



Digital Asset Regulatory Authority

DARA RULES 2024

This document is a draft for review and comment as full-documentation is established in 2024.

Member Rules Series (General)

Introduction:

The Digital Asset Regulatory Authority (DARA) creates a robust and inclusive environment for economic development in the US through self-regulation of the digital asset space. This document outlines the DARA rules for participation.

Membership Eligibility:

DARA membership is open to companies actively engaged in the Web3 field. To be eligible, a company must meet the following criteria:

- **Core Business in Web3:** The company's primary focus and revenue generation must be derived from Web3 technologies and applications.

Qualifying Web3 Industries:

The following industries are considered relevant to Web3 and eligible for DARA membership, provided they meet the core business focus requirement:

- Cryptocurrency Exchanges (CEXs)
- Decentralized Exchanges (DEXs)
- Crypto Wallet Providers
- Blockchain Companies** (Need expand definition)
- Internet of Things (IoT) Companies (if utilizing Web3 for data or asset management)
- Token Issuers (Security Tokens, Utility Tokens)
- NFT Issuers
- Security Token Offering (STO) Platforms
- Crypto Derivative Issuers
- Crypto Mutual Fund Issuers (with >50% crypto holdings)
- Crypto Money Market Issuers (with >50% crypto holdings)



- Native Token Issuers (tokens with utility within the issuer's ecosystem)
- Land Titling Companies utilizing blockchain
- Crypto Payment Providers
- Crypto Credit Card Providers
- Web3 Marketing Firms
- Crypto Market Makers
- Businesses Accepting Cryptocurrency Payments
- Cryptocurrency Miner
- Bitcoin ATMs

Web3 Industry Inclusions as of July 2024

Cryptocurrency Exchanges (CEXs) & Decentralized Exchanges (DEXs): Platforms for buying, selling, and trading cryptocurrencies. CEXs are centralized, with a company managing order books and transactions. DEXs are peer-to-peer marketplaces operating on blockchain technology.

Crypto Wallet Providers: Secure storage solutions for users' crypto assets, often with additional features like staking or token management.

Blockchain Companies: Develop and implement blockchain technology for various applications, not just cryptocurrencies.

Internet of Things (IoT) Companies (utilizing Web3): Leverage blockchain to manage data ownership, secure device interactions, and potentially tokenize physical assets within the IoT ecosystem.

Token Issuers: Create and distribute digital tokens representing ownership (security tokens) or utility within a specific ecosystem (utility tokens).

NFT Issuers: Issue unique digital tokens representing ownership of digital or real-world assets (NFTs).

Security Token Offering (STO) Platforms: Facilitate the issuance and sale of security tokens to compliant investors.

Crypto Derivative Issuers: Create financial instruments derived from the value of crypto assets, such as options, futures contracts, or swaps.

Crypto Mutual Fund Issuers (with >50% crypto holdings): Invest a majority of their funds in crypto assets, offering investors exposure to the crypto market through a managed fund.

Crypto Money Market Issuers (with >50% crypto holdings): Similar to mutual funds, but focus on short-term, low-risk crypto investments.

Native Token Issuers: Issue tokens with specific functionalities within their own platform or ecosystem.

Land Titling Companies utilizing blockchain: Leverage blockchain to securely record and manage land ownership information.

Crypto Payment Providers: Facilitate payments using cryptocurrencies for online or in-person transactions.

Crypto Credit Card Providers: Offer credit cards that allow users to earn rewards or pay bills using cryptocurrencies.

Web3 Marketing Firms: Specialize in marketing and communication strategies targeted at the Web3 audience and industry.



Crypto Market Makers: Provide liquidity to cryptocurrency markets by placing buy and sell orders to maintain market stability.

Additional Considerations:

- Companies with a significant portion of their business focused on Web3 technologies may be considered on a case-by-case basis.
- DARA reserves the right to exclude companies with a history of non-compliance with relevant regulations or ethical concerns.

Opportunities Through Membership:

DARA members:

- **Participation in DARA's regulatory development process:** Members can contribute to discussions and provide feedback on proposed regulations impacting the Web3 industry.
- **Networking and collaboration opportunities:** DARA facilitates connections between members, fostering collaboration and innovation within the Web3 ecosystem.
- **Access to educational resources and DARA events:** Members receive exclusive access to industry updates, workshops, and conferences.

Membership Application Process:

DARA will establish a formal application process for companies seeking membership. The application will require detailed information about the company's business model, revenue streams, Web3 focus, and commitment to regulatory compliance.

Rules For Agency Correspondence

US Federal Level Correspondence

The affiliated correspondence of this SRO shall be with the US Department of Commerce, although DARA shall be a standalone SRO.

When there is a question of policy or procedure, DARA shall first turn to the Department of Commerce for clarification and then to the congress of the United States.

All rules and regulations proposed and implemented by DARA shall be reviewed by the Department of Commerce, and as appropriate, be submitted to congress. Updates to the rules and regulations shall be



updated once a year unless a special occasion calls for ad hoc update and review of the rules and regulations.

Additionally, once per congress, DARA shall prepare a report on the state of the industry to congress that shall be delivered by speech or in writing to congress, either in join session or by video to the individual senators and representatives discussing the state of the industry to the elected officials.

Joint Industry Plans

DARA shall work with other federal agencies, including the Securities and Exchange Commission, the Commodities Futures and Trading Commission, the Comptroller of Currencies, and other offices to ensure that DARA maintains the highest levels of consumer and national protection to the country.

DARA shall, though its primary mandate and through the actions of the subsidiaries work with industry leaders in the requisite industries to ensure that the operation of the entire digital asset field is in the best interest of the United States and the American businesses operating within the field and with an eye toward the successful integration of the international system into the domestic system.

Taxonomy of Digital Assets

The taxonomy of digital assets shall be based on the Ferris Taxonomy of Digital Assets published in the journal of accountancy in available at <https://www.journalofaccountancy.com/issues/2023/jul/a-taxonomy-for-classifying-digital-assets.html> published and peer reviewed for the July 2023 edition of the periodical.

The general terminology for the operation and regulation of the field under DARA shall be based on Smithmyer's Encyclopedia of Cryptocurrency and Blockchain Dynamics, current edition, published by Elite Exclusivity Publishing of Detroit.

Rules Pertaining to Centralized Exchanges (CEX) and Decentralized Exchanges (DEX)

This policy outlines the regulations for cryptocurrency exchanges operating within the United States under the oversight of the Digital Asset Regulatory Authority (DARA).

Exchange Registration and Fees:

- All exchanges must register with DARA.
- Registration fee is capped at [**\$50,000 USD**].
- Annual Renewal fee is capped at [**\$2000 USD**], automatically granted upon payment unless a complaint is filed against the exchange.



Know Your Customer (KYC) Requirements:

- Mandatory KYC for all wallet holders, requiring government-issued ID picture, name, social security number (or equivalent), and wallet address.
- Anonymous exchanges are prohibited.
- Transactional information must be reported for US citizens exceeding \$100,000 USD in a single cryptocurrency transaction.

Reporting:

- Transactions exceeding \$100,000 USD within 30 days involving a US citizen or business must be reported to DARA, which will then relate the information to proper regulatory authorities.
- Failure to report results in escalating fines and potential suspension/prohibition of operations along with any penalties which may be identified by the law.

Taxation:

- A flat tax rate of 10% is levied on the profits of the exchange.
- Cryptocurrencies are generally not considered taxable events unless sold for fiat currency (refer to taxonomy of tokens for different classifications of tokens and coins).

Other Regulations:

- All blockchain solutions operating within the US must undergo a security audit by a reputable agency.
- Blockchain solutions related to cryptocurrency must demonstrate a level of maturity as defined by a designated assessment protocol within a year of registration.
- Exchanges must cooperate with law enforcement investigations upon presentation of a valid warrant.

