

Changes to the Digital Asset Market Structure Discussion Draft

Title I

Sec. 101. Definitions under the Securities Act of 1933.

- The definition of *decentralized network* was modified to better account for the operations of blockchain systems.
- The definition of *decentralized organization* was renamed to *decentralized governance system* and expanded to include off-chain governance systems.
- The definition of *digital asset* was modified to exclude other regulated financial products, including traditional securities and derivatives instruments.

Sec. 102. Definitions under the Commodity Exchange Act.

- The definition of *commodity pool*, *commodity pool operator*, and *commodity trading advisor* were modified to integrate digital asset investment pools into the commodity pool framework.
- The definition of an associated person of a digital commodity broker or digital commodity dealer was added.

Sec. 105. Notice of intent to register for digital commodity exchanges, brokers, and dealers.

- Provisional registration was modified to reduce the implementation burden on the Commission and better execute the sponsors' intent.
- The section does not limit any anti-manipulation, anti-fraud, or false reporting enforcement authority of the Commission.

Sec. 106. Notice of intent to register for SEC intermediaries.

- Provisional registration was modified to reduce the implementation burden on the Commission and better execute the sponsors' intent.
- The section does not limit any anti-manipulation, anti-fraud, or false reporting enforcement authority of the Commission.

Sec. 109. Implementation.

- A new section was added to direct the implementation of the law, including a timeline for rulemakings and additional authorities related to implementation.

Title II

Sec. 201. Exempted transactions in digital assets.

- The limitations for non-accredited investors were modified to mirror Reg A.
- Additional initial and ongoing disclosures were added.

Sec. 202. Requirements to transact in certain digital assets.

- The safe harbor for transactions in digital commodities was modified to exclude transactions with securities.

Sec. 204. Certification of certain digital assets.

- The information required to be presented to the Securities and Exchange Commission was expanded to include significantly more detail regarding the blockchain system and its operations and condition.
- The review process was modified to permit the Commission to streamline the review of multiple similar submissions.
- The process to reconsider the certification of a network was modified to require the Commodity Futures Trading Commission to initiate the reconsideration process.
- Filers were provided the ability to appeal a rebuttal or withdrawal of certification directly to the U.S. Court of Appeals for the District of Columbia.
- Filers who knowingly provide false information face legal liability.

Sec. 205. Effective Date.

- Title II was made to be effective 360 days after enactment or not less than 60 days after the publication of the final rule.

Title III

Sec. 301. Treatment of digital commodities and other digital assets.

- Definitions were added or modified to better execute the sponsors' intent.

Sec. 302. Antifraud authority over payment stablecoins.

- The Securities and Exchange Commission's authority over permitted payment stablecoins was modified to make clear that the Commission has no authority over the design or issuance of permitted payment stablecoins regulated under payment stablecoin legislation.

Sec. 303. Registration of Digital Asset Trading Systems.

- Provides a new registration category at the Securities and Exchange Commission for a *Digital Asset Trading System* (DATS).

Sec. 304. Requirements for Digital Asset Trading Systems.

- Subjects a DATS to comprehensive oversight by the Securities and Exchange Commission, including requirements for custody and segregation of customer assets, order display, fair access, security, examinations and inspections, recordkeeping, reporting, and confidentiality.
- Formally designates DATSs as "financial institutions" under the Bank Secrecy Act.

Sec. 305. Registration of Digital Asset Brokers and Digital Asset Dealers.

- Provides new registration categories at the Securities and Exchange Commission for *Digital Asset Brokers* (DABs) and *Digital Asset Dealers* (DADs).
- Requires DABs and DADs to be members of FINRA.

Sec. 306. Requirements of Digital Asset Brokers and Digital Asset Dealers.

- Subjects DABs and DADs to comprehensive oversight by the Securities and Exchange Commission, including requirements for custody and segregation of customer assets, capital requirements, reporting, and recordkeeping.
- Customers of digital asset brokers and dealers are permitted to elect to participate in any staking, validating, or similar service administered by the broker or dealer.
- The prohibition on use of a customer's digital assets was expanded to explicitly include using customer assets for staking, validating, or governance, without the express direction of the customer.

