

Lummis-Gillibrand Responsible Financial Innovation Act

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On June 7, 2022, U.S. Senators Kirsten Gillibrand (D-NY) and Cynthia Lummis (R-WY) introduced the Lummis-Gillibrand Responsible Financial Innovation Act (“**Lummis-Gillibrand**” or the “**Bill**”). This bipartisan legislation integrates digital assets into existing law and sets forth a regulatory framework for such assets. The Bill seeks to balance the promotion and continuation of innovation in the digital asset space, provide clarity to the industry and regulators, and protect consumers. In this article we discuss key components of the legislation and the potential implications of the Bill on both regulators and consumers.

This article discusses several key elements of the Bill including:

- (i) the Bill’s attempt to clarify whether a digital asset is deemed a “security” or a “commodity”—an important distinction because commodities are regulated by the Commodity Futures Trading Commission (the “**CFTC**”) and securities are regulated by the U.S. Securities and Exchange Commission (the “**SEC**”);
- (ii) certain proposed definitions for widely used terms in the digital asset space including “ancillary assets,” “stablecoins” (which also includes a proposal to establish reserve requirements for stablecoins), and “virtual currencies”;
- (iii) the Bill’s attempt to clarify the taxation of purchases made with virtual currency and decentralized autonomous organizations (“**DAOs**”);
- (iv) the classification of brokers and the tax treatment with respect to certain income generated by their digital asset activities; and
- (v) other key provisions the Bill proposes and its potential impact on regulators and consumers in the digital asset space.

[Read the full article here.](#)