Protections:

- Cryptocurrency companies operating within the US are offered protection from international lawsuits under US law.
- Data requests from other nations are subject to a court hearing to determine the validity of the warrant.

Rules Pertaining to Wallet Issuers

Part I: Introduction

1.1 Short Title: This regulation may be cited as the "Cryptocurrency Wallet Issuer Regulation."

1.2 Purpose: The purpose of this regulation is to establish a framework for the issuance and operation of cryptocurrency wallets within the United States, promoting:

- **Consumer Protection:** Safeguarding users from fraud, theft, and loss.



- **Financial Transparency:** Enabling visibility into wallet operations while respecting user privacy.
- **Security:** Ensuring robust security measures to protect user funds.

1.3 Definitions:

- **Cryptocurrency Wallet:** A digital storage solution for holding cryptocurrency.
- **Cryptocurrency Wallet Issuer:** Any entity offering the creation, management, or custody of cryptocurrency wallets.
- **Know Your Customer (KYC):** The process of verifying a user's identity to mitigate financial crime risks.
- **Customer Due Diligence (CDD):** Measures taken by a wallet issuer to understand the nature and purpose of a customer relationship to identify and mitigate money laundering and terrorist financing risks.
- **Digital Asset Regulatory Authority (DARA):** The government agency responsible for overseeing cryptocurrency-related activities within the United States.

Part II: Know Your Customer (KYC) Requirements

2.1 Mandatory KYC: All cryptocurrency wallet issuers operating within the United States shall implement KYC procedures to verify the identities of their users.

2.2 Customer Due Diligence (CDD):

- CDD measures shall be commensurate with the level of risk associated with the user and their activities.
- Minimum CDD requirements may include:
 - Government-issued identification verification (e.g., passport, driver's license)
 - Proof of address
 - Risk assessments based on transaction volume and purpose

2.3 Ongoing Monitoring: Wallet issuers shall conduct ongoing monitoring of user activity to identify and report suspicious transactions potentially linked to money laundering or terrorist financing.

Part III: Auditing Standards

3.1 Regular Audits:

- All cryptocurrency wallet issuers shall undergo regular audits by qualified independent auditors.
- Audits shall assess the effectiveness of internal controls, financial reporting, and security protocols.



3.2 Audit Reports: A summary of the audit report, excluding confidential information, shall be made available to users upon request.

Part IV: Security Measures

4.1 Data Security: Wallet issuers must implement robust data security measures to protect user information, including encryption at rest and in transit.

4.2 Wallet Security: Wallets should be equipped with multi-factor authentication and other security features to mitigate unauthorized access.

4.3 Incident Response: Wallet issuers must have a comprehensive incident response plan in place to address security breaches and data loss incidents.

Part V: User Education and Awareness

5.1 User Education Materials: Wallet issuers shall provide clear and accessible information on:

- Wallet functionalities
- Fees
- Risks associated with self-custody
- Potential scams

5.2 Recovery Options: Wallet issuers shall educate users on wallet recovery procedures and the importance of safeguarding private keys.

Part VI: Dispute Resolution

6.1 Complaint Procedures: Wallet issuers shall establish clear and accessible complaint procedures for users to address disputes.

6.2 Alternative Dispute Resolution (ADR): The regulation encourages the use of ADR mechanisms for resolving user disputes with wallet issuers.

Part VII: Data Privacy

7.1 Proportionality: Data collection by wallet issuers shall be limited to what is necessary for KYC/AML compliance and user identification.

7.2 User Consent: Users shall have clear control over their data and consent to its collection and use.



Part VIII: Enforcement

8.1 Enforcement Authority: DARA shall be responsible for enforcing this regulation.

8.2 Risk-Based Approach: Enforcement will focus on addressing serious violations and protecting users, with escalating penalties for non-compliance.

8.3 Transparency: DARA shall publicly disclose enforcement actions (excluding confidential information) to deter future violations.

Part IX: Continuous Improvement

9.1 Review and Updates: DARA shall regularly review and update this regulation to reflect evolving technologies and market practices.

Part X: Effective Date

10.1 Effective Date: This regulation shall become effective [DATE].

Rules Pertaining to Blockchains with a Native Token

Part I: Introduction

1.1 Short Title: This regulation may be cited as the "Blockchain Registration for Native Token Issuance Regulation."

1.2 Purpose: The purpose of this regulation is to establish a framework for the registration of blockchains with native tokens within the United States, aiming to:

- **Promote Innovation:** Foster responsible development and deployment of blockchain technologies.
- **Consumer Protection:** Safeguard users from fraud, manipulation, and scams involving native tokens.
- **Financial Transparency:** Enhance transparency and accountability within the blockchain ecosystem.
- **Support DARA's Mission:** Facilitate the development of native tokens that align with the Digital Asset Regulatory Authority's (DARA) mission of fostering a safe and efficient digital asset market.

1.3 Definitions:

- **Blockchain:** A distributed ledger technology that records transactions on a secure, transparent, and tamper-proof digital database.



- **Native Token:** A digital asset intrinsically linked to a specific blockchain protocol, often used for utility purposes within the network.
- **DARA:** The Digital Asset Regulatory Authority, the government agency responsible for overseeing cryptocurrency-related activities within the United States.

Part II: Registration Requirements

2.1 Applicability: This regulation applies to any entity seeking to register a blockchain with a native token within the United States.

2.2 Registration Process:

- Blockchain entities must submit a registration application to DARA, including:
 - Detailed description of the blockchain protocol and its functionalities
 - Technical specifications of the blockchain's consensus mechanism
 - Whitepaper outlining the purpose, utility, and distribution model of the native token
 - Information on the development team and their qualifications

2.3 DARA Review and Approval:

- DARA will review the application to assess the:
 - Technological soundness of the blockchain protocol
 - Alignment of the native token's purpose with DARA's mission and consumer protection principles
 - Potential risks associated with the native token, such as market manipulation or scams
- DARA has the authority to grant or deny registration based on the review.

Part III: Ongoing Regulatory Compliance

3.1 Transparency Requirements:

1. Registered blockchains must maintain a publicly accessible website with clear information on:
 - The blockchain's governance structure
 - Native token distribution schedule and allocation details
 - Updates on the development roadmap and potential risks

3.2 Regulatory Reporting:

- Registered blockchains may be required to submit periodic reports to DARA on:
 - Native token issuance and distribution activities
 - Trading volume and market data



- o Any security incidents or vulnerabilities identified within the network

Part IV: Enforcement

4.1 Enforcement Authority: DARA shall be responsible for enforcing this regulation.

4.2 Non-Compliance: Failure to comply with registration requirements or ongoing reporting obligations may result in: * Denial of registration application * Revocation of existing registration * Fines and penalties

Part V: Continuous Improvement

5.1 Review and Updates: DARA shall regularly review and update this regulation to reflect evolving technologies, market practices, and DARA's evolving mission.

Part VI: Effective Date

6.1 Effective Date: This regulation shall become effective [DATE].

Rules Pertaining to Token Issuers (types of tokens)

Within the development of DARA, it is important to create a functional lexicon for the industry. As such, the following types of tokens are recognized within the framework (this list will always be growing as new tokens are created):

1. CBDC Classifications
 - o Commercial CBDCs- “issued and controlled by a central bank for settlement between member banks. Not for public use or distribution.”¹
 - o Retail CBDCs- intended for public day-to-day use. Digitization of fiat currency but not exchangeable for physical fiat currency. “Transactions are logged and visible to government officials.” Similar to restricted benefit funds, vendor acceptance is controllable.²
2. Fungible Crypto assets
 - o Defi Instruments
 - I. Derivatives- “Crypto derivatives include futures, swaps, options, and other financial derivatives built on pools of cryptoassets. The Commodity Futures Trading Commission (CFTC) regulates crypto derivatives but not the underlying coin. For example, the CFTC brought charges against Mango

¹ Ferris, Stacey (2023). “A Taxonomy for Classifying Digital Assets.” Journal of Accountancy at <https://www.journalofaccountancy.com/issues/2023/jul/a-taxonomy-for-classifying-digital-assets.html>. (Hereinafter “Ferris Taxonomy”).