- Formally designates DABs and DADs as “financial institutions” under the Bank Secrecy Act.

Sec. 307. Rules related to conflicts of interest.

- Requires each DATS, DAB, and DAD to establish, maintain, and enforce written policies and procedures to mitigate conflicts of interest.

Sec. 311. Registration and requirements for Notice-Registered Digital Asset Clearing Agencies.

- Requires a digital asset clearing agency to register with the Commission and directs the SEC to issue rules for digital asset clearing agencies.

Sec. 312. Treatment of Custody Activities by Banking Institutions.

- Clarifies the accounting treatment of digital assets for banks, credit unions, and other regulated financial institutions.

Sec. 313. Effective Date.

- Title III was made to be effective 360 days after enactment or not less than 60 days after the publication of the final rule.

Title IV

Sec. 401. Commission jurisdiction over digital commodity transactions.

- The Commodity Futures Trading Commission’s authority over certain transactions involving both a digital commodity and a security was modified to remove the CFTC’s exclusive jurisdiction over such transactions, but require certain persons engaged in such transactions to share the details of the transaction with the CFTC upon request.
- The Commodity Futures Trading Commission’s authority over permitted payment stablecoins was clarified to be limited only to those transactions which occur on or through an entity registered with the Commission.
- The Commodity Futures Trading Commission’s authority over permitted payment stablecoins was further modified to make clear that the Commission has no authority over the design or issuance of permitted payment stablecoins regulated under payment stablecoin legislation.

Sec. 404. Registration of digital commodity exchanges.

- Digital Commodity Exchanges (DCEs) or any affiliate is prohibited from being a counterparty to any transaction executed on or subject to the rules of the exchange.
- Customers of digital commodity exchanges are permitted to elect to participate in any staking, validating, or similar service administered by the exchange.
- The prohibition on use of a customer’s digital commodities by a DCE or custodian was expanded to explicitly include using customer assets for staking, validating, or governance, without the express direction of the customer.
- Retail market participants are required to access the DCE through a digital commodity broker, ensuring that all retail market participants are treated equally and benefit from the same customer protection obligations.
- DCEs were formally designated as “financial institutions” under the Bank Secrecy Act.

Sec. 405. Qualified digital commodity custodians.



- Provides for qualified digital commodity custodians (QDCCs) to meet minimum standards necessary to protect customer assets.
- Requires the QDCC to be evaluated as part of the CFTC registration process for a digital commodity exchange, digital commodity broker, or digital commodity dealer.
- Permits a federally regulated entity to be deemed to meet such minimum standards.
- Permits the CFTC to write additional requirements for DCEs, DCBs, and DCDs to meet with respect to a QDCC.



Sec. 406. Registration and regulation of digital commodity brokers and dealers.

- Customers of digital commodity brokers and dealers are permitted to elect to participate in any staking, validating, or similar service administered by the digital commodity brokers and dealers.
- The prohibition on use of a customer's digital commodities was expanded to explicitly include using customer assets for staking, validating, or governance, without the express direction of the customer.
- DCBs and DCDs were formally designated as "financial institutions" under the Bank Secrecy Act.

Sec. 408. Registration of Commodity Pool Operators and Commodity Trading Advisors.

- Requires new commodity pool operators engaged with digital commodities to register on the same terms as commodity trading advisors engaged in similar activities.



Sec. 410. Effective Date

- Title IV was made to be effective 360 days after enactment or not less than 60 days after the publication of the final rule.

Title V

Sec. 503. CFTC-SEC Joint Advisory Committee on Digital Assets.

- Requires the advisory committee to examine the potential for blockchains and digital assets to improve financial markets and better protect financial market participants.

Sec. 505. Study on Decentralized Finance.

- Made modifications to better match changes in the legislation and execute the sponsors' intent.

Sec. 507. Study on Financial Market Infrastructure Improvements.

- Requires the SEC and CFTC to jointly study the potential for tokenized securities and derivatives and consider rule changes to foster the development of such products.

