

DIGITAL ASSET MARKET STRUCTURE DISCUSSION DRAFT



May 13, 2025

Review of Title IV - Registration for Intermediaries at the CFTC

Review of Title V - Innovation and Technology Improvements

I BACKGROUND

- The [Digital Asset Market Structure Discussion Draft](#) was published on May 5, 2025, by:
 - House Committee on Financial Services Chairman [French Hill \(AR-02\)](#)
 - House Committee on Agriculture Chairman [G.T. Thompson \(PA-15\)](#)
 - House Committee on Financial Services Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence Chair [Bryan Steil \(WI-01\)](#)
 - House Committee on Agriculture Subcommittee on Commodity Markets, Digital Assets, and Rural Development Chair [Dusty Johnson \(SD-AL\)](#)
- The draft is *[a bill to establish a regulatory framework for the trading of digital assets in the United States](#)*.
- The draft bill is structured in five titles.
- The draft follows, in some respects, the FIT21 bill released in 2024.
- This deck provides the highlights of Title IV and Title V of the draft; the summary of Title I can be found [here](#), Title II can be found [here](#) and Title III can be found [here](#).

| TITLE IV - Registration for Intermediaries at the CFTC

CFTC jurisdiction over digital commodity transactions

- Grants the Commodity Futures Trading Commission (CFTC) authority over certain transactions in digital assets.
- Section 401 provides the CFTC with new exclusive regulatory and supervisory jurisdiction over digital commodity cash or spot markets, provided they occur on or with the new CFTC registered entities created in this Act:
 - Digital commodity exchanges
 - Digital commodity dealers
 - Digital commodity brokers

This new authority is intended to complement the CFTC's existing anti-fraud and anti-manipulation authority over all cash or spot market commodity transactions, including cash or spot market transactions in digital commodities and other digital assets.

- Section 401 also provides the CFTC with authority over transactions with or involving a permitted payment stablecoin that occur on or with a CFTC-registered entity (*except the CFTC is prohibited from implementing rules or regulations or imposing requirements or obligations on a CFTC-registered entity that is a "permitted payment stablecoin issuer regarding its stablecoin operations"*).

| TITLE IV - Registration for Intermediaries at the CFTC

Qualified digital commodity custodians

- Requires futures commission merchants (FCMs) to hold customers' digital commodities in a qualified digital commodity custodian.

Trading certification and approval process for digital commodities for all CFTC-registered entities

- Establishes the process by which a registered entity, or a group of registered entities acting in concert, may determine that digital commodities are eligible to be traded on or through entities registered with the CFTC.
- The CFTC will have up to 80 days to review a certification application.
- A digital commodity exchange, broker, or dealer applying for CFTC registration may seek prior approval to list or offer certain digital commodities when registered with the CFTC.

Limited exemption

- A trading facility that offers a cash or spot market in at least one digital commodity shall not be required to register, provided (i) it permits no more than a de minimis amount of trading (as determined by the CFTC) OR (ii) it services only customers in a single state or territory.

| TITLE IV - Registration for Intermediaries at the CFTC

Digital commodity listing

- A registered entity or group of registered entities acting in concert may submit a certification to the CFTC that the digital commodity meets the requirements of Section 5i(c)(3) of this draft bill and the requirements of the Commodity Exchange Act (CEA), including that it is not readily susceptible to manipulation.
- All of the following information is to be included in the certification:
 - Source code for any blockchain system to which the digital commodity relates
 - A narrative description of the steps required to independently access, search, and verify the transaction history
 - A narrative description of the tokenomics of the digital commodity
 - Trading volume and volatility of the digital commodity
 - Any additional information required by, and in the format prescribed by, the CFTC

In making a certification, an eligible entity may rely on the records and disclosures of any relevant person registered with the SEC or other state or federal agency.

| TITLE IV - Registration for Intermediaries at the CFTC

Registration of digital commodity exchanges

- Registered digital commodity exchanges must comply with core principles that include:
 - listing standards
 - treatment of customer assets
 - trade surveillance
 - capital
 - conflicts of interest
 - reporting
 - system safeguards
- Subject to the core principles, digital commodity exchanges are allowed to list only those digital commodities that are not readily susceptible to manipulation.
- Digital commodity exchanges must make public disclosures on each digital commodity listed regarding source code, transaction history, and digital asset economics.
- A digital commodity exchange may not condition a customer's access to the exchange on the customer's election to participate in blockchain services.

| TITLE IV - Registration for Intermediaries at the CFTC

Registration of digital commodity exchanges (cont.)

- A digital commodity exchange or any affiliate of the exchange shall not act as a counterparty to any transaction on the exchange.
- Digital commodity exchanges are also subject to comprehensive requirements to:
 - segregate customer funds
 - provide risk-appropriate disclosures to retail customers
 - designate a chief compliance officer
 - be members of a registered futures association if they hold customer funds
 - comply with any rules the registered futures association imposes
- Digital commodity exchanges that accept customer funds are required to hold those funds in a qualified digital commodity custodian.
- A customer of a commodity exchange, a commodity broker, or a commodity dealer may elect, in writing, to participate in any blockchain services facilitated by the exchange (such as staking) subject to the requirements and limitations imposed by the CFTC.

| TITLE IV - Registration for Intermediaries at the CFTC

Registration and regulation of digital commodity brokers and dealers

- Creates a comprehensive federal regulatory framework under the CEA for the registration, oversight, and supervision of digital commodity brokers and dealers.
- Requires these firms to register with the CFTC, meet capital and risk management requirements, and comply with recordkeeping, reporting, business conduct, and customer protection standards to be set by the CFTC.
- Customer funds held by a digital commodity broker or dealer are subject to comprehensive segregation and commingling restrictions.
- Similar to digital commodity exchanges and FCMS, digital commodity brokers or dealers are also required to hold customer funds that are digital commodities with a qualified digital commodity custodian.
- Digital commodity brokers and dealers are required to be members of a registered futures association and comply with any additional rules imposed by that association.

| TITLE IV - Registration for Intermediaries at the CFTC

Handling of customer funds by digital commodity brokers and dealers

- Customer funds held by a digital commodity broker or dealer are subject to comprehensive segregation and commingling restrictions.
- They are also required to be held by a “qualified digital commodity custodian.”