² Ferris Taxonomy.



- Markets, a crypto futures trading platform, for selling unregistered bitcoin futures, but the CFTC does not oversee or regulate bitcoin itself.”³
- II. Synthetics- “Synthetics are tokens typically pegged on a 1:1 basis to a stock, commodity (physical raw or natural products such as gold, silver, wheat, corn, and soy), or nonderivative financial asset or instrument. The purpose of synthetics is to make financial assets interchangeable with digital assets.”⁴ Synthetics can also include synthesis of digital assets, such as other cryptoassets, such as a tokenization of a Bitcoin ETF.
- o Private Issuer Tokens
 - I. Utility Tokens “A utility token is issued for a specific purpose or platform, such as DAO tokens issued for voting on organizational decisions. DAOs are user-controlled organizations with elected or no central management that often make organizational decisions through voting. Voting rights are typically determined by the amount of DAO tokens a user owns.”⁵
 - Public Utility Tokens- Tokens issued by a private issuer with a utility value which are designed to be used by the public outside of the organization which issued them. Once utility tokens are on the market, the initial issuer has no control over the exchange rate or person who are exchanging the tokens.
 - Private Utility Tokens- tokens issued by a private issuer for internal controls or a specific utility within the company. These tokens are to be considered paperwork and are unregulated to the point that they are only used within the confines of the issuing company.
 - II. Stablecoins- Stablecoins are tokens which keep a relative stability within 11% +/-APY against another asset. This asset can be fiat currency, a individual asset, or a basket of goods. For a more detailed description of stablecoins please see “Rules Pertaining to Stablecoins.”⁶
 - III. Memecoins- Memecoins, also known by a pejorative, are coins with no inherent value or utility whose value is based totally on the popularity of the coin on social media and traditional media.
 - IV. Security Tokens- Security tokens are tokens which are based one for one on a security and thus are themselves securities.
 - V. Commodity Tokens- Commodity tokens are fungible tokens based one for one on a commodity and thus are themselves a commodity.
 - VI. Governance Tokens- Governance tokens are tokens issued for the primary purpose of voting rights within an organization which can include a company. As long as governance tokens are issued for the purpose of voting,

³ Ferris Taxonomy.

⁴ Ferris Taxonomy.

⁵ Ferris Taxonomy.

⁶ See Also Smithmyer, Christopher (2023). The Stablecoin Book. Detroit: Elite Exclusivity Press.



secondary value of the token is not considered a factor which can place them as a security. However, if the value of the token is directly linked to the value of a voting share in a company, the token becomes a security for that purpose.

- VII. Exchange Tokens – Exchange tokens are tokens used for regulating the functions of a cryptocurrency exchange, generally a centralized exchange.
- VIII. Global Exchange Tokens – global exchange tokens are tokens which are used for regulating the functions of exchanges but are exchangeable between multiple exchanges.
- IX. Native Tokens (Coins) – Native tokens are the tokens create during the mining process on a given blockchain.
- X. Collectable Fungible Tokens- Collectable fungible tokens are a type of token created to memorialize an event (such as an election) where they have no value beyond their collectable value.
- XI. Real Asset Fungible Tokens – Real asset fungible tokens are tokens which represent the value of a given physical world asset, but do not confer ownership in the physical world asset.
- XII. Profit Sharing Tokens- Profit sharing tokens are tokens which confer a right to the profits from a given enterprise for a period of time but do not give ownership of the enterprise nor do they give voting control over the enterprise.
- XIII. Other Categories of Fungible Tokens – This classification of tokens is to catch any category of tokens which does not fit one of the above categories. If a token is classified in this category, DARA Regulations will convene an ad hoc panel of experts to determine the classification and criteria for the new token class.
- o Fully Decentralized Systems
 - I. General DAO- A general DAO is a completely decentralized autonomous organization. A DAO must identify an agent who is responsible for the registration of the entity with DARA. Further, if there is a leadership mechanism, the leaders must be KYC'ed in a private system, and those names must be retained by the agent in the event that the DAO commits a crime. The liability of individual members of the DAO for any crimes or torts committed by the DAO is determined by the jury in said case, or, in the event of a regulatory hearing, by the panel from DARA.
 - II. Limited DAO- a Limited DAO has person watching the DAO which have veto power. The limited DAO must identify a registered agent who will register the DAO with DARA. Those members with veto power must also be identified to the registered agent, with their physical world names and locations, and they are treated as the corporate board for the DAO. In the event of a crime or a tort, a panel of the DARA Board of Governors shall



make the determination whether the veto holding members or the entire DAO have liability for the actions.

- III. Grand DAO- A grand DAO starts as a centralized company and moves toward the decentralization of the system. This is, in effect, transitioning the control of the organization to its members. This can be either a free transfer, where control is passed to the members, or a priced transfer where the control is passed based on a valuation. When centralized, a grand DAO has a board of directors or executive or both who are liable for the actions of the DAO, once it transitions to a general DAO it falls under the rules of the above section.⁷

3. Non-Fungible Tokens

- Authentication NFTs- “Authentication NFTs are created solely to support the validation of a digital ID, most commonly for tracking items in a supply chain. They either have no stand-alone market value and/or are valued in fiat currency with no associated cryptoasset valuation. The underlying technology may be described as blockchain or distributed ledger technology and is often a private and permissioned blockchain where all nodes are known entities, usually distributed internally in an organization or in a supply chain, unlike public blockchains where anyone can set up a node and download the blockchain ledger.”⁸
- Ownership NFTs- “Ownership NFTs, and specifically reusable ownership NFTs, are the most common NFTs. Users pay crypto-denominated fees to create, buy, and sell these NFTs. They play a role in virtual worlds and gaming by demonstrating ownership of digital objects.”⁹
 - I. Single Use- “Single use NFTs have limited use and little to no resale value, including NFTs that are burned after a specific use or for a period of time.”¹⁰
 - II. Reusable- “Reusables are the largest category of NFTs and include art, collectibles, avatars and profile pictures, digital fashion, and music. These NFTs have resale value, and buyers often purchase them to benefit from their value appreciation. For some reusables, age increases their value.”¹¹
 - III. Perpetual- “Perpetuals are NFTs that represent a digital location, such as an internet domain name or a “land” plot in a virtual world, sometimes referred to broadly as “the metaverse.” It is already possible to obtain mortgages and loans with the virtual land plot as collateral. These NFTs are unlikely to change hands often and are often longterm investments.”¹²

⁷ Smithmyer, Christopher; Alli, Remi; Jadoon, Abdullah; Ashe, Ryan (2022). “Dragons of the Digital Age.” Detroit: Elite Exclusivity

⁸ Ferris Taxonomy.

⁹ Ferris Taxonomy.

¹⁰ Ferris Taxonomy.

¹¹ Ferris Taxonomy.

¹² Ferris Taxonomy.



- IV. Real Asset – “Real asset NFTs represent a physical real asset on a blockchain. Unlike an authentication NFT, a real asset NFT will be denominated in a fungible cryptoasset and listed on an NFT market.”¹³
4. Semi-Fungible Tokens – Semi-fungible tokens are, by an large, a misnomer, but as a trade term, SFTs are a token where some or all of the users/issuers of said token do not care which individual token that they have; however, they can be tracked by another party who may be interested in the token.
- Issuer Fungible- issuer fungible tokens are tokens which are issued by the issuer with some sort of identifier (serialization etc) which is irrelevant for the initial sale but becomes relevant on the secondary market.
 - User Fungible- user fungible tokens are tokens which are issued by the token issuer with a specific purpose or identification in mind, but the secondary market does not care about the initial offering and one token is the same as another to them (like dollar bills and serialization).
 - Hybrid Semi-Fungible- these tokens have a mix of users and authorities who treat the token as non fungible tokens but have a major sub-set who treat them as fully fungible.

