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(Original Signature of Member)

118TH CONGRESS
2D SESSION

H. R. _____

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

IN THE HOUSE OF REPRESENTATIVES

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

A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Evaluating DeFi Op-
5 portunities Act”.

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (B) interoperability of blockchain systems;

9 (C) market competition and innovation;

10 (D) transaction efficiency;

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

13 (F) disintermediation;

14 (G) privacy of user data;

15 (H) security of user personally identifiable
16 information;

17 (I) autonomy;

18 (J) accessibility by users; and

19 (K) affordability for users;

20 (7) the risks of decentralized finance, includ-
21 ing—

22 (A) pseudonymity of users and trans-
23 actions;

24 (B) disintermediation; and

25 (C) cybersecurity vulnerabilities;

1 (8) the extent to which decentralized finance
2 has integrated with the traditional financial markets
3 and any potential risks or improvements to the sta-
4 bility of the markets;

5 (9) how the levels of illicit activity in decentral-
6 ized finance compare with the levels of illicit activity
7 in traditional financial markets;

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

11 (11) how decentralized finance may increase the
12 accessibility and efficiency of cross-border trans-
13 actions;

14 (12) the feasibility of embedding self-executing
15 compliance and risk controls into decentralized fi-
16 nance; and

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

21 (b) REPORT.—Not later than 180 days after the date
22 of enactment of this Act, the Secretary of the Treasury,
23 in coordination with the Securities and Exchange Commis-
24 sion and Commodity Futures Trading Commission, shall
25 submit to the relevant congressional committees a report

1 that includes the results of the study required by sub-
2 section (a).

3 (c) GAO STUDY.—The Comptroller General of the
4 United States shall—

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

8 (2) not later than 180 days after the date of
9 enactment of this Act, submit to the relevant con-
10 gressional committees a report that includes the re-
11 sults of the study required by paragraph (1).

12 (d) DEFINITIONS.—In this section:

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

20 (2) RELEVANT CONGRESSIONAL COMMIT-
21 TEES.—The term “relevant congressional commit-
22 tees” means—

23 (A) the Committees on Financial Services
24 and Agriculture of the House of Representa-
25 tives; and

1 (B) the Committees on Banking, Housing,
2 and Urban Affairs and Agriculture, Nutrition,
3 and Forestry of the Senate.