

The CLARITY Act Is Coming — What It Means for Every Crypto Investor Right Now

Senate Banking Committee Passed 15–9. White House Targeting July 4. No Plan Means No Position. — Q2 2026

The Digital Asset Market Clarity Act — universally called the CLARITY Act — passed the Senate Banking Committee 15 to 9 on May 14, 2026, with two Democratic senators crossing party lines to support it. The bill already passed the House of Representatives 294 to 134 in July 2025. The Senate Agriculture Committee cleared its version in January 2026. The White House is targeting a July 4, 2026 signing date. Treasury Secretary Scott Bessent published a Wall Street Journal op-ed calling the legislation a national security priority, citing the migration of blockchain developers and crypto companies to Singapore and Abu Dhabi as a consequence of sustained US regulatory uncertainty. Brian Armstrong, CEO of Coinbase, assigned 90% odds of CLARITY Act passage by end of April before timeline delays pushed the schedule to May. The CLARITY Act is not a speculative legislative possibility. It is a bill moving through the final stages of a multi-year process toward presidential signature — and every crypto investor who does not understand what it does, what it classifies, and what it changes is making investment decisions without the single most important piece of regulatory information available in Q2 2026. This report maps every provision that matters, what changes the day it is signed, and how to position before the market fully prices in the permanent regulatory clarity it provides.

01 — WHAT THE CLARITY ACT ACTUALLY DOES IN PLAIN ENGLISH

The CLARITY Act — formally the Digital Asset Market Clarity Act of 2025, H.R. 3633, introduced by House Financial Services Committee Chairman French Hill on May 29, 2025 — is the most comprehensive federal digital asset regulatory framework ever passed by either chamber of Congress. Its core function is to resolve the single most damaging question in US crypto regulation: is a digital asset a security regulated by the SEC or a commodity regulated by the CFTC? For eight years under SEC Chairman Gary Gensler, the answer was effectively every token is potentially a security until proven otherwise in federal court — a position that cost hundreds of millions of dollars in legal fees, drove innovation offshore, and prevented the institutional adoption infrastructure that was simultaneously being built in London, Singapore, Dubai, and Zurich.

The CLARITY Act resolves this question through a five-category digital asset taxonomy that aligns with the SEC-CFTC joint interpretive release published March 17, 2026, and codifies it into permanent federal statute. Category one is digital commodities — decentralized networks including Bitcoin, Ethereum, Solana, and XRP, regulated by the CFTC. Category two is digital collectibles — NFTs and

similar assets, not securities. Category three is digital tools — utility tokens performing a specific function, not securities. Category four is payment stablecoins — USDC, USDT, and similar instruments, not securities, regulated under the GENIUS Act framework. Category five is digital securities and tokenized stocks — traditional securities in digital form, regulated by the SEC.

The practical consequence of this taxonomy is that four of the five categories of digital assets — representing the vast majority of assets by market capitalization, transaction volume, and user count — are permanently removed from the SEC's enforcement jurisdiction. The eight-year campaign to classify crypto tokens as unregistered securities ends on the day the CLARITY Act is signed. No future SEC chairman can restart Gensler-style enforcement against assets that Congress has explicitly classified as non-securities in federal statute.

Beyond the taxonomy, the CLARITY Act establishes three additional frameworks that carry major market implications. It creates expedited registration pathways for digital commodity exchanges, brokers, and dealers — giving platforms like Coinbase a clear, fast-track compliance pathway rather than years of regulatory limbo. It includes a DeFi safe harbor for developers that distinguishes between software developers building decentralized protocols and financial intermediaries running centralized operations — protecting the open-source development ecosystem that has been the engine of crypto innovation. And it adds a sandbox for AI digital asset tools development alongside a requirement for the SEC and CFTC to develop portfolio margining rules related to digital assets, creating the derivatives market structure that institutional investors require for risk management.

CLARITY ACT CORE: 5-category taxonomy making 4 of 5 token types non-securities. Expedited exchange registration. DeFi developer safe harbor. AI digital asset sandbox. SEC/CFTC portfolio margining framework. Signed into law, it permanently ends the regulatory ambiguity that drove \$1 trillion+ of crypto innovation offshore.

02 — THE LEGISLATIVE TIMELINE: WHERE IT STANDS AND WHAT COMES NEXT

Understanding the CLARITY Act's current legislative position requires mapping exactly where it stands in the congressional process and what steps remain between the Senate Banking Committee vote on May 14 and the presidential signature the White House is targeting for July 4, 2026.

The bill's House passage is complete and cannot be undone. The House of Representatives passed H.R. 3633 on July 17, 2025 by a vote of 294 to 134 — a margin that reflects significant bipartisan support, with more than 60 Democrats joining all voting Republicans. The House Financial Services and House Agriculture committees had jointly approved the bill in June 2025 before its floor passage. The House version is the bill that Treasury Secretary Scott Bessent endorsed in his Wall Street Journal op-ed, that Coinbase CEO Brian Armstrong assigned 90% passage odds, and that Polymarket traders briefly priced at 90% probability.