Rules Pertaining to Cryptocurrency Mining Operations

Part I: Introduction

1.1 Short Title: This regulation may be cited as the "Cryptocurrency Mining Operation Regulation."

1.2 Purpose: The purpose of this regulation is to establish a framework for the registration and operation of cryptocurrency mining operations within the United States, promoting:

- **Transparency and Accountability:** Ensuring transparency in mining practices and accountability to pool members and the public.
- **Fairness and Security:** Guaranteeing fair and secure participation for members of mining pools.
- **Environmental Sustainability:** Mitigating the environmental impact of cryptocurrency mining.
- **Oversight:** Assigning oversight responsibilities to the Digital Asset Regulatory Authority (DARA).

1.3 Definitions:

¹³ Ferris Taxonomy.



- **Cryptocurrency Mining Operation:** A commercial entity engaged in the process of validating cryptocurrency transactions and earning rewards through dedicated computing power.
- **Mining Pool:** A collaborative group of miners combining their computing resources to increase the chances of block rewards.
- **DARA:** The Digital Asset Regulatory Authority, the government agency responsible for overseeing cryptocurrency-related activities within the United States.

Part II: Registration Requirements

2.1 Applicability: This regulation applies to all commercial cryptocurrency mining operations operating within the United States.

2.2 Registration Process:

- All commercial mining operations must register with DARA by submitting an application containing:
 - **Company Information:** Name, address, contact details, legal structure.
 - **Mining Operations:** Description of the mining hardware and software used, chosen cryptocurrency, and mining pool participation details (if applicable).
 - **Environmental Considerations:** Estimated energy consumption and planned mitigation strategies (e.g., renewable energy sources).
 - **Security Measures:** Description of security measures in place to protect user data and prevent unauthorized access.

2.3 DARA Review and Approval:

- DARA will review the application to assess the completeness of information, potential environmental impact, and suitability of security measures.
- DARA has the authority to grant or deny registration based on the review.

Part III: Transparency Requirements

3.1 Publicly Accessible Information:

- Registered mining operations must maintain a publicly accessible website with clear information on:
 - Mining pool participation details (if applicable), including fees and reward distribution models.
 - Hardware specifications and energy consumption data.
 - Risk factors associated with cryptocurrency mining (e.g., price volatility, security breaches).
 - Grievance redressal procedures for pool members to address concerns with the mining operation.



Part IV: Pool Member Protection

4.1 Fair Reward Distribution:

- Registered mining operations participating in mining pools must have clear and transparent policies regarding reward distribution among pool members.
- Policies should outline the pool fees, reward calculation methods, and any potential deductions.

4.2 Dispute Resolution Mechanisms:

- Registered mining operations participating in mining pools must establish accessible and fair dispute resolution mechanisms for pool members to address grievances.

4.3 Security Measures:

- Implementation of robust security measures to protect user data and prevent unauthorized access to mining pool resources or the mining operation's systems.

Part V: Environmental Considerations

5.1 Energy Efficiency Reporting:

- Registered mining operations must submit regular reports to DARA detailing their energy consumption data.

5.2 Encouragement of Sustainable Practices:

- DARA may implement incentives or regulations promoting the use of renewable energy sources for mining operations.

5.3 Future Regulations:

- DARA reserves the right to develop additional regulations to address the evolving environmental impact of cryptocurrency mining.

Part VI: Enforcement

6.1 Enforcement Authority: DARA shall be responsible for enforcing this regulation.

6.2 Non-Compliance: Failure to comply with registration requirements, transparency obligations, or other provisions of this regulation may result in:



- **Warnings:** For minor infractions.
- **Fines:** For more serious violations.
- **License Suspension/Revocation:** In cases of repeated or egregious non-compliance.

6.3 Transparency in Enforcement:

- DARA will publicly disclose enforcement actions (excluding confidential information) to deter future violations.

Part VII: Continuous Improvement

7.1 Review and Updates: DARA will regularly review and update this regulation to reflect evolving technologies, industry best practices, and environmental considerations.

Part VIII: Effective Date

8.1 Effective Date: This regulation shall become effective [DATE].

Rules Pertaining to Market Makers

I. Introduction

This framework establishes regulations for Digital Asset Market Makers (DARA) operating within the digital asset ecosystem. It prioritizes Know Your Customer (KYC), consumer protection, and system integrity.

II. Definitions

- **Digital Asset:** A digital representation of value or rights traded on a distributed ledger.
- **Digital Asset Market Maker (DARA):** An entity that facilitates liquidity in a digital asset market by providing continuous bid and ask quotes.
- **KYC (Know Your Customer):** The process of verifying a customer's identity and understanding their risk profile.

III. KYC Requirements for DARAs

- **Customer Verification:** DARAs must perform KYC on all users, including identity verification (name, address, government ID) and background checks (AML/CFT compliance).
- **Risk Assessment:** DARAs must assess customer risk profiles based on transaction history, investment goals, and source of funds.



IV. Consumer Protections

- **Transparency:** DARAs must clearly disclose fees, order execution policies, and potential conflicts of interest.
- **Best Execution:** DARAs must strive to obtain the best possible price for customer orders.
- **Complaint Handling:** DARAs must establish a clear process for handling customer complaints and disputes.

V. System Integrity

- **Annual Reviews:** DARAs must undergo annual reviews by independent auditors to assess system security, operational controls, and compliance with regulations.
- **Audit Scope:** Reviews should cover trading platform functionality, bot algorithms, data security practices, and adherence to KYC/AML procedures.
- **Trading Bot Oversight:** DARAs must have clear policies and procedures for the development, deployment, and monitoring of trading bots. This includes risk management protocols and human oversight mechanisms to prevent manipulative behavior.

VI. Enforcement

- Regulatory bodies will have the authority to investigate potential violations and impose penalties for non-compliance.
- Penalties may include fines, suspension of operations, or revocation of licenses.

VII. Review and Updates

This framework will be reviewed periodically to adapt to evolving technologies and market practices.

Rules Pertaining to Purely Cryptocurrency Related Derivatives

Introduction:

This framework outlines a basic structure for regulating various crypto derivatives and their registration with Digital Asset Regulatory Authority (DARA). It's important to note that this is a simplified version and real-world regulations may have additional complexities.



Categories of Crypto Derivatives:

Fungible/Non-Fungible-Based Derivatives:

1. **Options:** Contracts granting the right, but not the obligation, to buy (call option) or sell (put option) a security token at a specific price by a certain date.
 - o **Regulation:** Focuses on standardized option contracts, margin requirements, disclosure of option greeks (measures of option price sensitivity), and expiration timelines.
2. **Warrants:** Securities giving the holder the right to buy a specific security token at a predetermined price within a defined period.
 - o **Regulation:** Similar to stock warrants, with limitations on dilution (issuing new tokens that decrease existing token value) and potential registration requirements depending on the warrant structure.
3. **Futures Contracts:** Agreements to buy or sell a security token at a predetermined price on a specific future date.
 - o **Regulation:** Standardized contract sizes, margin requirements, position limits to prevent excessive speculation, and clearinghouse mechanisms to ensure contract settlement.
4. **Swaps:** Agreements to exchange cash flows based on the performance of a security token or a basket of security tokens.
 - o **Regulation:** Focus on counterparty risk management, disclosure of swap terms, and potential clearinghouse requirements for standardized swaps.
5. **Total Return Swaps (TRS):** Swaps replicating the total return (price appreciation + income) of a security token or a basket of security tokens.
 - o **Regulation:** Similar to swaps, with additional considerations for potential embedded security offerings within the TRS structure.

