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WASHINGTON POLICY STRATEGY

# Potomac Perspective

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The Senate Banking Committee is scheduled to mark up cryptocurrency legislation (the CLARITY Act) on Thursday. Despite efforts to reach a compromise on the Stablecoin yield issue, as well as other matters, we doubt that there is sufficient bipartisan support to pass the legislation through the full Senate. The bill will likely pass the committee this week, but the odds that the CLARITY Act will become law in 2026 remain low. In our view, the chances of passing this year are no better than 40%. In this note, we offer four possible scenarios for Thursday's markup and what each outcome could mean for the bill's prospects.

- **Crypto markup scenarios** – On Thursday, the Senate Banking Committee will mark up the CLARITY Act. We think that there are four possible outcomes for the bill in this process. In the first three scenarios, the bill would pass but with varying levels of Democratic support. Under the final scenario, the bill would fail to pass the committee. We describe what each of these scenarios could portend for the bill's future. In the order of likelihood:
  1. **Party-line (base case)** – The bill passes but with only Republican votes. We think that a party-line vote would be a sign of weakness. The bill's supporters might spin it as a step forward and say that further negotiations will produce bipartisan support, which would be sufficient to pass the bill through the full Senate, where at least seven Democratic votes will be needed. We would not share their optimism. A party-line vote might not be the death knell for the CLARITY Act but, at best, the bill would be on life support.
  2. **Bill passes with one or two Democratic supporters** – This outcome would suggest that Democrats want to build better relations with the crypto industry and are willing to defy their leadership. In this scenario, the chances that further negotiations might produce a compromise that can pass the Senate would be low, but better than in the previous scenario.
  3. **Broad bipartisan support** – This would be the best outcome for the CLARITY Act, but it is a longshot. There is a small chance that a deal is reached before Thursday that produces a broad bipartisan coalition in the committee. A bill that passes out of committee with at least four Democratic votes would significantly improve its chances of passing the Senate.
  4. **Bill fails or the markup is postponed** – In the least likely scenario, Senator John Kennedy (Republican-Louisiana), who has expressed skepticism about the bill, votes with the Democrats in committee and the bill loses. This would be catastrophic for the bill's prospects. We doubt that Kennedy would vote against his chairman (Senator Tim Scott (Republican-South Carolina)), but the odds of this happening are not zero. If, prior to the markup, Kennedy indicates that he will oppose the bill, Chairman Scott might decide to postpone holding the vote in committee.

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