The Senate process requires the reconciliation of two committee versions before floor consideration. The Senate Banking Committee passed its version on May 14, 2026 with a 15 to 9 vote — two Democrats, Senators Mark Warner of Virginia and Ruben Gallego of Arizona, joining all 13 Republicans. Senate Banking Committee Chairman Tim Scott unveiled the full bill text just after midnight on May 11, 2026, ahead of the committee hearing and vote. Critically, the Senate Agriculture Committee had

cleared its own version of the legislation in January 2026. These two Senate committee versions must be reconciled — a conference process that will negotiate the specific language differences — before the merged bill can proceed to a full Senate floor vote.

The reconciliation timeline is the critical path variable between the May 14 committee vote and the July 4 target signing date. Senate Majority Leader John Thune has committed to floor time for the reconciled bill as a legislative priority. The remaining outstanding issues in the reconciliation — specifically the treatment of stablecoin yield and the handling of the decentralized finance sector — are described by Senate insiders as not insurmountable, with no major industry holdout remaining after Coinbase reversed its opposition in late April 2026. PwC's analysis published May 15 describes the path as straightforward but notes that the 2026 midterm election calendar creates urgency: failure to pass the bill before late summer could effectively push it off the calendar until after November.

03 — WHAT CHANGES THE DAY THE CLARITY ACT IS SIGNED

The immediate consequences of CLARITY Act enactment are specific, institutional, and high-impact for every segment of the crypto market. Understanding what changes on Day One is the foundation for understanding how to position before the signing rather than after.

SEC enforcement against classified digital commodities ends: On the day the CLARITY Act is signed, the SEC loses jurisdiction over digital assets classified as digital commodities under the five-category taxonomy. Active litigation against Coinbase, and any remaining enforcement actions predicated on the theory that Bitcoin, Ethereum, Solana, or other classified commodities are unregistered securities, becomes legally moot. The legal overhang that has suppressed institutional allocation to direct crypto holdings — because legal counsel could not advise on assets whose regulatory status was litigated rather than statutory — is permanently removed.

Expedited registration unlocks institutional distribution: Digital commodity exchanges, brokers, and dealers gain access to expedited registration pathways with the CFTC. Coinbase, Kraken, Gemini, and every other regulated US crypto exchange that has been operating under regulatory uncertainty gains clear, statutory compliance status that allows them to offer a broader range of products to institutional clients — including 401k platforms, pension fund administrators, and insurance company investment departments that require clear regulatory authorization before adding any new product category.

Consumer protections and bankruptcy rights take effect: Digital asset firms become subject to consumer protection laws and must segregate customer funds — the provision that would have prevented the FTX collapse had it been in place in 2022. Digital commodities are treated as customer property in bankruptcy rather than as unsecured creditor claims — ensuring that in any future exchange failure, customer assets are protected rather than consumed by creditors. These provisions are the retail investor protection foundation that critics of the bill argued were missing from earlier versions, and their inclusion is what secured the two Democratic crossover votes on May 14.

DeFi safe harbor protects open-source development: The DeFi safe harbor provision draws the legal distinction between software developers building decentralized protocols — who are not financial

intermediaries and should not be regulated as such — and platforms running centralized operations that use the DeFi label as regulatory arbitrage. This distinction has been the most contested provision in the entire bill's development, and its resolution is what allows protocols like Uniswap, Aave, and the broader DeFi ecosystem to operate within US regulatory jurisdiction without being classified as unregistered securities exchanges.

04 — WHO WINS AND WHO LOSES WHEN CLARITY ACT PASSES

Not every participant in the crypto ecosystem benefits equally from the CLARITY Act's passage. Understanding the winners and losers from permanent US regulatory clarity is essential for positioning before the market prices in the full consequences.

Clear winners — Bitcoin, Ethereum, Solana, and the 16 classified digital commodities: Permanent commodity classification removes the securities overhang from every asset on the March 17, 2026 SEC-CFTC joint interpretation list. Bitcoin and Ethereum in particular benefit from the removal of any remaining regulatory ambiguity that has kept conservative institutional allocators on the sidelines. The 401k DOL safe harbor, the CLARITY Act commodity classification, and the SEC innovation exemption together form the complete regulatory stack that allows conservative institutional capital to allocate to these assets — and the CLARITY Act is the statutory permanence that makes that allocation durable across administrations.

Clear winners — Coinbase, Kraken, and regulated US exchanges: Coinbase specifically stands to benefit from the CLARITY Act more than any other single publicly traded company in the crypto ecosystem. Brian Armstrong's 90% passage probability statement reflected his assessment of the bill's commercial value to Coinbase — which holds \$1.35 billion in annual USDC rewards revenue, runs the largest regulated US crypto exchange, and has been the primary target of SEC enforcement actions that the CLARITY Act's passage would permanently resolve. The expedited registration framework gives Coinbase a clear compliance pathway for every product it wants to offer institutional clients, removing the legal uncertainty that has constrained its institutional business development.