DARA Registration Requirements for Security-Based Crypto Derivatives:

- In addition to the general requirements outlined previously, security-based crypto derivative platforms must:
 - o Clearly identify the underlying security token(s) for each derivative product.
 - o Disclose the legal and regulatory status of the underlying security token(s).
 - o Provide detailed explanations of the derivative payouts and settlement procedures.
 - o Outline potential risks associated with the specific derivative product, including volatility, liquidity concerns, and counterparty risk.

Investor Protection Measures:

- DARA may restrict access to complex security-based crypto derivatives for retail investors based on suitability assessments.
- Platforms must provide educational resources to investors regarding derivative risks and strategies.



- Clear communication of margin calls and potential for margin liquidation in case of insufficient account funds.

Market Surveillance and Enforcement:

- DARA will actively monitor trading activity for potential market manipulation and insider trading.
- Power to investigate suspicious activity and impose penalties for violations.
- Regular reporting requirements for derivative platforms to ensure transparency and compliance.

Generally Fungible-Based Derivatives:

1. **Futures Contracts:** Agreements to buy or sell a commodity token (e.g., Bitcoin) at a predetermined price on a specific future date.
 - **Regulation:** Standardized contract sizes, margin requirements, position limits to prevent excessive speculation, and clearinghouse mechanisms to ensure contract settlement. Focus on ensuring market liquidity and preventing price manipulation.
2. **Forwards:** Customized contracts between two parties to buy or sell a commodity token at a predetermined price on a specific future date.
 - **Regulation:** Less stringent than futures contracts due to their private nature. However, DARA may require reporting and disclosure of large forward positions to monitor potential market manipulation.
3. **Swaps:** Agreements to exchange cash flows based on the price of a commodity token or a basket of commodity tokens.
 - **Regulation:** Focus on counterparty risk management, disclosure of swap terms, and potential clearinghouse requirements for standardized swaps. May require additional capital requirements for swap dealers.
4. **Differential Contracts (Diff Contracts):** Agreements to speculate on the price difference between two related commodity tokens.
 - **Regulation:** Relatively new instruments. DARA may impose stricter regulations due to their potential for increased volatility and risk.
5. **Basket Contracts:** Futures or swaps based on a basket of multiple commodity tokens, representing a diversified exposure to the underlying asset class.
 - **Regulation:** Similar to individual commodity token derivatives, with additional considerations for the composition and weighting of the basket.

DARA Registration Requirements for Commodity-Based Crypto Derivatives:

- In addition to the general requirements outlined previously, commodity-based crypto derivative platforms must:
 - Clearly identify the underlying commodity token(s) for each derivative product.
 - Disclose any delivery procedures associated with the derivative contracts (physical or cash settlement).



- o Outline potential risks associated with the specific derivative product, including price volatility, liquidity concerns, and counterparty risk.

Market Stability and Risk Management:

- DARA may impose position limits on individual traders and institutions to prevent excessive speculation and potential market manipulation.
- Platforms must have robust risk management frameworks to monitor margin requirements and prevent defaults.
- DARA may require stress testing of derivative platforms to assess their resilience under extreme market conditions.

Structured Crypto Products:

1. **Crypto Exchange-Traded Funds (ETFs):** Investment vehicles similar to traditional ETFs, holding a basket of crypto assets and traded on regulated exchanges.
 - o **Regulation:** Combines elements of security-based derivative and traditional ETF regulations. Focus on transparency of holdings, liquidity management, and potential NAV (net asset value) disclosure requirements.
2. **Crypto Mutual Funds:** Professionally managed investment pools holding a mix of crypto assets and potentially other traditional assets.
 - o **Regulation:** Similar to traditional mutual funds with additional considerations for crypto asset valuation and risk disclosures. DARA may require specific investment mandates (strategies) for crypto mutual funds.
3. **Margin Accounts with Crypto Assets:** Accounts allowing investors to borrow funds to amplify their exposure to crypto assets through buying or selling on margin.
 - o **Regulation:** Combines elements of security-based derivative and traditional margin account regulations. Focus on clear margin requirements, risk disclosures (liquidation risks), and potential limitations on leverage ratios for crypto assets.
4. **Structured Notes:** Debt instruments linked to the performance of crypto assets or a basket of crypto assets.
 - o **Regulation:** Complex product category requiring detailed disclosure of the embedded derivatives and potential risks associated with the underlying crypto assets. DARA may impose restrictions on retail investor access to structured notes.
5. **Guaranteed Investment Contracts (GICs) with Crypto Assets:** Similar to traditional GICs, but offering returns linked to crypto asset performance with potential principal guarantees.
 - o **Regulation:** Stringent regulations due to the guarantee element. DARA may require strong issuer solvency and capital adequacy requirements.

DARA Registration Requirements for Structured Crypto Products:

- In addition to the general requirements, structured crypto product issuers must:



- o Clearly explain the underlying investment strategy and the role of crypto assets within the product.
- o Disclose the fees and expenses associated with the product.
- o Outline detailed risk profiles considering the volatility of crypto assets and potential product complexities.
- o Conduct stress testing to assess the product's resilience under various market conditions.

Investor Protection and Product Suitability:

- DARA may restrict access to complex structured crypto products for retail investors based on suitability assessments.
- Issuers must provide clear and concise product information targeted at the intended investor audience.
- Platforms offering structured crypto products must have adequate training programs for their sales staff to ensure appropriate product recommendations.

Decentralized Finance (DeFi) Products:

DeFi products present a unique challenge due to their decentralized nature. This framework explores potential regulatory approaches for DeFi products, focusing on consumer protection, transparency, and mitigating systemic risks.

DeFi Product Landscape:

- **Staking Pools:** Users deposit crypto assets to earn rewards based on network validation or governance participation.
- **Lending Protocols:** Users can lend or borrow crypto assets, with interest rates determined by supply and demand.
- **Decentralized Exchanges (DEXs):** Peer-to-peer marketplaces for trading crypto assets without intermediaries.
- **Yield Farming:** Strategies to maximize returns across various DeFi protocols, often involving high risk.
- **Decentralized Autonomous Organizations (DAOs):** Community-governed entities using smart contracts to manage crypto assets.

DARA Regulatory Considerations:

- **Platform Registration (Potential):** DARA may require DeFi platforms offering certain services (e.g., lending, staking) to register and disclose information about their protocols, smart contracts, and potential risks.
- **Consumer Protection Measures:** DARA may introduce educational resources and warnings about the inherent risks associated with DeFi, such as smart contract



vulnerabilities, impermanent loss (in lending protocols), and rug pulls (fraudulent DeFi projects).

- **Focus on Decentralized Governance:** Regulations may incentivize robust governance models within DeFi protocols to ensure transparency, fairness, and community participation in decision-making.
- **Stablecoin Regulation:** Stablecoins (crypto assets pegged to fiat currencies) used in DeFi may have separate regulations depending on their backing mechanisms.
- **Monitoring Systemic Risks:** DARA may monitor DeFi activity to identify potential risks to the broader financial system, such as excessive leverage or interconnectedness between protocols.

Challenges and Considerations:

- Balancing innovation and consumer protection in a permissionless environment.
- Defining clear lines of responsibility for DeFi protocols operating autonomously.
- Addressing the potential for anonymity and obfuscation of DeFi transactions for malicious actors.
- Adapting existing regulatory frameworks to accommodate the evolving nature of DeFi.

Conclusion:

Regulating DeFi products requires a delicate balance between fostering innovation and protecting consumers. DARA's role might involve platform registration, promoting transparency, and mitigating systemic risks. Continuous collaboration between regulators, the DeFi community, and industry experts will be crucial for developing effective regulatory approaches for this dynamic space.

General DARA Registration Requirements:

- Platform operator information and background checks.
- Detailed product descriptions and risk disclosures.
- Anti-money laundering (AML) and Know Your Customer (KYC) procedures.
- Minimum capital requirements for derivative platforms.

Additional Considerations:

- Leverage limits for margin accounts and derivative positions.
- Investor suitability assessments for complex products.
- Reporting requirements for trading activity and positions.
- Ongoing DARA oversight and enforcement capabilities.



