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# House Passes Crypto Market Structure Framework After Resolving Standoff on the Floor, 294-134

## 78 Democrats Support CLARITY Act Despite Ranking Member Waters' Criticism

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A day after a dispute among Republicans delayed floor action on a trio of cryptocurrency bills for most of two days, the House today (Thursday, July 17) passed a sweeping bill (HR 3633) establishing a framework for market regulation of digital assets. The vote was 294-134, with 78 Democrats joining all Republicans in voting for the bill. The House on Thursday was also expected to pass a Senate-passed stablecoins regulation bill (S. 1582), clearing it for the president's signature, and a third bill (HR 1919) that would block the Federal Reserve System from studying or implementing a central bank digital currency (CBDC).

On Tuesday and Wednesday (July 15-16), a group of conservative Republican members who sought to merge the CBDC bill with HR 3633 had blocked passage of a rule governing debate on the crypto bills, freezing the House in place until late in the evening while GOP leaders tried to find a solution. In the end, leaders and the GOP faction agreed to add the CBDC bill to the must-pass National Defense Authorization Act (NDAA) later this year. The vote on the rule was held open for nine hours, breaking the record of 7 hours 24 minutes that had been set just two weeks earlier with a vote on the One Big, Beautiful Bill Act, the massive budget-reconciliation bill.

HR 3633, the *Digital Asset Market Clarity Act*, or CLARITY Act, is sponsored by Financial Services Committee Chairman French Hill (R-AR) and Agriculture Committee Chairman Glenn Thompson (R-PA), along with several original cosponsors. The bill would establish regulations for key issues surrounding the trading of digital assets, including what constitutes a commodity or a security and which regulators would oversee different kinds of products. Notably, because House Financial Services Committee Republicans did not have the opportunity to bring their own stablecoins regulation bill to the floor and instead accepted the Senate's bill (S. 1582) without changes, HR 3633 includes a group of provisions that would reopen the stablecoins bill after it becomes law. Presuming these provisions remain in the final market structure bill that is expected to be considered this fall, after the Senate processes its own version, these would make changes related to nonfinancial stablecoin issuers, commodity-backed stablecoins and accounting requirements for issuers (see summary below).

A similar crypto market structure bill from the previous Congress, the Financial Innovation and Technology for the 21st Century Act ("FIT21"), passed the House in May 2024 by a vote of 279-136, with 71 Democrats in support. This year's version also attracted significant support from Democrats despite opposition from Financial Services Committee Ranking Member Maxine Waters (D-CA), who said HR 3633 "should be called the CALAMITY Act... This bill would lead to increased investor harm, plant the seeds for the next financial crisis, and endanger our national security." Waters said the former chairman of the Commodity Futures Trading Commission (CFTC) last week "warned that this bill would allow traditional companies, like Apple or Google, to evade securities laws."

### Features of HR 3633, the CLARITY Act

The 250-page market structure bill would place most cryptocurrencies under a unified federal regime and draw clear lines between securities law and commodity oversight, as overseen by the SEC and the CFTC, respectively. Broadly, HR 3633 seeks to do this by extending the existing disclosure-based regime for securities and commodities to cryptocurrency, while updating the regime for digital assets.

**New definitions.** The bill defines the key terms “digital commodity,” “investment contract asset,” “mature blockchain system,” and “permitted payment stablecoin.” The bill amends the Securities Act, Exchange Act, and Commodity Exchange Act to reflect those terms. A digital commodity would be defined as any digital asset that is “intrinsically linked to a blockchain system,” as long as it is used to “transfer value between participants in the blockchain system.” That definition would encompass the overwhelming majority of popular cryptocurrencies, such as Ethereum, Solana, Cardano, XRP and Dogecoin. Issuers of digital assets would be able to register with the SEC to use tokens to raise money for new ventures under that agency’s supervision.

**‘Mature’ networks.** Primary token offerings are given a four-year safe harbor if the underlying network reaches “mature” status and the issuer’s total amount of capital raised remains below \$75 million during any 12-month window. Observers had noted that in the previous bill, there was some uncertainty surrounding whether exchange listings were securities or commodities. To address concerns about “insiders” after the initial discussion draft was released, the bill’s restrictions on token sales now apply to affiliated and related persons. Those rules taper off after a blockchain system is deemed “mature.”

