II

119TH CONGRESS
2D SESSION

S. 5140

To ensure the fairness, transparency, and consistency of disqualifying provisions administered by the Commodity Futures Trading Commission and the Securities and Exchange Commission, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 27, 2026

Mr. JUSTICE introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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A BILL

To ensure the fairness, transparency, and consistency of disqualifying provisions administered by the Commodity Futures Trading Commission and the Securities and Exchange Commission, 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 Equities and No Automatic Disqualifications Act’’.

SEC. 2. RULEMAKING ON DISQUALIFICATIONS.

(a) NO AUTOMATIC EFFECT.—No provision of any statute, rule, or regulation described in subsection (c) that provides, upon the occurrence of a specified event, for the automatic disqualification from, or ineligibility for, any registration, right, or privilege, service in any capacity, or membership in a self-regulatory organization (referred to in this section as a ''disqualifying provision'') shall have effect with respect to any person (other than a natural person) unless the Federal agency or self-regulatory organization responsible for administering such disqualifying provision (referred to in this section as a ''regulatory authority'') makes a determination to apply the disqualifying provision with respect to the particular matter in accordance with the process established under subsection (b).

(b) JOINT AGENCY RULEMAKING.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Commodity Futures Trading Commission and the Securities and Exchange Commission shall engage in a joint rulemaking regarding the disqualifying provisions to establish a process for each regulatory authority to determine, prior to the disposition of any applicable matter, whether to apply the relevant disqualifying provision.

(2) REQUIREMENTS.—The rules or regulations issued under paragraph (1) shall—

(A) provide for consistency across regulatory authorities in the administration of disqualifying provisions;

(B) require the party subject to a disqualifying provision to provide to the relevant regulatory authority written notice that the party is subject to the disqualifying provision not later than 30 calendar days after the occurrence of the event specified in the disqualifying provision;

(C) provide for a nonpublic process, as appropriate to protect confidentiality, in cases in which a regulatory action that would trigger a disqualifying provision has not yet been made public;

(D) provide that an event may not result in the application of a disqualifying provision to a person (other than a natural person) unless that application, in whole or in part, to that person is necessary and appropriate in the public interest and for the protection of investors;

(E) take into consideration applicable mitigating factors;

(F) provide that a disqualifying provision may be determined to apply only if the event triggering the disqualifying provision occurred in the same legal entity that would become subject to the application of the disqualifying provision and relates to the conduct of the business line that is directly affected by the disqualifying provision; and

(G) balance the scope of the rules or regulations with ensuring adequate investor protections and safeguards.

(c) PROVISIONS DESCRIBED.—The provisions referred to in subsection (a) are—

(1) the Commodity Exchange Act (7 U.S.C. 1 et seq.);

(2) the Securities Act of 1933 (15 U.S.C. 77a et seq.);

(3) the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.);

(4) the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.);

(5) the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.);

(6) any rule or regulation issued under any provision of law described in paragraphs (1) through (5); and

(7) any rule of a self-regulatory organization issued under the authority of a provision, rule, or regulation described in paragraphs (1) through (6).

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