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## WASHINGTON POLICY STRATEGY Potomac Perspective

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The prospects for passing the CLARITY Act have improved as a compromise regarding the Stablecoin yield issue may have opened the door to a markup in the Senate Banking Committee. Despite our increased optimism for the bill's chances, it still faces an uphill climb. We discuss some of the hurdles in its path.

- **Stablecoin yield compromise might have legs.** Based on our channel checks, we think a compromise regarding the Stablecoin yield issue could be sufficient to allow the Senate Banking Committee to mark up the CLARITY Act in April. We think the bill's chances, which we thought were on life support a couple of weeks ago, have improved. There is still, however, a long way to go.
  - Neither the crypto industry nor the banking industry seems particularly enthused about the compromise, but at the same time, neither group is actively trying to kill it. That might be enough to allow a markup to proceed.
  - The White House is pushing for a bill. That might not attract additional Democratic support (which will be crucial), but pressure from the administration could persuade Republicans to proceed. Also, the stakeholders will probably be reluctant to be blamed if the bill fails and incur the White House's wrath.
  - We still need more details on the nature of the compromise. According to our channel checks, stakeholders were allowed to view the draft compromise but were not allowed to copy or take photos of the document. Our views could change once the text is released. That might not happen for at least another week.
- **The Stablecoin yield issue is the primary obstacle to passing the CLARITY Act, but it's not the only one.** Disagreements over the regulation of decentralized finance, as well as the application of ethics rules to public officials and their families, remain to be resolved. These issues could ultimately sink the legislation. The Democratic base's anger towards President Trump might prevent some Democratic senators from supporting the CLARITY Act, and the legislation will need at least eight Senate Democrats to pass. We also note that a Senate bill would have to be reconciled with the House's version. As recently demonstrated by the faltering negotiations over housing legislation and the Department of Homeland Security bill, relations between the two chambers are poor.
- **The bill's chances have improved, but we're not in coin flip territory yet.** Despite our increased optimism for the bill, we do not yet think the CLARITY Act's chances have improved to 50/50. A week ago, we thought the bill's chances were below 20%. We now think the odds have improved to 35-40% of passing. That's a significant improvement in a week, but we think odds are still against the bill passing in 2026.

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