

(B) if applicable, discloses the action or decision not to take action; and

(C) if applicable, explains the rationale for the action or decision not to take action; and

(3) provide the Committee with a formal written response not later than 90 days after the date of submission of the finding or nonbinding recommendation under subsection (b)(1)(A).

(d) MEMBERSHIP AND LEADERSHIP.—

(1) NON-FEDERAL MEMBERS; SIZE AND COMPOSITION.—

(A) IN GENERAL.—The Commissions shall appoint to the Committee not more than 14 nongovernmental voting members who represent a broad spectrum of interests, equally divided between the Commissions.

(B) SPECIFIC MEMBERS.—For each of the Commissions, the appointees under subparagraph (A) of this paragraph shall include—

(i) 2 individuals described in paragraph (2)(A);

(ii) 2 individuals described in paragraph (2)(B);

(iii) 1 individual described in paragraph (2)(C); and

(iv) 2 individuals described in paragraph (2)(D).

(2) MEMBERS DESCRIBED.—A member described in this paragraph is—

(A) an individual who is employed by, or is a related person (as defined in section 103(a)) with respect to, a digital asset market participant;

(B) a person registered with either of the Commissions and that is engaged in activities relating to digital assets;

(C) an individual engaged in academic research relating to digital assets; and

(D) a user of digital assets.

(3) NIST.—The Director of the National Institute of Standards and Technology, or the designee of the Director, shall serve in an advisory capacity as a nonvoting, ex officio member of the Committee, and shall not be excluded from any proceedings, meetings, discussions, or deliberations of the Committee, except that the chair of the Committee, upon an affirmative vote of the Committee, may exclude the Director or the designee from any proceedings, meetings, discussions, or deliberations of the Committee when necessary to safeguard and promote the free exchange of confidential information.

(4) CO-DESIGNATED FEDERAL OFFICERS; COMMISSIONER SUPPORT.—

(A) CO-DESIGNATED FEDERAL OFFICERS.—

(i) IN GENERAL.—Each Commission shall designate 1 Federal officer to serve

as co-designated Federal officers of the Committee.

(ii) SHARED DUTIES.—The duties required by section 1009(e) of title 5, United States Code, to be carried out by a designated Federal officer with respect to the Committee shall be shared by the Federal officers of the Committee who are co-designated under clause (i).

(B) COMMISSIONER SUPPORT.—

(i) IN GENERAL.—Commissioners of the Commissions may be supported by officers or employees of the respective Commission who may prepare or transmit materials, coordinate with agency staff, liaise with Committee leadership, propose agenda items, gather information, and otherwise support the participation of that commissioner in Committee business, in an ex officio, nonvoting capacity.

(ii) RULE OF CONSTRUCTION.—An officer or employee described in clause (i) shall not be considered to be a member of the Committee for purposes of chapter 10 of title 5, United States Code.

(5) COMMITTEE LEADERSHIP.—The members of the Committee shall elect, from among the membership of the Committee—

(A) a chair;

(B) a vice chair;

(C) a secretary; and

(D) an assistant secretary.

(6) ROTATING CHAIR.—The chair and vice chair of the Committee shall rotate annually between the Commissions, with the Commission designating the chair in even-numbered calendar years, the Commodity Futures Trading Commission designating the chair in odd-numbered calendar years, the Commission designating the vice chair in odd-numbered calendar years, and the Commodity Futures Trading Commission designating the vice chair in even-numbered calendar years.

(7) TERMS; VACANCIES; HOLDOVER.—

(A) IN GENERAL.—Each non-Federal member of the Committee shall be appointed for a term of 4 years.

(B) SERVICE UNTIL NEW APPOINTMENT.—A member of the Committee may continue to serve after the expiration of the term of the member until a successor is appointed.

(C) VACANCIES.—A vacancy with respect to membership in the Committee shall be filled only for the remainder of the applicable term.

(D) REAPPOINTMENT.—A member of the Committee may be reappointed.

(8) STATUS OF MEMBERS.—A member of the Committee appointed under paragraph (1) shall not be deemed to be an employee or agent of either of the Commissions solely by reason of membership on the Committee.

(e) NO COMPENSATION FOR COMMITTEE MEMBERS.—

(1) NON-FEDERAL MEMBERS.—All Committee members appointed under subsection (d)(1) shall—

(A) serve without compensation; and

(B) while away from the home or regular place of business of the member in the performance of services for the Committee, be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in Government service are allowed expenses under section 5703 of title 5, United States Code.

(2) NO COMPENSATION FOR CO-DESIGNATED FEDERAL OFFICERS.—The Federal officers co-des-

ignated under subsection (d)(4)(A) shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(f) FREQUENCY OF MEETINGS.—The Committee shall meet—

(1) not less frequently than twice annually; and

(2) at such other times as either of the Commissions may request.