Clear winners — USDC and GENIUS Act-compliant stablecoins: Payment stablecoins classified under Category 4 of the CLARITY Act taxonomy gain permanent statutory status as non-securities — the legal clarity that Circle's USDC requires to be offered as a standard financial product by every bank, broker, and financial institution in the United States. Circle's Chief Strategy Officer Dante Disparte stated after the Senate Banking Committee vote: the approval marks meaningful, bipartisan progress toward comprehensive digital asset regulation — framing USDC's regulatory clarity as a direct commercial benefit.

Losers — Regulatory arbitrage operations: Offshore exchanges and platforms that competed with US-regulated entities by avoiding compliance costs face a structurally different competitive environment once the CLARITY Act provides clear regulatory pathways for US platforms. The migration of innovation that Treasury Secretary Bessent cited as a national security concern reverses: when the US regulatory framework is clear and workable, the competitive advantages of Singapore and Abu Dhabi domicile diminish.

05 — HOW TO POSITION BEFORE THE JULY 4 SIGNING

The investors who generate the best returns from the CLARITY Act's passage will not be the ones who buy the day it is signed. They will be the investors who positioned in Q2 2026, while the bill was still moving through Senate reconciliation and the market was still pricing in legislative uncertainty rather than legislative certainty.

The positioning framework for the CLARITY Act has three layers. The first layer is the direct beneficiaries of commodity classification — Bitcoin, Ethereum, and the 14 other named digital commodities — which capture the institutional allocation flows that are currently being held back by the absence of statutory regulatory clarity. Bitcoin ETF inflows, which recorded \$1.5 billion in net inflows during March 2026 in response to the March 17 joint classification announcement, will be dwarfed by the flows that follow permanent statutory classification under the CLARITY Act.

The second layer is the infrastructure that enables institutional participation — Coinbase as the dominant regulated US exchange and USDC issuer, Chainlink as the data infrastructure that every tokenized asset requires, Stellar and Solana as the settlement chains that institutional tokenized asset platforms have selected. These are the picks-and-shovels plays that benefit regardless of which specific digital commodity assets institutional capital allocates to — they earn from the infrastructure fees, the settlement volume, and the distribution infrastructure that institutional adoption requires.

The third layer is the timing. The Senate reconciliation process, the full Senate floor vote, and the House-Senate conference to reconcile any remaining differences must all complete before the July 4 signing. Each step that advances without obstruction is a signal that the July 4 target is achievable. Each step that resolves adds certainty that reduces the legislative risk premium currently embedded in every asset that benefits from CLARITY Act passage. The investors who are positioned before the reconciliation completes capture the decompression of that risk premium as it resolves — not after it is fully resolved and the market has already priced the signing.

POSITIONING WINDOW: Senate Banking Committee voted 15-9 May 14. Senate reconciliation in progress. White House July 4 target. Every day the bill advances without obstruction, the legislative risk premium compresses. Investors positioned before the signing capture the decompression. Investors positioned after pay the price that reflects a law already signed.

06 — CONCLUSION: A PLAN IS NOT OPTIONAL

The CLARITY Act is not a rumor. It is not a speculative legislative proposal with uncertain political support. It is a bill that has passed the House 294 to 134, cleared two Senate committees with bipartisan support, received White House endorsement from the Treasury Secretary, and has a presidential signing target of July 4, 2026. The only remaining steps are Senate reconciliation between committee versions and a full Senate floor vote. Both are described by every credible Washington observer as achievable on the July 4 timeline.

Investors who do not have a plan for what they will do when the CLARITY Act is signed are not being cautious. They are gambling — relying on the possibility that nothing will change rather than preparing

for the documented, scheduled, politically-supported regulatory transformation that is advancing through Congress right now. The transformation will happen with or without any individual investor's preparation. The question is whether that investor captures the returns that come with positioning before the market fully prices in permanent US regulatory clarity for digital assets — or whether they pay those returns to someone who did prepare.

The CLARITY Act signing will not be the end of crypto's regulatory journey. The bill still needs Senate reconciliation, a full floor vote, and House-Senate conference before it reaches the president's desk. State-level regulation will continue to develop independently. International regulatory frameworks will diverge from and interact with the US framework in ways that create both opportunities and complexities. But the signing will be the moment when the US federal government permanently closes the chapter of regulatory ambiguity that has defined crypto investing for eight years — and permanently opens the chapter in which digital assets operate within a clear, statutory framework that the most conservative institutional capital in the world can navigate without legal uncertainty.

The CLARITY Act passed Senate Banking Committee 15-9 on May 14 2026. White House targeting July 4 signing. A plan is not optional. Position before the signing or pay the returns to someone who did.