

[DISCUSSION DRAFT]

118TH CONGRESS  
2D SESSION

**H. R.** \_\_\_\_\_

To amend the Securities Exchange Act of 1934 to exclude decentralized finance activities from that Act, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

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

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**A BILL**

To amend the Securities Exchange Act of 1934 to exclude decentralized finance activities from that Act, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. EXCLUSION FOR DECENTRALIZED FINANCE AC-**  
4 **TIVITIES.**

5 The Securities Exchange Act of 1934 (15 U.S.C. 78a  
6 et seq.) is amended by inserting after section 15G the fol-  
7 lowing:

1 **“SEC. 15H. DECENTRALIZED FINANCE ACTIVITIES NOT SUB-**  
2 **JECT TO THIS ACT.**

3 “(a) IN GENERAL.—Notwithstanding any other pro-  
4 vision of this Act, a person shall not be subject to this  
5 Act and the regulations thereunder based on the person  
6 directly or indirectly engaging in any of the following ac-  
7 tivities, whether singly or in combination thereof, in rela-  
8 tion to the operation of a blockchain system or in relation  
9 to decentralized finance:

10 “(1) Compiling network transactions, operating  
11 or participating in a liquidity pool, relaying, search-  
12 ing, sequencing, validating, or acting in a similar ca-  
13 pacity with respect to a digital asset.

14 “(2) Providing computational work, operating a  
15 node, or procuring, offering, or utilizing network  
16 bandwidth, or other similar incidental services with  
17 respect to a digital asset.

18 “(3) Providing a user-interface that enables a  
19 user to read and access data about a blockchain sys-  
20 tem, send messages, or otherwise interact with a  
21 blockchain system.

22 “(4) Developing, publishing, constituting, ad-  
23 ministering, maintaining, or otherwise distributing a  
24 blockchain system.

25 “(5) Developing, publishing, constituting, ad-  
26 ministering, maintaining, or otherwise distributing

1 software or systems that create or deploy a hard-  
2 ware or software wallet or other system facilitating  
3 an individual user’s own personal ability to keep,  
4 safeguard, or custody such user’s digital assets or  
5 related private keys.

6 “(b) EXCEPTIONS.—Subsection (a) shall not apply to  
7 the anti-fraud and anti-manipulation authorities of the  
8 Commission.

9 “(c) DEFINITIONS.—In this section:

10 “(1) BLOCKCHAIN SYSTEM.—The term  
11 ‘blockchain system’ means—

12 “(A) any technology—

13 “(i) where data is—

14 “(I) shared across a network to  
15 create a public ledger of verified  
16 transactions or information among  
17 network participants;

18 “(II) linked using cryptography  
19 to maintain the integrity of the public  
20 ledger and to execute other functions;  
21 and

22 “(III) distributed among network  
23 participants in an automated fashion  
24 to concurrently update network par-

1                   ticipants on the state of the public  
2                   ledger and any other functions; and  
3                   “(ii) composed of source code that is  
4                   publicly available; or  
5                   “(B) any executable software—  
6                   “(i) deployed to technology described  
7                   in subparagraph (A); and  
8                   “(ii) which is composed of source code  
9                   that is publicly available and accessible, in-  
10                  cluding a smart contract or any network of  
11                  smart contracts.

12               “(2) DECENTRALIZED FINANCE.—The term  
13               ‘decentralized finance’ means any service utilizing a  
14               blockchain system that allows users to engage in fi-  
15               nancial transactions in a self-directed manner so  
16               that a third-party intermediary does not effectuate  
17               the transactions or take custody of digital assets of  
18               a user during any part of the transactions.

19               “(3) DIGITAL ASSET.—

20               “(A) IN GENERAL.—The term ‘digital  
21               asset’ means any fungible digital representation  
22               of value that can be exclusively possessed and  
23               transferred, person to person, without necessary  
24               reliance on an intermediary, and is recorded on

1 a cryptographically secured public distributed  
2 ledger.

3 “(B) EXCLUSIONS.—The term ‘digital  
4 asset’ does not include—

5 “(i) any note, stock, treasury stock,  
6 security future, security-based swap, bond,  
7 debenture, evidence of indebtedness, cer-  
8 tificate of interest or participation in any  
9 profit-sharing agreement, collateral-trust  
10 certificate, preorganization certificate or  
11 subscription, transferable share, voting-  
12 trust certificate, certificate of deposit for a  
13 security, fractional undivided interest in  
14 oil, gas, or other mineral rights, any put,  
15 call, straddle, option, privilege on any secu-  
16 rity, certificate of deposit, or group or  
17 index of securities (including any interest  
18 therein or based on the value thereof); or

19 “(ii) any asset which, based on its  
20 terms and other characteristics, is, rep-  
21 resents, or is functionally equivalent to an  
22 agreement, contract, or transaction that  
23 is—

24 “(I) a contract of sale of a com-  
25 modity (as defined under section 1a of

1 the Commodity Exchange Act) for fu-  
2 ture delivery or an option thereon;  
3 “(II) a security futures product;  
4 “(III) a swap;  
5 “(IV) an agreement, contract, or  
6 transaction described in section  
7 2(c)(2)(C)(i) or 2(c)(2)(D)(i) of the  
8 Commodity Exchange Act;  
9 “(V) a commodity option author-  
10 ized under section 4c of the Com-  
11 modity Exchange Act; or  
12 “(VI) a leverage transaction au-  
13 thORIZED under section 19 of the Com-  
14 modity Exchange Act.”.