(Original Signature of Member)

119TH CONGRESS
1ST SESSION

H. R. _____

To require the Secretary of the Treasury to develop a public-private partnership program to examine innovative anti-money laundering solutions for decentralized finance services, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

_____

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

_____

A BILL

To require the Secretary of the Treasury to develop a public-private partnership program to examine innovative anti-money laundering solutions for decentralized finance services, 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. SHORT TITLE.**

4   This Act may be cited as the ''Compliant Operations

5 of Decentralized Entities Act of 2025'' or the ''CODE Act

6 of 2025''.

2

1 **SEC. 2. FINDINGS.**

2   The Congress finds the following:

3   (1) In 2019, under the Trump Administration,

4   the Financial Crimes Enforcement Network issued

5   guidance (FIN-2019-G001) to clarify that decentral-

6   ized finance applications may be required to register

7   with the agency and comply with the Bank Secrecy

8   Act, including anti-money laundering, recordkeeping,

9   and reporting requirements.

10   (2) In 2019, under the Trump Administration,

11   the Financial Crimes Enforcement Network pub-

12   lished an advisory (FIN-2019-A003) noting that the

13   prevalence of unregistered cryptocurrency entities

14   without sufficient anti-money laundering controls en-

15   ables illicit activity that threatens national security.

16   (3) In 2022, under the Biden Administration,

17   the Federal Bureau of Investigation published a

18   public service announcement (I-082922-PSA) en-

19   couraging decentralized finance services to institute

20   real-time analytics, monitoring, and rigorous testing

21   of the computer code to more quickly identify

22   vulnerabilities and respond to indicators of sus-

23   picious activity.

24   (4) In 2023, under the Biden Administration,

25   the Commodity Futures Trading Commission issued

26   a report ("Decentralized Finance"), advocating for

1 building regulatory compliance into decentralized fi-
2 nance systems and noting that areas like illicit fi-
3 nance compliance and cybersecurity are ripe for this
4 kind of near-term action by software developers.

5 (5) Decentralized finance services may be sub-
6 ject to Bank Secrecy Act requirements, but there is
7 a lack of standardization across decentralized fi-
8 nance services and compliance processes.

9 (6) Decentralized finance services present
10 unique cybersecurity risks and have been vulnerable
11 to exploitation campaigns by North Korean threat
12 actors.

13 (7) Decentralized finance services and the
14 broader cryptocurrency ecosystem could benefit from
15 a set of technological controls that are coherent, con-
16 sistent, and capable of satisfying Bank Secrecy Act
17 requirements.

18 SEC. 3. PUBLIC-PRIVATE PARTNERSHIP PROGRAM FOR DE-
19 CENTRALIZED FINANCE SERVICES.

20 (a) IN GENERAL.—Not later than 6 months after the
21 date of enactment of this Act, the Secretary of the Treas-
22 ury, in consultation with the Financial Crimes Enforce-
23 ment Network, the Office of Foreign Assets Control, the
24 Federal Bureau of Investigation, the United States Secret
25 Service, the National Institute of Standards and Tech-

4

1 nology, the Cybersecurity and Infrastructure Security

2 Agency, and such other relevant agencies as determined

3 by the Secretary of the Treasury, shall develop a public-

4 private partnership program with decentralized finance

5 services and relevant risk management experts to—

6   (1) focus on decentralized finance applications

7   and front-end user interfaces;

8   (2) consider integrating anti-money laundering,

9   identity verification, sanctions, and cybersecurity

10   controls and other technological solutions into decen-

11   tralized smart contracts prior to deployment on a

12   public blockchain network;

13   (3) test the capabilities of such integrated con-

14   trols in decentralized smart contracts;

15   (4) consider establishing a regulatory gateway

16   to external, verifiable data inputs and outputs that

17   are capable of upgrading smart contract behavior

18   after it has been deployed; and

19   (5) provide legislative and regulatory rec-

20   ommendations related to integrated compliance

21   mechanisms for decentralized finance services.

22 (b) PROHIBITION ON CERTAIN PARTICIPANTS.—Par-

23 ticipants selected for the public-private partnership pro-

24 gram required under subsection (a) shall not include a de-

1 centralized finance service owned or controlled, directly or

2 indirectly, by a covered person.

3   (c) SUNSET.—The public-private partnership pro-

4 gram developed under subsection (a) shall terminate 18

5 months after the date of enactment of this Act.

6   (d) RULE OF CONSTRUCTION.—Nothing in sub-

7 section (a) shall be construed to limit, impair, or otherwise

8 affect the supervisory, regulatory, or enforcement author-

9 ity or the jurisdiction of the agencies described in sub-

10 section (a) under any applicable law.

