To require the Financial Crimes Enforcement Network to issue guidance on digital assets, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Ms. WARREN (for herself and Mr. MARSHALL) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To require the Financial Crimes Enforcement Network to issue guidance on digital assets, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Digital Asset Anti-Money Laundering Act of 2022”.

SEC. 2. DEFINITIONS.

(1) DIGITAL ASSETS.—The term “digital asset” means an asset that is issued or transferred using distributed ledger, blockchain technology, or similar
technology, including but not limited to virtual currencies, coins, and tokens.

(2) DIGITAL ASSET KIOSK.—The term “digital asset kiosk” means a stand-alone machine, commonly referred to as a digital asset automated teller machine, that facilitates the buying, selling, and exchange of virtual currencies.

(3) DIGITAL ASSET MIXER.—The term “digital asset mixer” means a website, software, or other service designed to conceal or obfuscate the origin, destination, and counterparties of digital asset transactions.

(4) FINANCIAL INSTITUTION.—The term “financial institution” has the meaning given the term in section 5312(a) of title 31, United States Code.

(5) PRIVACY COIN.—The term “privacy coin” means a digital asset designed to—

(A) prevent tracing through distributed ledgers; or

(B) conceal or obfuscate the origin, destination, and counterparties of digital asset transactions.

SEC. 3. DIGITAL ASSET RULEMAKINGS.

(a) MONEY SERVICE BUSINESS DESIGNATION.—The Financial Crimes Enforcement Network shall promulgate
a rule classifying custodial and unhosted wallet providers,
cryptocurrency miners, validators, or other nodes who may
act to validate or secure third-party transactions, inde-
pendent network participants, including MEV searchers,
and other validators with control over network protocols
as money service businesses.

(b) IMPLEMENTATION OF PROPOSED RULE.—Not
later than 120 days after the date of enactment of this
Act, the Financial Crimes Enforcement Network shall fi-
nalize the proposed virtual currency rule (85 Fed. Reg.
83840; relating to requirements for certain transactions
involving convertible virtual currency or digital assets).

(c) REPORTING REQUIREMENTS.—Not later than
120 days after the date of enactment of this Act, the Fi-
nancial Crimes Enforcement Network shall promulgate a
rule that requires United States persons engaged in a
transaction with a value greater than $10,000 in digital
assets through 1 or more accounts outside of the United
States to file a report described in section 1010.350 of
title 31, Code of Federal Regulations, using the form de-
scribed in that section, in accordance with section 5314
of title 31, United States Code.

(d) TREASURY REGULATIONS.—Not later than 120
days after the date of enactment of this Act, the Secretary
of the Treasury shall promulgate a rule that prohibits financial institutions from—

(1) handling, using, or transacting business with digital asset mixers, privacy coins, and other anonymity-enhancing technologies, as specified by the Secretary; and

(2) handling, using, or transacting business with digital assets that have been anonymized by the technologies described in paragraph (1).

SEC. 4. EXAMINATION AND REVIEW PROCESS.

(a) Treasury.—Not later than 2 years after the date of enactment of this Act, the Secretary of the Treasury, in consultation with the Conference of State Bank Supervisors and Federal Financial Institutions Examination Council, shall establish a risk-focused examination and review process for money service businesses to assess—

(1) the adequacy of antihmoney laundering programs and reporting obligations under subsections (g) and (h) of section 5318 of title 31, United States Code; and

(2) compliance with antihmoney laundering and countering the financing of terrorism requirements under subchapter II of chapter 53 of title 31, United States Code.
(b) SEC.—Not later than 2 years after the date of enactment of this Act, the Securities and Exchange Commission shall establish a dedicated risk-focused examination and review process for entities regulated by the Commission to assess—

(1) the adequacy of antimoney laundering programs and reporting obligations under subsections (g) and (h) of section 5318 of title 31, United States Code; and

(2) compliance with antimoney laundering and countering the financing of terrorism requirements under subchapter II of chapter 53 of title 31, United States Code.

(c) CFTC.—Not later than 2 years after the date of enactment of this Act, the Commodity Futures Trading Commission shall establish a dedicated risk-focused examination and review process for entities regulated by the Commission to assess—

(1) the adequacy of antimoney laundering programs and reporting obligations under subsections (g) and (h) of section 5318 of title 31, United States Code; and

(2) compliance with antimoney laundering and countering the financing of terrorism requirements
under subchapter II of chapter 53 of title 31, United States Code.

SEC. 5. DIGITAL ASSET KIOSKS.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Financial Crimes Enforcement Network shall require digital asset kiosk owners and administrators to submit and update the physical addresses of the kiosks owned or operated by the owner or administrator every 3 months, as applicable.

(b) GUIDANCE.—Not later than 1 year after the date of enactment of this Act, the Financial Crimes Enforcement Network shall issue guidance requiring digital asset kiosk owners and administrators to—

(1) verify the identity of each customer using a valid form of government-issued identification or other documentary method, as determined by the Secretary of the Treasury; and

(2) collect the name, date of birth, physical address, and phone number of each counterparty to the transaction.

(c) REPORTS.—

(1) FINCEN.—Not later than 120 days after the date of enactment of this Act, the Financial Crimes Enforcement Network shall issue a report identifying unlicensed kiosk operators and adminis-
trators, including identification of known unlicensed operators and estimates of the number and locations of suspected unlicensed operators, as applicable.

(2) DEA.—Not later than 1 year after the date of enactment of this Act, the Drug Enforcement Administration shall issue a report identifying recommendations to reduce drug trafficking with digital asset kiosks.

SEC. 6. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to the Secretary of the Treasury such sums as are necessary to carry out this Act.