**CFTC vs. SEC jurisdiction.** According to the staff summary, the bill gives the CFTC “exclusive regulatory jurisdiction over digital commodity cash or spot markets that occur on or with new CFTC-registered entities,” which sponsors say account for most crypto trading activity, as well as brokerage and custody of digital commodities. The bill maintains dual oversight of hybrid products that combine commodities and securities. SEC-regulated alternative trading systems and broker-dealers that handle only digital commodities would have to file a notice rather than acquire a new license. Meanwhile, in a new provision added to the substitute amendment, “native” crypto venues (such as digital commodity exchanges, brokers or dealers) would have to complete a provisional registration with the CFTC within 180 days and join a self-regulatory organization (SRO). Provisionally registered firms would have to meet disclosure, recordkeeping and membership requirements until the CFTC implements a full registration regime.

Another new provision included in the substitute amendment clarifies and codifies that digital assets sold via investment contracts are not securities, and preempts conflicting state securities laws in this area.

**Banks and stablecoins.** The bill keeps bank-regulated payment stablecoins outside of the rules for commodities and requires crypto intermediaries to comply with Bank Secrecy Act obligations. (BSA rules would only apply to centralized intermediaries.) Transactional authority over payment stablecoins would be placed with whichever regulator currently oversees the firms doing such trades. A new Section 312 of the bill permits national banks and insured state banks to use digital assets and blockchain technology to deliver legal services, as long as they comply with existing rules.

**DeFi and custody of assets.** In new language included in the substitute amendment, the bill exempts certain decentralized finance (DeFi) operations and wallet providers – including non-custodial protocol participants such as developers and validators – from SEC oversight, and prohibits regulators in the future from requiring custody firms to hold their customers’ assets as liabilities on their own balance sheets, as the SEC staff tried to do with the SAB 121 accounting bulletin that was overturned by the GOP-controlled Congress in April. Dealers and brokers would have to segregate customers’ funds from their own and disclose conflicts of interest, however. “Qualified digital asset custodians,” previously defined narrowly by the SEC, would be redefined as custodians that are under “adequate supervision and appropriate regulation by certain federal, state or foreign authorities.” The CFTC would define what “adequate” and “appropriate” mean in that context.

The SEC, CFTC and Treasury Department would be required to study decentralized finance and produce a report within a year of enactment on how regulation of DeFi would play out. The Government Accountability Office (GAO) would also have to draft a report on DeFi and non-fungible tokens (NFTs).

Secondary markets. The CFTC would supervise trading venues for most secondary sales of digital assets. Section 203 of the bill effectively codifies the decision in the *SEC vs. Ripple* case, where the court ruled that transactions on a secondary market were not necessarily securities, even if the initial sale was.

Collaboration with overseas authorities. The bill directs the SEC and CFTC to coordinate with foreign digital asset regulators to allow cross-border information sharing.

To fund implementation, the bill authorizes the CFTC to impose and collect fees from registrants for four fiscal years after enactment, an authority that sunsets automatically in a bid to push regulators to draft and finalize the new rules.

**Changes to stablecoins bill (S. 1582).** Starting in Section 512, HR 3633 makes a series of changes to the GENIUS Act stablecoins bill that is expected to be signed into law by the president this week. Presuming this language remains in the final crypto market structure bill when it is ultimately passed by both chambers, these modifications would reopen the law to address a handful of issues the Financial Services Committee had sought to address. These include a provision blocking nonfinancial companies from retaining or acquiring control of a nonbank entity that is an approved stablecoin issuer. The Federal Reserve and other agencies would issue rules listing activities that are considered financial in nature. HR 3633 would also strike a requirement in the GENIUS Act that nonfinancial companies must be approved by a board of financial regulators in order to issue stablecoins, and allow for qualified commodity-backed stablecoins.

The bill also adds language to the GENIUS Act's requirement that stablecoin issuers publish a monthly audited statement of reserves. Issuers would also have to establish and maintain "an adequate internal control structure" for meeting reserve requirements, in accordance with a framework determined by their regulator. Issuers also must obtain an annual attestation report by a registered public accounting firm "attesting to management's assertions concerning the effectiveness of the internal control structure" and their procedures for complying with capital reserve requirements.

If you have questions, please contact [Will Heyniger](#) or [Bob Schellhas](#) at Washington Council Ernst & Young.

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