

CLARITY Act’s Likelihood of Passage Boosted by House Vote, GENIUS Act; Tailwinds for Coinbase, Robinhood Partly Offset by DeFi, Others

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The Bottom Line:

Capstone raises its probability to 75% from 65% that Congress will enact cryptocurrency regulatory framework legislation by the end of 2026, after the House passed the CLARITY Act and the GENIUS Act was enacted with broad bipartisan support. We expect incumbent crypto platforms such as Coinbase and Robinhood to benefit from increased adoption, partly offset by fee compression from traditional finance firms entering the crypto space.

- On July 17, 2025, the Digital Asset Market Clarity (CLARITY) Act of 2025 passed the US House of Representatives with a 294-134 vote. The bill creates a bright-line bifurcation of responsibilities for digital assets regulations between the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) and requires the agencies to engage in rulemaking to codify that division.
- We raise our probability that the CLARITY Act legislation will be passed by the end of 2026, following the strong bipartisan vote in the House. We believe the bill will receive similar bipartisan support that the GENIUS Act garnered in the Senate (68-30 vote; 18 Democrats in favor), with a strong likelihood that Republicans and Democrats will negotiate a deal on the legislation.
- We believe the bill will provide tailwinds for major crypto exchanges and trading platforms such as Coinbase Global Inc. (COIN) and Robinhood Markets Inc. (HOOD), through clear regulation, including higher volume and expansion into higher-margin digital assets. We anticipate this impact to be partly offset by the entry of traditional finance firms like Charles Schwab Corporation (SCHW) into cryptocurrency offerings and continued competition from decentralized finance (DeFi) platforms.

Capstone’s Call at a Glance

Our Prediction	Capstone assigns a 75% probability (up from 65%) that Congress will enact a crypto regulatory framework by the end of 2026.
Company Impacted	Coinbase Global Inc. (COIN), Robinhood Markets Inc. (HOOD), Charles Schwab Corporation (SCHW)
Potential Impact	Incumbent centralized crypto exchanges will see increased volume and expansion into historically regulatory ambiguous product offerings with higher margins, partially offset by competition from DeFi platforms and new entrants into the crypto market.
Read More	Congress Likely to Pass Stablecoin and Crypto Regulation Legislation; Tailwinds for Coinbase, Robinhood Partly Offset by Increased Competition , March 1, 2025

*Capstone’s predictions are informed by rigorously examining historical occurrences and current conditions while rooting out cognitive biases systematically. We update our probabilities often to reflect the latest information. Read more [here](#).

A DEEPER LOOK

Overview

On July 17th, the House passed the Digital Asset Market Clarity (CLARITY) Act of 2025 ([HR 3633](#)) with a vote of [294-134](#) (78 Democrats joined 216 Republicans). On the same day, the House passed the Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act of 2025 ([S 1582](#)) with a [308-122 vote](#) (102 Democrats joining 206 Republicans) and the Anti-CBDC Surveillance State Act ([HR 1919](#)) with a [219-210 vote](#) (2 Democrats joining 217 Republicans). President Donald Trump subsequently signed the GENIUS Act, enacting the bill in line with our expectations (see [Stablecoin Quick Take: House Passes the GENIUS Act with Broad Bipartisan Support; President Trump to Sign; Tailwinds for Circle, Coinbase](#), July 24, 2025). Regarding the CLARITY Act legislation, the White House issued a supportive [Statement of Administration Policy](#) on July 15th: “If HR 3633 were presented to the President in its current form, his senior advisors would recommend that he sign it into law.” Although the House has moved first on market structure through the CLARITY Act legislation, we expect the final bill to reflect whatever form can be negotiated in the Senate to avoid a filibuster. The Senate version of the bill will likely differ from the one passed by the House. However, we believe that, should a Senate-passed version be sent back to the House, there exists enough support in the congressional body to clear such a regulatory framework bill.

On July 22nd, the Chairman of the Senate Banking Committee, Senator Tim Scott (R-SC), alongside Senators Cynthia Lummis (R-WY), Bill Hagerty (R-TN), and Bernie Moreno (R-OH), released a [discussion draft of a digital assets market structure bill](#), the Responsible Financial Innovation Act of 2025, that builds upon the CLARITY Act. Along with the draft, Scott and his colleagues issued a [Request for Information](#) (RFI) from stakeholders, with responses due August 5, 2025. The Senate Agriculture Committee, which oversees agricultural commodities, has indicated that it will develop its own draft. Considering the wide range of questions in the Senate Banking RFI, we expect the Senate version to build upon but make material departures from the CLARITY Act. The CLARITY Act builds upon the Financial Innovation and Technology for the 21st Century Act (FIT 21, [HR 4763](#)), which passed the House last year with a bipartisan [279-136](#) vote (71 Democrats joining 208 Republicans) but never made it out of committee in the Senate.

