

.....
(Original Signature of Member)

118TH CONGRESS
1ST SESSION

H. R. _____

To prohibit certain actions and require reporting to defend against the economic and national security risks posed by foreign adversarial blockchain networks, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. NUNN of Iowa introduced the following bill; which was referred to the Committee on _____

A BILL

To prohibit certain actions and require reporting to defend against the economic and national security risks posed by foreign adversarial blockchain networks, 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 “Creating Legal Ac-
5 countability for Rogue Innovators and Technology Act of
6 2023” or the “CLARITY Act of 2023”.

1 **SEC. 2. FINDINGS; SENSE OF CONGRESS.**

2 (a) FINDINGS.—Congress finds the following:

3 (1) Blockchain service activities by governments
4 and organizations that are adversaries of the United
5 States can create risks to the economic, national se-
6 curity and foreign policy interests of the United
7 States.

8 (2) The Blockchain-based Services Network of
9 the People’s Republic of China, and unregulated,
10 self-proclaimed “supra-national” companies pose
11 risks to the national security and foreign policy in-
12 terests of the United States.

13 (b) SENSE OF CONGRESS.—It is the sense of Con-
14 gress that the development of a Federal Government strat-
15 egy to protect the United States from risks created from
16 the Blockchain-based Services Network of the People’s Re-
17 public of China and other foreign adversarial blockchain
18 network infrastructure is essential to the national security
19 and economic security of the United States.

20 **SEC. 3. PROHIBITIONS RELATING TO COVERED DISTRIB-**
21 **UTED LEDGER TECHNOLOGY AND**
22 **BLOCKCHAIN EQUIPMENT OR SERVICES.**

23 (a) PROHIBITION ON ACQUISITION.—No head of an
24 executive agency may acquire, or enter into, extend, or
25 renew a contract or other agreement for, any equipment,
26 system, or service that uses covered distributed ledger

1 technology and blockchain equipment or services as a sub-
2 stantial or essential component of, or critical technology
3 as part of, such equipment, system, or service.

4 (b) PROHIBITION ON LOAN AND GRANT FUNDS.—

5 (1) PROHIBITION.—No head of an executive
6 agency may obligate or expend loan or grant funds
7 to acquire, or enter into, extend, or renew a contract
8 or other agreement for, an equipment, system, or
9 service described in subsection (a).

10 (2) PRIORITIZATION.—In implementing the pro-
11 hibition under paragraph (1), the heads of executive
12 agencies administering loan, grant, or subsidy pro-
13 grams, including the Secretary of Homeland Secu-
14 rity and the Secretary of Commerce, shall prioritize
15 available funding and technical support to assist af-
16 fected businesses, institutions, and organizations as
17 is reasonably necessary for those affected entities to
18 transition from covered distributed ledger technology
19 and blockchain equipment or services, to acquire re-
20 placement equipment and services, and to ensure
21 that communications service to users and customers
22 is sustained.

23 (c) RULE OF CONSTRUCTION.—Nothing in sub-
24 section (a) or (b) shall be construed to—

1 (1) prohibit the head of an executive agency
2 from acquiring from an entity, or entering into, ex-
3 tending, or renewing a contract or other agreement
4 with an entity for, a service that connects to the fa-
5 cilities of a third-party, such as blockchain protocols,
6 or interconnection arrangements; or

7 (2) cover wireless telecommunications equip-
8 ment or third-party validators that cannot route or
9 redirect user data traffic or permit visibility into any
10 user data or packets that such equipment transmits
11 or otherwise handles.

12 (d) EFFECTIVE DATE.—The prohibitions under sub-
13 sections (a) and (b) shall take effect on the date that is
14 2 years after the date of the enactment of this Act.

15 (e) WAIVER AUTHORITY.—

16 (1) EXECUTIVE AGENCIES.—Except as provided
17 in paragraph (2), beginning on the effective date
18 under subsection (d), the head of an executive agen-
19 cy may, for a period of not more than 2 years per
20 waiver, issue a waiver of the requirements under
21 subsection (a) with respect to an entity that requests
22 such a waiver. The waiver may be provided only if
23 the entity seeking the waiver—

24 (A) provides a compelling justification for
25 the additional time to implement the require-

1 ments under such subsection, as determined by
2 the head of the executive agency; and

3 (B) submits to the head of the executive
4 agency, who shall not later than 30 days there-
5 after submit to the appropriate congressional
6 committees, a full and complete laydown of the
7 presences of covered distributed ledger tech-
8 nology and blockchain equipment or services in
9 the entity's supply chain and a phase-out plan
10 to eliminate such covered distributed ledger
11 technology and blockchain equipment or serv-
12 ices.