11   (e) INTERAGENCY COORDINATION.—The Secretary of

12 the Treasury shall share the recommendations provided

13 pursuant to subsection (a)(5) with other appropriate agen-

14 cies, and such agencies shall take the recommendations

15 into account when issuing rules or carrying out super-

16 visory functions.

17 **SEC. 4. FINCEN ADVISORY.**

18   Not later than 18 months after the date of enactment

19 of this Act, the Financial Crimes Enforcement Network

20 shall publish an advisory related to the responsible devel-

21 opment, deployment, and ongoing operation of decentral-

22 ized finance services on a public blockchain network for

23 the purposes of strengthening compliance with the Bank

24 Secrecy Act.

1 **SEC. 5. RULEMAKING TO MODERNIZE AND STRENGTHEN**

2 **BANK SECRECY ACT REQUIREMENTS FOR DE-**

3 **CENTRALIZED FINANCE SERVICES.**

4 Not later than 30 months after the date of enactment

5 of this Act, the Secretary of the Treasury shall issue a

6 rule to—

7 (1) further define the terms "decentralized fi-

8 nance service" and "decentralized smart contract";

9 and

10 (2) expressly require that a decentralized fi-

11 nance service implements and maintains—

12 (A) a risk-based anti-money laundering

13 program that meets the requirements under the

14 Bank Secrecy Act; and

15 (B) a risk-based sanctions compliance pro-

16 gram.

17 **SEC. 6. DEFINITIONS.**

18 In this Act:

19 (1) BANK SECRECY ACT.—The term "Bank Se-

20 crecy Act" means—

21 (A) section 21 of the Federal Deposit In-

22 surance Act (12 U.S.C. 1829b);

23 (B) chapter 2 of title I of Public Law 91–

24 508 (12 U.S.C. 1951 et seq.); and

25 (C) subchapter II of chapter 53 of title 31,

26 United States Code.

1   (2) COVERED PERSON.—The term "covered

2 person" means—

3   (A) the President;

4   (B) the Vice President;

5   (C) a Member of Congress;

6   (D) a senior executive branch employee; or

7   (E) the spouse, child, son-in-law, or daugh-

8   ter-in-law, as determined under applicable com-

9   mon law, of any individual described in sub-

10   paragraph (A), (B), (C), or (D).

11   (3) DECENTRALIZED FINANCE SERVICE.—The

12 term "decentralized finance service" means a pro-

13 tocol, application, or service that, through the use of

14 decentralized smart contracts deployed on a public

15 blockchain network, facilitates digital asset trans-

16 actions or the exchange of digital assets for other

17 digital assets or fiat currency and may include—

18   (A) a peer-to-peer digital asset trading

19   platform;

20   (B) a digital asset lending protocol;

21   (C) a digital asset staking or liquidity serv-

22   ice;

23   (D) a digital asset mixing service;

24   (E) a cross-chain bridge service provider;

25   or

8

1 (F) any other decentralized finance service

2 determined by the Secretary of the Treasury.

3 (4) DECENTRALIZED SMART CONTRACT.—The

4 term "decentralized smart contract" means a digital

5 contract or collections of computer code on a public

6 blockchain network that are automatically executed

7 if specific conditions are met.

8 (5) PUBLIC BLOCKCHAIN NETWORK.—The term

9 "public blockchain network" means an open source,

10 decentralized, permissionless distributed ledger sys-

11 tem that records digital asset transactions.

12 (6) RISK MANAGEMENT EXPERT.—The term

13 "risk management expert" means a person or entity

14 with specialized knowledge or expertise in identi-

15 fying, preventing, and managing illicit finance, cy-

16 bersecurity, or compliance risks associated with de-

17 centralized finance services, and may include—

18 (A) an identity verification software pro-

19 vider;

20 (B) a fraud detection service;

21 (C) a blockchain analytics firm;

22 (D) a smart contract auditor;

23 (E) a blockchain oracle service;

24 (F) a blockchain cybersecurity service; and

1 (G) any other relevant risk management

2 experts as determined by the Secretary of the

3 Treasury.

4 (7) SENIOR EXECUTIVE BRANCH EMPLOYEE.—

5 The term ''senior executive branch employee'' means

6 an executive branch employee—

7 (A) who is employed in a position listed in

8 section 5312 of title 5, United States Code, or

9 for which the rate of pay is equal to the rate

10 of pay payable for level I of the Executive

11 Schedule;

12 (B) who is employed in a position—

13 (i) in the Executive Office of the

14 President; and

15 (ii) listed in section 5313 of title 5,

16 United States Code, or for which the rate

17 of pay is equal to the rate of pay payable

18 for level II of the Executive Schedule;

19 (C) who is appointed by the President pur-

20 suant to section 105(a)(2)(A) of title 3, United

21 States Code; or

22 (D) who is appointed by the Vice President

23 pursuant to section 106(a)(1)(A) of title 3,

24 United States Code.