Rules Pertaining to Stablecoins

Based on the three key stablecoin categories (fiat-backed, algorithmic, and maturity model), let's explore potential regulatory considerations for DARA:

Fiat-Backed Stablecoins:

- **Strengths:** Considered the most stable due to direct fiat currency backing, potentially appealing to regulators seeking low volatility.
- **Regulations:** DARA might require:
 - Transparency regarding reserve composition and independent audits to verify fiat holdings.
 - Stringent custody requirements for the fiat reserves to mitigate counterparty risk.
 - Potential capital adequacy ratios to ensure sufficient reserves for stablecoin redemption.

Algorithmic Stablecoins:

- **Strengths:** Offer greater flexibility and potentially faster transaction processing compared to fiat-backed coins.
- **Challenges:** Algorithmic mechanisms can be complex and susceptible to unforeseen market events.
- **Regulations:** DARA might require:
 - In-depth disclosure of the stabilization algorithm and its potential risks.
 - Stress testing to assess the algorithm's resilience under extreme market conditions.
 - Precautionary measures to prevent excessive supply expansion or contraction.

Maturity Model-Based Stablecoins (if applicable):

- **Maturity Model Stablecoins** are based on a fund which is designed to develop over the course of a time period (3-7 years) which allows for the system to peg off of a basket of goods rather than a fiat currency so that the token is worth approximately the same relative to any given staple good when the maturity level is reached.

Additional Considerations:

- **Reserve Diversification:** DARA might encourage diversification within fiat-backed stablecoin reserves to reduce reliance on a single currency.
- **Consumer Protection:** DARA might introduce educational resources for investors to understand the differences between stablecoin categories and associated risks.
- **Innovation Sandbox:** DARA could establish a regulatory sandbox to facilitate innovation in stablecoin design while managing potential risks associated with novel models.

Specific Stablecoin Categories

Positive stability matrix (+3%-11% APY)

Neutral Stability Matrix (-3%--3% APY)



Negative Stability Matrix (-3%--8% APY)

Stability matrix is relative to the US Dollar adjusted for inflation.

Stablecoin 1.0 (-)

Stablecoin 1.0 is a fully fiat based stablecoin with a 1:1 ratio. This could issue a coin when a fiat unit comes in and destroys the unit on redemption.

Stablecoin 1.1 (-)

Stablecoin 1.1 are tokens which are fully backed by corporate paper and fiat currency. The income from the token sale is used to purchase corporate paper, and the profits from the paper trading are used to back the stablecoin system.

Stablecoin 1.2 (=)

Stablecoin 1.2 are algorithmically controlled stablecoins. These coins have a AI system which maintains the value of the stablecoin against a peg with a margin to provide liquidity during the transactions.

Stablecoin 1.3 (SECURITY) (=)

Stablecoin 1.3 is a stablecoin which is pegged to a single stock asset or commodity. These tokens are by their nature either a security or commodity and should be regulated as such.

Stablecoin 1.4 (=)

Stablecoin 1.4 is based on either a single digital asset or a collection of digital assets. The base of the value is to keep pegged to the indexed collection or single digital asset.

Stablecoin 1.5 (-)

Stablecoin 1.5 is based on a collection of fiat currencies. This creates an indexed fund where the token is valued off the rate of the index fund.

Stablecoin 1.6 (=/+)

Stablecoin 1.6 is based on a collection of stocks or commodities. The value of the fund is pegged to the value of the "mutual fund like asset." This type may be either direct or bifurcated.

Stablecoin 1.7 (=)

Stablecoin 1.7 is based on a collection of properties within a given region.

Stablecoin 1.8 (-/=/+)

Stablecoin 1.8 is based on a collection of derivatives managed by a hybrid human/AI account. While this is based off an index fund, there is a slightly higher level of volatility relative to even the index fund.

Stablecoin 1.9 (-/=/+)

Stablecoin 1.9 is based on an entire asset class. It is similar to Stablecoin 1.6, but with a more specific fund.



Stablecoin 2.0 (+)

Stablecoin 2.0 is based on a basket of goods (which can include stocks, bonds, derivatives, digital assets, commodities, land, antiquities, and collectables). This system is managed by a series of index funds rather than a single internal fund. There is also a cyclic burn which rejuvenates the fund. Additionally, this type of fund stabilizes the value during a maturity period. Under DARA rules the period can be no longer than 7 years.

Tier 3 Stablecoins

Tier 3 stablecoins are pegged 1:1 with another stablecoin. They are used for cross chain transaction, and their stability matrix mirrors the underlying stablecoin.

Rules for Advertising within the Digital Space

This framework outlines advertising principles for digital asset programs within the Web3 space, aiming for compliance with potential future DARA (Digital Asset Regulatory Authority) regulations and current US advertising laws.

General Disclosures:

- **Clear and Conspicuous:** All advertisements for digital asset programs must be presented in a clear, conspicuous, and understandable manner. Avoid burying important disclosures in fine print or legalese.
- **Target Audience:** Tailor advertisements to the appropriate audience. Avoid misleading unsophisticated investors with complex financial products.
- **Risk Disclosures:** Prominently disclose the inherent risks associated with digital assets, including price volatility, liquidity concerns, potential for scams, and regulatory uncertainty.
- **DARA Registration Status (if applicable):** If the program is registered with DARA, clearly disclose this fact and provide a link to relevant DARA filings for further information.

Specific Advertising Methods:

- **Websites & Social Media:**
 - Ensure website content and social media posts accurately represent the digital asset program.
 - Disclose any affiliations between the advertiser and the program being promoted.
 - Consider using DARA-approved disclaimers or icons (if available) to signal compliance.
- **Influencer Marketing:**
 - Influencers promoting digital asset programs must disclose any compensation or sponsorships received.
 - Influencers should not downplay the risks associated with digital assets and should encourage viewers to conduct their own research.



- **Traditional Media (TV, Radio, Print):**
 - Adhere to existing advertising regulations for traditional media, including clear disclaimers and avoidance of misleading statements.

Additional Considerations:

- **Comparative Advertising:** When comparing different digital asset programs, ensure comparisons are fair and accurate based on objective metrics.
- **Testimonials:** Testimonials used in advertising should be genuine and not overstate potential returns.
- **Targeting Based on Investor Suitability:** Avoid targeting advertisements for complex digital asset programs to retail investors who may not understand the associated risks.

Disclaimer: This framework is for informational purposes only and does not constitute legal advice. It is recommended to consult with legal counsel regarding specific advertising campaigns for digital asset programs in light of evolving regulations.

Future Considerations:

- DARA may introduce specific advertising regulations for digital assets, potentially including pre-approval requirements or standardized disclosure formats.
- This framework will need to adapt to incorporate any future DARA regulations to ensure ongoing compliance.

[Rules for Fundraising \(Equity and Token Sales\)](#)

This framework outlines various methods for token projects and exchanges to raise capital, along with disclosure and reporting requirements for DARA (Digital Asset Regulatory Authority).

Fundraising Methods:

1. **Equity Sales:**
 - Traditional method of selling ownership shares in a company for fiat currency.
 - **DARA Disclosures:** Not directly regulated by DARA, but may require compliance with general corporate governance and prospectus requirements.
2. **Token Sales:**
 - Issuing new tokens representing utility or future value within the project's ecosystem.
 - **DARA Disclosures:**
 - Whitepaper outlining project concept, tokenomics (token distribution and utility), team expertise, and potential risks.
 - KYC/AML (Know Your Customer/Anti-Money Laundering) procedures to verify investor identities and prevent illicit activity.
3. **Initial Coin Offering (ICO):**



- o Early-stage fundraising mechanism where new tokens are sold to a broad audience in exchange for crypto or fiat currency.
- o **DARA Disclosures:** Similar to token sales, with a strong emphasis on potential risks and project viability due to the often-speculative nature of ICOs.
- 4. **Initial DEX Offering (IDO):**
 - o Token sale conducted on a Decentralized Exchange (DEX), leveraging the transparency and security of blockchain technology.
 - o **DARA Disclosures:** Similar to token sales, with potential additional requirements for the DEX platform depending on its registration status with DARA.
- 5. **Tiered DEX Offering (TDO):**
 - o IDO with different token sale tiers based on investment amount or participation criteria.
 - o **DARA Disclosures:** Similar to IDOs, with clear explanations of tier structures and associated benefits.
- 6. **Airdrops:**
 - o Free distribution of tokens to generate awareness and incentivize early participation in a project.
 - o **DARA Disclosures:** Clear communication regarding the purpose of the airdrop, token utility, and potential tax implications.

