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WASHINGTON POLICY STRATEGY

Potomac Perspective

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The Saturday shooting of a man in Minnesota plus the east coast snowstorm are likely to impact the Senate's schedule this week. Thus, the odds of a partial government shutdown have risen materially which could impact the capital markets. Also, the markup of a crypto bill has been postponed until Thursday, and it appears that a credit card network bill will not be added to it. Also, the two key digital asset regulators are scheduled to hold a joint event regarding the harmonization of cryptocurrency regulation. Lastly, President Trump will give an economic policy speech in Iowa.

- **Partial Government Shutdown** – The Senate needs to pass a package of six spending bills by Friday night to avert a partial government shutdown. The package includes funding for the Department of Homeland Security and Immigration and Customs Enforcement (ICE). In the wake of the shooting this past weekend in Minnesota by an ICE agent, Democrats are likely to oppose the funding bill and will seek changes in ICE policy. It is possible that Congress will pass a short-term spending bill while talks over ICE take place, but our base case is for a shutdown.
 - A shutdown would be more limited than the one last fall since several government agencies have subsequently been funded for all of FY2026.
 - However, the Financial Services and General Government appropriations bill has passed the House but not the Senate. Therefore, if there is a shutdown, the Securities and Exchange Commission would close again, and capital markets activity would be impacted.
- **Ag crypto markup/CCCA implications** – The Senate Agriculture Committee rescheduled the markup of its version of the CLARITY Act (the committee has jurisdiction over the Commodities and Futures Trading Commission (CFTC)) to Thursday from Tuesday. Sens. Durbin (D-IL) and Marshall (R-KS) had filed the Credit Card Competition Act (CCCA) as an amendment to the bill. Our doubts about the CCCA's prospects at the markup seem justified as it appears that its authors will not push for a vote on it.
 - There were significant political and procedural hurdles to passing the CCCA as an amendment to the CLARITY Act, and these made us skeptical that this effort would succeed. Although the Ag Committee has jurisdiction over the CLARITY Act, it probably lacks jurisdiction over the CCCA. We think the committee chairman, Sen. Boozman (R-AR), would rule the amendment non-germane if it is offered. Furthermore, we viewed the credit card network bill as a poison pill to the CLARITY Act. It also appears that the White House and the GOP leadership did not want another distraction for what was already becoming a heavy lift (i.e. passing the CLARITY Act).
 - The headline risk from the CCCA is likely to persist since we expect Sens. Marshall and Durbin will look for other legislative vehicles for their credit card network bill. We continue to believe that the odds of the CCCA passing Congress remain low even after Pres. Trump's recent endorsement of it.
 - **SEC/CFTC harmonization event** – The CLARITY Act's purpose is to create a regulatory framework for digital assets and delineate the respective jurisdictions of the SEC and CFTC. The two agencies will co-host a roundtable on Thursday (rescheduled from Tuesday) about harmonizing their respective rules. The event could be significant for cryptocurrencies especially if Congress fails to pass the CLARITY Act which is intended to resolve differences and ambiguities regarding the two agencies' rules. We think the roundtable could offer important clues as to how the SEC's and CFTC's regulation of digital assets might evolve if no legislation passes.

- **lowa speech** – President Trump is scheduled to give a speech in Iowa on Tuesday regarding economic policy. The White House has indicated that it would focus on energy. It is unclear whether he will propose new initiatives or reiterate ideas on exploration and production that he has mentioned before. Permitting reform legislation seems stuck so he might use the speech to leverage voters’ anxiety regarding affordability to build momentum for congressional action. The administration can open federal lands for energy use, but in order to significantly expand domestic energy production (carbon, green, or nuclear). Congress needs to legislate. Trump might use this speech to push that effort.

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