

AMENDMENT TO RULES COMMITTEE PRINT 119-6
OFFERED BY MR. CASTEN OF ILLINOIS

Page 230, line 17, add “and” at the end.

Page 230, line 19, strike “; and” and insert a period.

Page 230, strike lines 20 through 22.

Insert after section 505 the following (and redesignate subsequent sections accordingly):

1 SEC. 506. PUBLIC-PRIVATE PARTNERSHIP WITH DECEN-
2 TRALIZED FINANCE SERVICES.

3 (a) PUBLIC-PRIVATE PARTNERSHIP PROGRAM FOR
4 DECENTRALIZED FINANCE SERVICES.—

5 (1) IN GENERAL.—Not later than 6 months
6 after the date of enactment of this Act, the Sec-
7 retary of the Treasury, in consultation with the Fi-
8 nancial Crimes Enforcement Network, the Office of
9 Foreign Assets Control, the Federal Bureau of In-
10 vestigation, the United States Secret Service, the
11 National Institute of Standards and Technology, the
12 Cybersecurity and Infrastructure Security Agency,
13 and such other relevant agencies as determined by
14 the Secretary of the Treasury, shall develop a public-

1 private partnership program with decentralized fi-
2 nance services and relevant risk management experts
3 to—

4 (A) focus on decentralized finance applica-
5 tions and front-end user interfaces;

6 (B) consider integrating anti-money laun-
7 dering, identity verification, sanctions, and cy-
8 bersecurity controls and other technological so-
9 lutions into decentralized smart contracts prior
10 to deployment on a public blockchain network;

11 (C) test the capabilities of such integrated
12 controls in decentralized smart contracts;

13 (D) consider establishing a regulatory
14 gateway to external, verifiable data inputs and
15 outputs that are capable of upgrading smart
16 contract behavior after it has been deployed;
17 and

18 (E) provide legislative and regulatory rec-
19 ommendations related to integrated compliance
20 mechanisms for decentralized finance services.

21 (2) SUNSET.—The public-private partnership
22 program developed under paragraph (1) shall termi-
23 nate 18 months after the date of enactment of this
24 Act.

1 (3) RULE OF CONSTRUCTION.—Nothing in
2 paragraph (1) shall be construed to limit, impair, or
3 otherwise affect the supervisory, regulatory, or en-
4 forcement authority or the jurisdiction of the agen-
5 cies described in paragraph (1) under any applicable
6 law.

7 (4) INTERAGENCY COORDINATION.—The Sec-
8 retary of the Treasury shall share the recommenda-
9 tions provided pursuant to paragraph (1)(E) with
10 other appropriate agencies, and such agencies shall
11 take the recommendations into account when issuing
12 rules or carrying out supervisory functions.

13 (b) FINCEN ADVISORY.—Not later than 18 months
14 after the date of enactment of this Act, the Financial
15 Crimes Enforcement Network shall publish an advisory re-
16 lated to the responsible development, deployment, and on-
17 going operation of decentralized finance services on a pub-
18 lic blockchain network for the purposes of strengthening
19 compliance with the Bank Secrecy Act.

20 (c) RULEMAKING TO MODERNIZE AND STRENGTHEN
21 BANK SECRECY ACT REQUIREMENTS FOR DECENTRAL-
22 IZED FINANCE SERVICES.—Not later than 30 months
23 after the date of enactment of this Act, the Secretary of
24 the Treasury shall issue a rule to—

1 (1) further define the terms “decentralized fi-
2 nance service” and “decentralized smart contract”;
3 and

4 (2) expressly require that a decentralized fi-
5 nance service implements and maintains—

6 (A) a risk-based anti-money laundering
7 program that meets the requirements under the
8 Bank Secrecy Act; and

9 (B) a risk-based sanctions compliance pro-
10 gram.

11 (d) DEFINITIONS.—In this section:

12 (1) BANK SECRECY ACT.—The term “Bank Se-
13 crecy Act” means—

14 (A) section 21 of the Federal Deposit In-
15 surance Act (12 U.S.C. 1829b);

16 (B) chapter 2 of title I of Public Law 91–
17 508 (12 U.S.C. 1951 et seq.); and

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

20 (2) DECENTRALIZED FINANCE SERVICE.—

21 (A) IN GENERAL.—The term “decentral-
22 ized finance service” means a protocol, applica-
23 tion, or service that, through the use of decen-
24 tralized smart contracts deployed on a public
25 blockchain network, facilitates digital asset

1 transactions or the exchange of digital assets
2 for other digital assets or fiat currency and may
3 include—

4 (i) a peer-to-peer digital asset trading
5 platform;

6 (ii) a digital asset lending protocol;

7 (iii) a digital asset staking or liquidity
8 service;

9 (iv) a digital asset mixing service;

10 (v) a cross-chain bridge service pro-
11 vider; or

12 (vi) any other decentralized finance
13 service determined by the Secretary of the
14 Treasury.

15 (B) EXCEPTION.—The term “decentralized
16 finance service” does not include a protocol that
17 is controlled by a covered person, either directly
18 or acting through any trust, corporation, part-
19 nership, limited liability company, unincor-
20 porated association, political committee, non-
21 profit organization, or other entity or person.

22 (C) DEFINITIONS.—In this paragraph:

23 (i) COVERED PERSON.—The term
24 “covered person” means—

25 (I) the President;

- 1 (II) the Vice President;
2 (III) a Member of Congress;
3 (IV) a senior executive branch
4 employee; or
5 (V) the spouse, child, son-in-law,
6 or daughter-in-law, as determined
7 under applicable common law, of any
8 individual described in subclause (I),
9 (II), (III), or (IV).

10 (ii) SENIOR EXECUTIVE BRANCH EM-
11 PLOYEE.—The term “senior executive
12 branch employee” means an executive
13 branch employee—

14 (I) who is employed in a position
15 listed in section 5312 of title 5,
16 United States Code, or for which the
17 rate of pay is equal to the rate of pay
18 payable for level I of the Executive
19 Schedule;

20 (II) who is employed in a posi-
21 tion—

22 (aa) in the Executive Office
23 of the President; and

24 (bb) listed in section 5313 of
25 title 5, United States Code, or

1 for which the rate of pay is equal
2 to the rate of pay payable for
3 level II of the Executive Sched-
4 ule;

5 (III) who is appointed by the
6 President pursuant to section
7 105(a)(2)(A) of title 3, United States
8 Code; or

9 (IV) who is appointed by the Vice
10 President pursuant to section
11 106(a)(1)(A) of title 3, United States
12 Code.

13 (3) DECENTRALIZED SMART CONTRACT.—The
14 term “decentralized smart contract” means a digital
15 contract or collections of computer code on a public
16 blockchain network that are automatically executed
17 if specific conditions are met.

18 (4) PUBLIC BLOCKCHAIN NETWORK.—The term
19 “public blockchain network” means an open source,
20 decentralized, permissionless distributed ledger sys-
21 tem that records digital asset transactions.

22 (5) RISK MANAGEMENT EXPERT.—The term
23 “risk management expert” means a person or entity
24 with specialized knowledge or expertise in identi-
25 fying, preventing, and managing illicit finance, cy-

1 bersecurity, or compliance risks associated with de-
2 centralized finance services, and may include—

3 (A) an identity verification software pro-
4 vider;

5 (B) a fraud detection service;

6 (C) a blockchain analytics firm;

7 (D) a smart contract auditor;

8 (E) a blockchain oracle service;

9 (F) a blockchain cybersecurity service; and

10 (G) any other relevant risk management
11 experts as determined by the Secretary of the
12 Treasury.