Key Provisions

SEC vs. CFTC

The CLARITY Act legislation bifurcates digital assets regulation between the CFTC and SEC, primarily by establishing “digital commodities” and excluding them from the definition of securities under federal securities law. The bill defines a digital commodity as a digital asset “intrinsically linked to a blockchain system” whose value is “derived from use of that system.” The bill excludes securities, investment contracts, and security derivatives, keeping them within the SEC’s purview. Although CFTC will maintain oversight of digital commodities, the SEC is still authorized to pursue cases falling under anti-money laundering. The digital commodity definition also excludes banking deposits, digital assets functionally equivalent to an agricultural or other exempt commodity, commodity derivatives, interests in commodity pools, and good/collectibles.

Blockchain systems and their associated digital commodities can become certified as a “mature blockchain system.” Until certification, digital commodity issuers and related persons must file semiannual reports with the SEC on the development state and timeline of the blockchain system and are limited in their ability to sell the associated digital commodity to avoid early holders from “dumping” the asset before the system is fully decentralized and functional. Several popular digital assets and their accompanying systems, including Solana and Cardano, would not qualify as mature blockchain systems as they are under significant influence through development and/or control of central organizations (e.g., Solana Foundation, Cardano Foundation).

If a chain and its native token pass the mature blockchain test, then it “is not controlled by any person or group of persons under common control” (see Exhibit 1). Initially, there is a self-certification and SEC review; the SEC has 60 days to object to the certification, or the status becomes effective automatically. If the SEC objects, then there is an appeal process.

Exhibit 1: Mature Blockchain Test

Criteria	Description
Value tied to network use	Token price must stem from adoption and on-chain function, not issuer promises
System is live and functional	Users can send, store, and transact today
No one can exclude peers by fiat	Unilateral power to block normal activity is disqualifying
Rules enforced in code	Operations run on preset, transparent logic (“programmatically functioning”)
Decentralized governance	No person/group can control >= 20% of voting power or alter consensus unilaterally
Distributed ownership	Issuer and affiliates together hold <20% of outstanding tokens

Source: HR 3633

The CLARITY Act legislation also defines digital commodity brokers (DCB), dealers (DCD), and exchanges (DCE) and requires the CFTC to establish a registration regime for these entities with requirements resembling those for swap dealers for DCBs and DCDs and designated contract markets or swap execution facilities for DCEs.

Vertical-integration Cap

The bill includes provisions restricting vertical integration between DCEs and their affiliated brokerage, dealer, and custody businesses. Specifically, a digital commodity exchange or any affiliate may not trade on the exchange for its own account. The rule then outlines regulatory subsets that the CFTC will likely address when it provides its forthcoming official guidance. The main goal of this is to align the Volcker Rule with spot crypto trading.

DeFi Platforms

The bill exempts DeFi platforms from SEC/CFTC regulation, including activities like providing a user interface, compiling network transactions, validating transactions, protocol development, offering self-custody wallets, and operating liquidity pools for digital commodity sales. However,

the SEC and CFTC’s anti-fraud and anti-manipulation authorities will still apply. The bill’s exemption maintains the regulatory arbitrage enjoyed by DeFi platforms partially afforded by Congress earlier this year striking down an Internal Revenue Service rule that would have categorized DeFi platforms as brokers and required associated reporting (see [Crypto Quick Take: Congress Poised to Strike Down IRS DeFi Broker Rule; Coinbase, Robinhood Lose Advantage in Vying for \\$460B in Transactions](#), March 12, 2025).

Investment Implications

We believe the bill will largely create tailwinds for the cryptocurrency industry by encouraging adoption and increasing trading volume, expanding the potential market for crypto platforms. However, we anticipate that regulatory clarity will also encourage more entrants into the space, increasing competition and partly offsetting tailwinds for incumbents.

Institutional/Traditional Finance Competition

We expect the enactment of the bill will prompt traditional finance firms, which had stayed out of the digital assets space due to regulatory uncertainty, to enter the business, increasing competition for incumbents and compressing trading fees. Already, Charles Schwab has confirmed it will add spot bitcoin and ethereum trading to its core brokerage platform in the next 12 months. We believe Coinbase and similar platforms have benefited from a fee premium due to limited competition as the industry exists in a regulatory gray area. The CLARITY Act does away with that uncertainty, and we anticipate fee compression for incumbent crypto platforms. Traditional trading platforms will also benefit from direct access to a much larger existing client base to whom they can introduce crypto products alongside traditional assets. Robinhood serves as a case study in the attractiveness of potential cryptocurrency trading revenues for traditional platforms considering incorporating it into their offerings. Despite accounting for a fraction of Robinhood’s trading volume on a nominal basis, cryptocurrency has grown to dwarf the company’s revenue from equity trading.