DARA Reporting Requirements:

- All token projects and exchanges raising funds must register with DARA and provide ongoing updates on the project's development, financial performance, and token distribution.
- Periodic reports outlining token sales activity, KYC/AML compliance procedures, and any material changes to the project.
- DARA may require additional reporting based on the specific fundraising method and the complexity of the token offering.

Additional Considerations:

- DARA may categorize token offerings based on their characteristics and apply different regulations accordingly (e.g., security token vs. utility token).
- Investors are strongly advised to conduct thorough due diligence on any token project before investing.
- This framework is for educational purposes only and may not reflect future regulations. Consult with legal and financial professionals for specific guidance on fundraising for token projects and exchanges.

[Rules For Determination of Security, Commodity, or Currency Status](#)

In the matter of whether a specific cryptocurrency or crypto-derivative is a security or commodity or not:



Any cryptocurrency which represents ownership in full of a stock or commodity in the public market (not internal coins) shall be determined, on its face, that it is the same category as the underlying asset. In the event that a token is a security or a commodity, it falls under the jurisdiction of both the agency which regulates the security or commodity and DARA.

Any cryptocurrency which represents a pool of securities, commodities, other assets or a mix of any of these elements shall be determined to be not a security or commodity. It will be determined to be a digital synthetic and shall be under the authority of DARA and its subsidiaries.

Any stablecoin, which includes fiat based stablecoins, algorithmic stablecoins, and maturity model stablecoins, is considered to be a supplemental currency and shall, for tax purposes, be treated as a currency (tokens issued in the US as domestic, tokens issued off shore as international).

Utility tokens, used for a specific purpose, are not securities regardless of secondary market uses.

Governance tokens may be a security, and companies may apply to DARA to have a determination made as to whether they are a security. They will be measured under the Howie Test.

All derivatives issued outside the first three years (safe harbor) of an existence of a cryptocurrency (except token backed warrants) shall be considered a security and shall be registered with the proper authority.

Warrants of more than three years, or which are issued within the first three years of a token's existence, are not considered securities but are delayed purchase orders. Short term warrants (less than three years) issued outside of the safe harbor shall be treated in the same regard as options/futures.

Memecoins or any other uncategorized coins are treated as a novelty item or collectable and are taxed on the initial sale at the requisite sales tax rates and then after are sold as a novelty or collectable on the secondary market. They are not securities.

[Relationship with the Department of Commerce](#)

DARA shall report, as expressed in the act, to the Department of Commerce, any conflicts with any other departments of the US government, up to the limitations of the current law, shall be remediated by the Department of Commerce and DARA shall, unless determined by a unanimous vote of the board of directors, follow the guidelines applied by the department of commerce. In the event of a unanimous vote of the board of directors, the matter shall be mediated by a mediator selected by the DC Circuit court of appeals. Should mediation fail, the same circuit shall appoint an arbitrator selected from a panel from the American Arbitration Association or Brav Online Conflict Management (where parties are in different areas of the country) to hear the case. Parties may appeal the case, should they disagree with the arbitration to the Circuit court, with party or parties making the appeal covering the cost of the appeal.



Rule implementation and Development

This framework outlines the process for developing DARA regulations, ensuring transparency, member participation, and adherence to legislative requirements.

Rule Suggestion:

- **Open Source:** DARA members can propose new regulations by submitting detailed proposals outlining:
 - The specific issue addressed by the proposed rule.
 - The desired outcome of the regulation.
 - Supporting evidence and rationale.
- **Submission Format:** Proposals can be submitted electronically through a dedicated portal or a physical submission process.

Committee Review:

- **DARA Committee:** A dedicated DARA committee composed of legal and technical experts will review all proposals.
- **Assessment Criteria:** The committee will assess proposals based on criteria such as:
 - Consistency with DARA's mandate and mission.
 - Clarity and effectiveness in addressing the identified issue.
 - Feasibility of implementation and enforcement.
 - Potential impact on the digital asset industry and consumers.
- **Draft Rule Development:** Based on the reviewed proposal and committee analysis, a draft rule will be formulated.

Committee Vote:

- **Committee Discussion:** The committee will discuss the draft rule, consider input from various stakeholders, and make necessary revisions.
- **Committee Vote:** The committee will vote on the final version of the draft rule, with a majority vote required for approval.

Executive Committee Approval:

- **Review and Feedback:** The Executive Committee will review the approved draft rule and provide feedback.
- **Final Approval:** The Executive Committee will vote on the final draft rule, requiring a majority vote for approval.

Public Comment Period:

- **Public Release:** The draft rule will be released to the general DARA membership and the public for comment.
- **Comment Submission:** Members and the public can submit written comments through a designated platform within a specified timeframe.



- **Review and Consideration:** The committee will review all submitted comments and consider them for incorporating additional revisions to the draft rule.

Final Rule Approval:

- **Revised Rule:** The committee will finalize the rule after considering public comments.
- **Executive Committee Re-Approval:** The revised rule will be presented to the Executive Committee for final approval.

Submission for Legal Review and Enactment:

- **Department of Commerce Review:** The final rule will be submitted to the Department of Commerce for legal review to ensure compliance with federal regulations.
- **Congressional Approval:** The final rule will be submitted to Congress for approval through the appropriate legislative process.
- **Enactment and Codification:** Once approved by Congress, the rule will be signed into law by the President and codified in the U.S. Code.

Benefits of this Framework:

- **Member Participation:** Allows members to contribute to the rule-making process.
- **Transparency:** Provides clear stages for review and public comment.
- **Expert Review:** Ensures legal and technical soundness of the regulations.
- **Stakeholder Input:** Considers public opinion and industry needs.
- **Legislative Compliance:** Guarantees adherence to the law-making process.

Additional Considerations:

- **Timelines:** Establish clear deadlines for each stage of the process to ensure efficiency and maintain momentum.
- **Resource Allocation:** DARA will need to dedicate adequate resources to manage the rule-making process effectively.
- **Communication Strategy:** Develop a comprehensive communication strategy to keep members and the public informed throughout the process.

This framework provides a comprehensive and transparent approach to developing DARA regulations. By encouraging member participation, ensuring stakeholder input, and adhering to legal requirements, DARA can establish effective digital asset regulations that serve the best interests of the industry and society.

Advisory Time Period

Introduction

DARA is committed to a transparent and efficient rule-making process. These Review Time Rules establish clear timeframes for each stage of the regulation development process outlined in the General



Rule Development Framework. The aim is to ensure timely review, stakeholder participation, and efficient implementation of DARA regulations.

Timeframes

2.1 Rule Suggestion

- **Submission Window:** An ongoing window will be available for members to submit rule proposals electronically or through a physical process.

2.2 Committee Review

- **Initial Review:** 2 weeks from proposal submission. Committee staff will conduct a preliminary assessment and ensure completeness.
- **In-depth Review and Draft Rule Development:** 4 weeks following initial review.

2.3 Committee Vote

- **Circulation of Draft Rule and Voting Period:** 1 week for committee members to review the draft rule and submit feedback before voting.