13 (2) ELEMENTS OF THE INTELLIGENCE COMMU-
14 NITY.—Beginning on the effective date under sub-
15 section (d), each head of an element of the intel-
16 ligence community may waive the requirements
17 under subsection (a) if such head determines the
18 waiver is in the national security interests of the
19 United States.

20 **SEC. 4. REPORTS TO DEFEND AGAINST RISKS POSED BY**
21 **COVERED DISTRIBUTED LEDGER TECH-**
22 **NOLOGY AND BLOCKCHAIN EQUIPMENT OR**
23 **SERVICES.**

24 (a) IN GENERAL.—Not later than 180 days after the
25 date of the enactment of this Act, and annually thereafter,

1 the Secretary of the Treasury, the Secretary of State, and
2 the Director of National Intelligence shall jointly, and in
3 consultation with the officials specified in subsection (b),
4 submit to Congress a report that includes the following:

5 (1) A description of interagency policies and
6 procedures to defend the United States financial
7 markets, United States sanctions, United States
8 business interests in the People's Republic of China,
9 and global supply chains from the economic and na-
10 tional security risks posed by covered distributed
11 ledger technology and blockchain equipment or serv-
12 ices.

13 (2) A description of commercial and public ad-
14 ministration activities used by the Government of
15 the People's Republic of China and the Chinese
16 Communist Party involving the entities listed under
17 subparagraphs (A) through (E) of section 7(2), in-
18 cluding militarization, industrialization, international
19 trade, and other commercial activity.

20 (3) An assessment of the foreign policy and na-
21 tional security risks to the United States relating to
22 transactions using covered distributed ledger tech-
23 nology and blockchain equipment or services, includ-
24 ing circumvention of United States and international
25 sanctions, including through the Society for World-

1 wide Interbank Financial Telecommunication (com-
2 monly known as “SWIFT”) payments system.

3 (4) An assessment of data collection, cybersecu-
4 rity risks, and the use of data that involves United
5 States persons by the Government of the People’s
6 Republic of China and the Chinese Communist
7 Party involving transactions relating to covered dis-
8 tributed ledger technology and blockchain equipment
9 or services of the People’s Republic of China.

10 (5) An assessment of the use of covered distrib-
11 uted ledger technology and blockchain equipment or
12 services to collect data as part of the social credit
13 system of the People’s Republic of China.

14 (6) An assessment of the impact and national
15 security risks of covered distributed ledger tech-
16 nology and blockchain equipment or services on data
17 collection, cross-border payments, and economic inte-
18 gration, including with respect to countries partici-
19 pating in the Belt and Road Initiative of the Peo-
20 ple’s Republic of China.

21 (7) An assessment of the impact of covered dis-
22 tributed ledger technology and blockchain equipment
23 or services on the United States blockchain tech-
24 nology and distributed ledger technology industries,
25 to include an assessment of its commercial adoption

1 globally and its integration with other smart city
2 technologies in the United States and internation-
3 ally.

4 (8) An assessment of the technologies, system
5 architectures, and protocols underpinning covered
6 distributed ledger technology and blockchain equip-
7 ment or services, and recommendations with respect
8 to strengthening export controls for United States
9 technologies relating to the development and imple-
10 mentation of covered distributed ledger technology
11 and blockchain equipment or services.

12 (9) An assessment of the impact of covered dis-
13 tributed ledger technology and blockchain equipment
14 or services on international illicit finance.

15 (10) An assessment of the impact of covered
16 distributed ledger technology and blockchain equip-
17 ment or services on global trade, investment, and
18 other activities and how increased use of covered dis-
19 tributed ledger technology and blockchain equipment
20 or services may affect the status and future of the
21 United States dollar as the world reserve currency.

22 (11) An assessment of how covered distributed
23 ledger technology and blockchain equipment or serv-
24 ices fit into the national security and economic ob-
25 jectives of the People's Republic of China and the

1 Chinese Communist Party, along with other foreign
2 adversaries.

3 (12) An assessment of coordination between the
4 United States and allies of the United States with
5 respect to the national security risks and best prac-
6 tices relating to covered distributed ledger tech-
7 nology and blockchain equipment or services.

8 (13) Any other recommendations of the Sec-
9 retary of Treasury, the Secretary of State, or the
10 Director of National Intelligence regarding the for-
11 eign policy and national security implications of cov-
12 ered distributed ledger technology and blockchain
13 equipment or services.