(g) PROCEDURES; ADVISORY NATURE.—

(1) IN GENERAL.—The Committee shall operate pursuant to chapter 10 of title 5, United States Code, except as otherwise expressly provided by this section.

(2) ADVISORY NATURE OF RECOMMENDATIONS.—The recommendations of the Committee are advisory in nature, shall not create any legal rights or obligations, and shall not limit or delay the independent authority of either of the Commissions.

(h) TIME LIMITS.—The Commissions shall—

(1) not later than 90 days after the date of enactment of this Act, adopt a joint charter for the Committee;

(2) not later than 120 days after the date of enactment of this Act, make the appointments required under subsection (d)(1); and

(3) not later than 180 days after the date of enactment of this Act, hold the initial meeting of the Committee.

(i) FUNDING.—Subject to the availability of funds, the Commissions shall jointly fund the Committee.

(j) DURATION AND RENEWAL.—

(1) INITIAL PERIOD.—The Committee shall remain in effect for 10 years beginning on the date of enactment of this section.

(2) RENEWAL THEREAFTER.—At the conclusion of the 10-year period described in paragraph (1)—

(A) the Committee shall be subject to subsections (a) and (b) of section 1013 of title 5, United States Code; and

(B) the Commissions may renew the Committee for successive 2-year periods by publishing a notice in the Federal Register, consistent with chapter 10 of title 5, United States Code.

SEC. 702. RESOLUTION OF DISAGREEMENTS.

(a) FORMAL NOTICE OF DISAGREEMENT.—

(1) IN GENERAL.—If the Commission and the Commodity Futures Trading Commission (referred to collectively in this section as the ''Commissions'') are unable to resolve a question concerning their respective authorities, responsibilities, or regulatory treatment under this Act (or an amendment made by this Act) with respect to digital asset activities, either of the Commissions may initiate a formal notice of disagreement.

(2) PROCEDURE.—The Commission that initiates a formal notice of disagreement under paragraph (1) shall—

(A) prepare a draft notice setting forth the matter in dispute, the relevant facts, and the legal position of the Commission; and

(B) transmit the draft to the other Commission.

(3) RESPONSE.—Not later than 30 days after a Commission receives a formal notice of disagreement under paragraph (2), that Commission shall provide a response, setting forth the legal position of that Commission.

(4) FINAL NOTICE.—Upon receiving a response under paragraph (3), the Commission that initiated a formal notice of disagreement under this sub-

section shall finalize and transmit that notice, which shall include the views of both Commissions, to the Secretary of the Treasury, the Joint Advisory Committee on Digital Assets established under section 701 (referred to in this section as the ''Committee''), and the Chair of the other Commission.

(b) JOINT ADVISORY COMMITTEE RECOMMENDATION.—Not later than 30 days after the date on which the Committee receives a formal notice of disagreement under subsection (a), the Committee shall issue a nonbinding recommendation to the Commissions regarding the disagreement.

(c) REFERRAL TO TREASURY; DETERMINATION.—

(1) IN GENERAL.—If, as of the date that is 30 days after the date on which one of the Commissions issues a formal notice of disagreement under subsection (a), the Commissions are unable to resolve the disagreement, either Commission may refer the matter to the Secretary of the Treasury for resolution.

(2) WRITTEN DETERMINATION.—Not later than 30 days after the date on which the Secretary of the Treasury receives a referral under paragraph (1), the Secretary shall issue a written determination regarding the matter, which—

(A) shall be binding on the actions of the Commissions unless and until superseded by a subsequent determination of the Secretary, by joint rulemaking of the Commissions, or by a duly enacted Act of Congress; and

(B) shall not otherwise have the force or effect of law.

(3) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to alter, displace, or preclude any procedures, requirements, or remedies applicable under chapter 5 of title 5, United States Code.

(d) PUBLICATION.—All formal notices of disagreement, recommendations, and determinations under this section shall be published in the Federal Register, except to the extent that such publication would disclose—

(1) confidential supervisory information;

(2) trade secrets; or

(3) commercial or financial information that is obtained from a person and is privileged or confidential or could otherwise compromise market integrity.

SEC. 703. RULEMAKINGS.

Except as otherwise provided, not later than 1 year after the date of enactment of this Act, each applicable regulator shall promulgate regulations to carry out this

Act, and the amendments made by this Act, through appropriate notice and comment rulemaking.

SEC. 704. EFFECTIVE DATE.

This Act, and the amendments made by this Act, shall take effect on the date that is 360 days after the date of enactment of this Act, except that, if a provision of this Act, or an amendment made by this Act, requires a rulemaking, that provision shall take effect on the later of—

(1) the date that is 360 days after the date of enactment of this Act; or

(2) the date that is 60 days after the publication in the Federal Register of the final rule implementing the provision.