2.4 Executive Committee Approval

- **Review and Feedback:** 2 weeks for the Executive Committee to review the draft rule and provide feedback to the Committee.
- **Final Vote:** 1 week after receiving feedback from the Executive Committee, the Committee will hold a final vote.

2.5 Public Comment Period

- **Draft Rule Release:** 2 weeks after final Committee approval, the draft rule will be released for public comment.
- **Public Comment Window:** 4 weeks for members and the public to submit comments through a designated platform.

2.6 Final Rule Approval

- **Review and Revision:** 2 weeks for the Committee to review all public comments and incorporate necessary revisions to the draft rule.
- **Revised Rule Submission:** 1 week to submit the revised rule to the Executive Committee for re-approval.
- **Executive Committee Re-Approval:** 1 week for the Executive Committee to review and vote on the revised rule.

Submission for Legal Review and Enactment

- **Department of Commerce Review:** The timeframe for review by the Department of Commerce will be determined by their internal procedures. DARA will work to expedite the process whenever possible.
- **Congressional Approval:** The timeframe for Congressional approval varies depending on the legislative process and the complexity of the rule. DARA will actively engage with Congress to facilitate timely consideration.



Review Time Flexibilities

- **Complexity of Rule:** In cases of exceptionally complex regulations, additional time may be allotted for Committee review and public comment upon justification by the Committee.
- **Public Interest:** If significant public interest arises surrounding a specific rule, the public comment period may be extended to allow for further input.

Notification Process

DARA will maintain a dedicated webpage with all relevant information regarding the rule-making process, including:

- Timelines for each stage of review
- Current status of ongoing rule proposals
- Draft rules for public comment
- Finalized regulations

DARA will also utilize email communication to inform members and the public about key milestones and deadlines throughout the rule-making process.

Conclusion

These Review Time Rules aim to provide a predictable and efficient framework for developing DARA regulations. DARA remains committed to transparency and collaboration while ensuring the timely creation of effective digital asset regulations.

Approved Rule Transitional Time Period and Adoption

This policy addresses the transition period between DARA regulation approval and implementation, aiming to facilitate a smooth adaptation for businesses and encourage early adoption through incentive programs.

Transition Period:

- **Duration:** The transition period between final rule approval and implementation will typically be **6 months**. However, this can be adjusted based on the complexity of the regulation:
 - **Complex Regulations:** For highly complex regulations, the transition period may be extended by up to **3 additional months** with justification from the DARA Committee.
 - **Simple Regulations:** For straightforward regulations with minimal impact on business practices, the transition period may be shortened to **3 months**.

Objectives of the Transition Period:

- **Provide Time for Adjustment:** Allow businesses sufficient time to review the regulations, make necessary changes to their operations, and ensure compliance.
- **Facilitate Education and Awareness:** Enable DARA to conduct educational workshops and outreach programs to inform businesses about the new regulations.



- **Encourage Dialogue:** Provide a platform for DARA to address industry concerns and clarify implementation details.

Early Adoption Incentives:

- **Reduced Compliance Burden:** Businesses that demonstrably begin compliance efforts within **3 months** of rule approval may be eligible for a **reduced initial compliance audit** or a **streamlined registration process**.
- **Public Recognition:** DARA may recognize early adopters through public announcements or awards, highlighting their commitment to responsible industry practices.
- **Technical Assistance:** DARA may offer priority access to technical assistance programs or workshops to early adopters to help them navigate the implementation process.
- **Regulatory Flexibility:** In exceptional cases, DARA may consider minor, time-bound flexibilities in specific implementation requirements for early adopters facing unique challenges.

Implementation of the Policy:

- **Clear Communication:** DARA will clearly communicate the transition period duration and details of the early adoption program alongside the final rule release.
- **Compliance Guidance:** DARA will provide comprehensive compliance guidance documents, FAQs, and online resources to assist businesses throughout the transition period.
- **Industry Engagement:** DARA will actively engage with industry associations and stakeholders to gather feedback and address implementation challenges.

Considerations:

- **Balance between Timeliness and Effectiveness:** The transition period should be long enough for smooth adaptation but not so long as to delay the effectiveness of the regulation.
- **Specificity of Incentives:** Early adoption incentives should be tailored to address practical challenges businesses face during implementation.
- **Transparency and Fairness:** The criteria for early adoption incentives and the selection process should be transparent and fair to all industry participants.

Conclusion

By implementing a well-defined transition period and an early adoption incentive program, DARA can minimize disruption to businesses and encourage responsible compliance with new regulations. This approach fosters a collaborative environment where both regulators and industry work together to achieve responsible innovation and a thriving digital asset ecosystem.

Retired Rules Efficacy and Temporal Relationships

This policy outlines the process for transitioning DARA members from retired regulations to new, updated regulations. It aims to ensure a smooth and efficient shift while minimizing disruption for businesses.



Rule Retirement Process:

- **Identification of Outdated Rules:** DARA will regularly review existing regulations to identify those that are outdated, redundant, or no longer serve their intended purpose due to changes in the digital asset landscape.
- **Public Notice:** DARA will issue a public notice announcing the intended retirement of a specific rule, along with the rationale behind the decision.
- **Sunset Date:** A clear "sunset date" will be established, indicating the date after which the retired rule will no longer be enforceable. DARA will determine the sunset date considering the complexity of the new rule and the transition needs of businesses. This typically will be **12 months** after the announcement.

Transition Period:

- **Duration:** The transition period will generally be **12 months**, allowing businesses sufficient time to adjust their operations to comply with the new rule. DARA may adjust this timeframe based on the complexity of the regulations:
 - **Complex New Rules:** The transition period may be extended by up to **6 additional months** with justification from the DARA Committee.
- **Guidance and Resources:** During the transition period, DARA will provide comprehensive resources to assist businesses in adapting to the new rules, including:
 - Clear comparison documents highlighting changes between the retired and new rules.
 - Educational workshops and webinars explaining the new requirements.
 - Frequently Asked Questions (FAQs) addressing potential challenges.
 - Dedicated support channels for DARA members to seek clarification.

Compliance Support:

- **Compliance Grace Period:** DARA may offer a short **compliance grace period** (typically **3 months**) following the sunset date of the retired rule. During this grace period, DARA will prioritize technical assistance and education over enforcement actions for minor non-compliance issues related to the new rule.
- **Phased Implementation:** For highly complex new regulations, DARA may consider a phased implementation approach. This involves dividing the new rule into smaller, more manageable components with individual compliance deadlines within the overall transition period.

Member Responsibilities:

- **Monitoring Rule Updates:** DARA members are responsible for staying informed about upcoming rule retirements and new regulations. DARA will utilize multiple communication channels (website, email, social media) to ensure اطلاق (itla' - notification) reaches all members.
- **Transition Planning:** Businesses are encouraged to begin planning for the transition to the new rule as soon as the retirement announcement is issued. This allows them to identify areas for necessary adjustments and allocate resources for timely compliance.



- **Seeking Clarification:** DARA encourages members to proactively seek clarification on any aspects of the new rule that may be unclear.

Enforcement:

- **Focus on Education:** Throughout the transition period, DARA's primary focus will be on education and assisting businesses in achieving compliance with the new rule.
- **Enforcement Actions:** Following the grace period, DARA will begin enforcing the new rule and may take appropriate enforcement actions against non-compliant businesses.

Benefits of this Policy:

- **Manages Regulatory Burden:** Retires outdated regulations, reducing the overall regulatory burden on businesses.
- **Ensures Relevancy:** Maintains a regulatory framework that reflects the evolving digital asset landscape.
- **Smooth Transitions:** Provides clear guidance and support for businesses during the transition period.
- **Predictability:** Establishes a well-defined process for retiring and implementing new regulations.

By implementing this transparent policy, DARA can ensure a smooth and efficient transition from retired regulations to new rules, minimizing disruption for its members and fostering a dynamic regulatory environment that supports responsible innovation in the digital asset space.