

SECTION 1. SHORT TITLE.

This Act may be cited as the "**Transparent Markets and Ethical Exchange Act of 2026.**"

SEC. 2. FINDINGS AND PURPOSE.

(a) Findings.— Congress finds the following:

- Legacy regulatory frameworks managed by federal agencies are often outpaced by the speed of modern algorithmic trading, high-frequency data feeds, and globalized market participation.
- Centralized federal litigation of market fraud socializes the cost of enforcement and causes severe delays in market justice.
- Financial exchanges equipped with advanced proprietary data networks are best positioned to identify, isolate, and penalize unethical market behavior in real time.

(b) Purpose.— The purpose of this Act is to establish a clear federal baseline for what constitutes an ethical market transaction, define acceptable currencies for clearing, and empower financial exchanges to autonomously police their networks.

SEC. 3. AUTHORIZED MEDIUMS OF EXCHANGE (DEFINING "MONEY").

To ensure frictionless trade, global accessibility, and systemic integrity, this Act defines "money" strictly by its functional capacity to settle debts, irrespective of its underlying issuer or national origin.

(a) Functional Definition of Money.— For the purposes of clearing and settling transactions on a Qualifying Financial Exchange, "money" is defined as any universally recognized unit of account that mutually satisfies the counterparty obligations of a trade.

(b) Criteria for Exchange Settlement.— An exchange may authorize any asset—including sovereign fiat currencies, tokenized commodities, or decentralized cryptographic assets—to serve as a medium of exchange, provided the asset meets the following three objective criteria:

1. **Verifiability:** The asset must possess a mathematically or legally verifiable supply and a transparent ledger of ownership that can be audited by the exchange in real time.
2. **Real-Time Price Discovery:** The asset must maintain a continuous, unmanipulated market data feed that accurately reflects its current global liquidity and purchasing power.
3. **Settlement Finality:** The technological or legal transfer of the asset must result in immediate and irreversible settlement between the buyer and seller, eliminating ongoing counterparty clearing risk.

(c) Prohibitions Based on Function, Not Origin.— An asset shall be prohibited from being used as a medium of exchange only if it fails to meet the functional criteria above—specifically, if it lacks a verifiable real-time data feed, suffers from systemic latency preventing instant settlement, or allows outside actors to arbitrarily reverse cleared transactions.

SEC. 4. THE ETHICAL MARKET TRANSACTION STANDARD.

To replace complex, prescriptive micro-regulations, all trades executed on a US-based financial exchange must adhere to the **Principle of Transparent Market Intent**. **(a) Definition of an Ethical Transaction.**— An ethical market transaction is defined as any order to buy or sell a financial instrument that satisfies all three of the following criteria:

1. **Verifiable Identification:** The order is attached to a globally standardized variable (GSV) that accurately identifies the ultimate beneficial owner, their firm, and their jurisdiction in real time.
2. **Genuine Intent to Execute:** The order is placed with the genuine mathematical and financial intent to complete the transaction at the stated price and volume, assuming a willing counterparty is found.
3. **Absence of Market Manipulation:** The order is not designed to artificially distort price discovery or manipulate the psychological or algorithmic behavior of other market participants.

(b) Prohibited Unethical Practices.— Under the standard defined in subsection (a), the following practices are inherently unethical and strictly prohibited under federal law:

- **Spoofing:** Placing orders with the explicit intent to cancel them before execution to create a false impression of market depth or momentum.
- **Wash Trading:** Simultaneously buying and selling the same financial instrument to create a false appearance of volume or liquidity.
- **Intentional Latency Arbitrage:** Deliberately congesting exchange data feeds or utilizing non-standard network routing to exploit fractional delays in public data dissemination, thereby front-running standard participants.

Note: Legitimate high-frequency trading (HFT) that provides genuine market liquidity, narrows bid-ask spreads, and operates with a genuine intent to execute is expressly protected and considered an ethical transaction under this Act.

SEC. 5. EXCHANGE-LEVEL ENFORCEMENT AND DELEGATION OF AUTHORITY.

(a) Decentralized Oversight.— Primary enforcement of the Ethical Market Transaction Standard (Sec. 4) is hereby delegated to the Qualifying Financial Exchanges (e.g., CME Group, ICE, Nasdaq, TXSE).

(b) Real-Time Arbitration.— Exchanges must utilize their proprietary matching engines and data networks to enforce this Act. Upon algorithmic or manual detection of an unethical transaction, the exchange possesses the federal authority to instantly:

- Quarantine and reverse the illicit trade.
- Confiscate illicitly gained profits to a localized restitution fund.
- Suspend or permanently revoke the global identifier (GSV) of the offending participant from the exchange network. **(c) Federal Audit.**— Federal agencies (SEC, CFTC) shall transition from primary investigators of individual trades to auditors of the exchanges. Federal

intervention is restricted to instances where an exchange fails to enforce the Ethical Market Transaction Standard upon its own participants.