Qualified digital commodity custodians

- To qualify as a “qualified digital commodity custodian,” a person must be subject to adequate supervision and appropriate regulation by certain federal, state, or foreign authorities.
- Section 405 provides the CFTC authority to prescribe rules that enable an entity registered with the CFTC to be a qualified digital commodity custodian.

| TITLE IV - Registration for Intermediaries at the CFTC

Registration of associated persons

- Requires associated persons of digital commodity brokers and dealers, who must also be members of a futures association, to register with the CFTC.
- Makes it unlawful for digital commodity brokers and dealers to permit persons to become or remain an associated person if the broker-dealer knew or should have known that the person was not registered with the CFTC or their registration was expired, suspended, or revoked.

Registration of commodity pool operators and commodity trading advisors

- Commodity pool operators (CPOs) that are dually registered with the SEC as investment advisers will match the statutory treatment granted to certain dually registered commodity trading advisors (CTAs).
- Section 408 also requires the CFTC to issue rules providing exemptions for CPOs and CTAs to supply relief from duplicative, conflicting, or unduly burdensome requirements or to promote innovation, if those exemptions foster the development of fair and orderly markets, are in the public interest, and are consistent with the protection of customers.

| TITLE IV - Registration for Intermediaries at the CFTC

Exclusion for DeFi activities

- Exempts certain DeFi activities related to the operations and maintenance of blockchain networks from CFTC regulation, although not from the CFTC's anti-fraud or anti-manipulation enforcement authorities.
- Exempted activities include:
 - validating or providing incidental services with respect to a digital commodity
 - providing user-interfaces for a blockchain network
 - publishing and updating software
 - developing wallets for blockchain networks

Funding for implementation and enforcement

- Authorizes the CFTC to charge and collect filing fees from entities that file a notice of intent to register as digital commodity exchanges, brokers, or dealers under the Draft Bill.

The authority to collect fees under this section sunsets four fiscal years after passage of the bill.

| TITLE IV - Registration for Intermediaries at the CFTC

Digital commodity activities by SEC-registered entities

- Creates a streamlined “notice registration” process that allows SEC-registered broker-dealers and ATS to also register with the CFTC as digital commodity brokers, dealers, or exchanges, provided they are compliant with their SEC registration requirements.
- If those requirements are satisfied, the registration is effective on receipt of the notice by the CFTC.
- The CFTC’s supervisory and enforcement jurisdiction over digital commodity transactions on or through dual-registered platforms will be limited to the activities that are governed by this draft bill. The SEC will have jurisdiction over all other transactions on the platform.

Effective date

- The provisions under Title IV will take effect 360 days after enactment.

Sense of the Congress

- Section 413 articulates that nothing in this Act should be interpreted to authorize any entity to regulate any commodity, other than a digital commodity, on any spot market.

| TITLE V - Innovation and Technology Improvements

Findings; sense of Congress

- Expresses support for U.S. leadership in digital assets and reaffirms that Congress should establish a functional framework for the issuance of digital assets.

Incorporation of offices of financial

- Establishes offices of innovation within each division of the SEC. These offices will be responsible for shaping the SEC's approach to technological advancements, examining financial technology innovations among market participants, and coordinating the SEC's response to emerging technology in financial, regulatory, and supervisory systems.

Codification of LabCFTC

- Establishes LabCFTC in the CFTC, which will serve as an information source for the CFTC on fintech innovation. LabCFTC will serve as a forum for innovators seeking a better understanding of the CFTC's regulatory framework.

Study on non-fungible digital commodities

- Requires the U.S. Government Accountability Office (GAO) to conduct a study on non-fungible digital assets. GAO must make the report publicly available one year after enactment.

I TITLE V - Innovation and Technology Improvements

Study on decentralized finance

- Requires the CFTC and the SEC to conduct a joint study on DeFi, which will include: (i) an analysis of the size, scope, role, nature, and use of DeFi protocols; (ii) the benefits and risks of DeFi; (iii) how DeFi has integrated into the traditional financial markets; and (iv) the levels and types of illicit activities in DeFi compared to traditional financial markets.

Study on expanding financial literacy amongst digital commodity holders

- Requires the SEC and CFTC to conduct a study on the financial literacy of digital commodity holders and examine ways the agencies can work together and in collaboration with other entities to improve financial literacy among digital commodity holders.

Study on financial market infrastructure improvements

- Requires the CFTC and the SEC to conduct a study on whether additional guidance or rules are necessary to facilitate the development of tokenized securities and derivatives products. The study will also examine if further rules would foster the development of fair and orderly financial markets, be appropriate for the public interest, and provide further investor protections.

PLEASE FEEL FREE TO REACH OUT WITH ANY QUESTIONS, COMPLIMENTS, OR CONCERNS.



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