Exhibit 2: Robinhood 2024 Total Transaction Revenue per Exchange Volume by Asset Class

2024 Total	Volume (in \$B)	Total Transaction Revenue (in \$M)	Revenue / Volume
Equities	1,177	177	0.015%
Cryptocurrencies	143	626	0.438%
Difference (Crypto - Equities)	-1,034	449	0.423 pp
Variance (Crypto/Equity)	-88%	254%	2,815%

Source: Robinhood

Expanded Offerings

We believe that bright-line regulation will enable incumbent crypto-focused platforms such as Coinbase to expand their service offerings into fringe cryptocurrencies like “memecoins,” which total over \$100 billion in market capitalization. Coinbase and other US-based centralized exchanges have historically been more careful than non-US-based exchanges in deciding which coins to offer on their platforms in their best efforts to avoid SEC scrutiny, despite these types of assets generally offering higher spreads and potential fees to capture. As a result, the US memecoin market has existed primarily on DeFi platforms. With regulatory certainty, we expect centralized exchanges to expand further into these offerings.

DeFi Competition

We believe the regulatory exceptions afforded to DeFi platforms through the CLARITY Act will continue to make such platforms an attractive alternative to centralized exchanges, squeezing incumbent centralized crypto exchanges from other directions. DeFi operators will be able to offer lower fees by not needing to materially invest in compliance with US federal financial regulators. Meanwhile, Coinbase and others will likely need to increase their compliance spend due to regulations from the bill. We estimate DeFi trading could account for over \$250 trillion in trading volume each quarter. For reference, Coinbase facilitated \$394 billion in trading volume in the first quarter of this year.

Risks to Our Thesis

The Senate could fail to arrive at a version of the bill that receives adequate support to avoid the filibuster, primarily through Democrat noncooperation. Although the Senate eventually passed the GENIUS Act with bipartisan support, Democrats uniformly opposed the bill’s first cloture vote over concerns that the bill did not go far enough to prevent Trump and other government officials from benefitting from stablecoins. Additionally, Republican Senators Josh Hawley (R-MO) and Rand Paul (R-KY) voted against the GENIUS Act, and Senator Tom Cotton (R-AR) abstained from voting, potentially adding to the need for Democrat support.

What’s Next

After August 5th, the Senate Banking Committee will review responses to the RFI it issued on its version of a market structure bill and begin developing a partner bill to the CLARITY Act for committee passage. The partner bill will require at least 60 votes to avoid the filibuster. If the Senate passes that bill, it will either go to the House for passage, or the two chambers will form a conference committee to establish a bill, which would go back to both chambers for passage.

In Case You Missed It: A roundup of Capstone’s recent notes on cryptocurrency:

See all Capstone’s crypto-related coverage [here](#).

[Stablecoin Quick Take: House Passes the GENIUS Act with Broad Bipartisan Support; President Trump to Sign; Tailwinds for Circle, Coinbase, July 24, 2025](#)

[Stablecoin Quick Take: Senate Passes GENIUS Act with Broad Bipartisan Support; House Likely to Move Forward with Senate Version, June 18, 2025](#)

[Stablecoin Bill to Heighten Cross-Border Payments Competition, a Threat to Western Union, Others; On- and Off-Ramp Services Offer Potential Mitigant, June 13, 2025](#)

[Stablecoin Bill Offers Mitigants to Disintermediation Risks, Favorable for Banks; Smaller Banks Remain Exposed to Bank Deposit Erosion Risk, June 12, 2025](#)

[Stablecoin Legislation Highly Likely to Pass by End of 2025 after Advancing from Committees; Tailwinds for Coinbase, Other Crypto Platforms, April 25, 2025](#)

[Crypto Quick Take: Congress Poised to Strike Down IRS DeFi Broker Rule; Coinbase, Robinhood Lose Advantage in Vying for \\$460B in Transactions, March 12, 2025](#)

[Congress Likely to Pass Stablecoin and Crypto Regulation Legislation; Tailwinds for Coinbase, Robinhood Partly Offset by Increased Competition, March 1, 2025](#)

[Crypto Quick Take: Trump Administration's Actions Portend Regulatory Clarity, Lifting Crypto Industry and Increasing Institutional Participation, January 24, 2025](#)

[New IRS Regulation Eliminates Advantages For Decentralized Finance, Creating Tailwinds for Centralized Platforms, Coinbase and Robinhood, January 16, 2025](#)

[2025 Crypto Preview: Trump's Pro-Crypto SEC to Spur Positive Regulatory Environment, More Competition, and More Bank and Institutional Players, December 19, 2024](#)