14 (b) OFFICIALS SPECIFIED.—The officials specified in
15 this subsection include the following:

16 (1) The Secretary of Defense.

17 (2) The Secretary of Commerce.

18 (3) The United States Trade Representative.

19 (4) The Attorney General.

20 (5) The Chairman of the Board of Governors of
21 the Federal Reserve System.

22 (6) The Director of the National Institute of
23 Standards and Technology and the Under Secretary
24 of Commerce for Standards and Technology.

1 (7) The Under Secretary of Commerce for In-
2 dustry and Security of the United States.

3 (c) FORM.—Each report required by subsection (a)
4 may be submitted in classified form, but if so submitted
5 shall include an unclassified executive summary.

6 **SEC. 5. RECOMMENDATIONS FOR CONGRESS.**

7 Not later than 90 days after each date on which a
8 report is submitted under section 4, the Secretary of the
9 Treasury, the Secretary of State, and the Director of Na-
10 tional Intelligence shall jointly submit to Congress a set
11 of recommendations that contain—

12 (1) a list of existing enforcement actions that
13 may be used to defend the United States from risks
14 identified in the report; and

15 (2) an action-item plan on steps Congress may
16 take to address such risks.

17 **SEC. 6. REPORT ON MALIGN ENTITIES IN BLOCKCHAIN AND**
18 **DISTRIBUTED LEDGER TECHNOLOGY INDUS-**
19 **TRY.**

20 (a) REPORT.—Not later than 180 days after the date
21 of the enactment of this Act, and annually thereafter, the
22 Secretary of the Treasury, the Secretary of State, and the
23 Director of National Intelligence shall jointly, and in con-
24 sultation with the officials specified in section 5(b), submit
25 to Congress a report that includes the following:

1 (1) A list of countries, proxies, firms, and tech-
2 nologies that are malign in the blockchain and dis-
3 tributed ledger technology industry.

4 (2) A description of what harms such countries,
5 proxies, firms, and technologies cause to United
6 States interests and sanctions enforcement, the use
7 of the United States dollar, and international anti-
8 money laundering and countering the financing of
9 terrorism standards.

10 (3) A description of what mitigating strategies
11 the United States may use to counter such harms.

12 (4) Recommendations on how to add to or mod-
13 ify the list of covered distributed ledger technology
14 and blockchain equipment or services in order to
15 capture new networks that emerge from foreign ad-
16 versaries.

17 (b) FORM.—The report required by subsection (a)
18 may be submitted in classified form, but if so submitted
19 shall include an unclassified executive summary.

20 **SEC. 7. DEFINITIONS.**

21 In this Act:

22 (1) APPROPRIATE CONGRESSIONAL COMMIT-
23 TEES.—The term “appropriate congressional com-
24 mittees’ ” means—

1 (A) the Committee on Banking, Housing,
2 and Urban Affairs, the Committee on Foreign
3 Relations, and the Committee on Homeland Se-
4 curity and Governmental Affairs of the Senate;
5 and

6 (B) the Committee on Financial Services,
7 the Committee on Foreign Affairs, the Com-
8 mittee on Intelligence, and the Committee on
9 Oversight and Government Reform of the
10 House of Representatives.

11 (2) COVERED DISTRIBUTED LEDGER TECH-
12 NOLOGY AND BLOCKCHAIN EQUIPMENT OR SERV-
13 ICES.—The term “covered distributed ledger tech-
14 nology and blockchain equipment or services” means
15 distributed ledger technology and blockchain equip-
16 ment or services of or originating from a foreign ad-
17 versary, including any of the following parent com-
18 panies or subsidiaries thereof:

19 (A) The Blockchain-based Services Net-
20 work.

21 (B) The Spartan Network.

22 (C) The Conflux Network.

23 (D) iFinex, Inc.

24 (E) Red Date Technology Co., Ltd.

1 (3) EXECUTIVE AGENCY.—The term “executive
2 agency” has the meaning given the term in section
3 133 of title 41, United States Code.

4 (4) FOREIGN ADVERSARY.—The term “foreign
5 adversary” has the meaning given such term in sec-
6 tion 7.2 of title 15, Code of Federal Regulations.

7 (5) INTELLIGENCE COMMUNITY.—The term
8 “intelligence community” has the meaning given the
9 term in section 3 of the National Security Act of
10 1947 (50 U.S.C. 3003).