

The CLARITY Act Is Dead. Now What?

Monday's 49–50 Senate vote wasn't just a procedural setback – it was the most expensive legislative defeat in crypto history. Here is what happened, why it happened, and what the industry does next.

KEY TAKEAWAYS

- The CLARITY Act failed its cloture vote 49–50 on September 15, 2026 – eleven votes short of the 60 needed to proceed. The final Republican text included 630 pages and 126 Democratic-requested changes, including ethics language enforceable by state attorneys general. It wasn't enough.
- The proximate cause of death was the same ethics impasse that stalled the bill for months: Democrats, led by Elizabeth Warren, rejected the revised ethics provision as a 'weak fig leaf' given President Trump's \$1.4 billion in disclosed crypto income for 2025. Even senators who had spent months negotiating – Gallego, Alsobrooks, Warner, Booker, Warnock – voted no.
- The industry's immediate question is whether the bill is truly dead or merely deferred. Senator Tillis's motion to recommit keeps a procedural door open, but with midterms approaching and Congress poised for potential split control, the realistic window for a comprehensive market structure bill is 2027 at the earliest – and possibly 2029. The SEC and CFTC are already signalling they will move forward with their own rulemaking in the interim.

What exactly failed Monday

Before unpacking the politics, a technical clarification that most coverage will blur: what the Senate voted on on Monday was not the CLARITY Act itself but cloture on the motion to proceed – a procedural vote to allow formal debate on the bill. A yes vote would not have passed the law. It would only have allowed senators to begin amending and debating it on the floor. The bill would then have needed a second cloture vote and final passage. The fact that it couldn't even get to the starting line, let alone cross the finish line, tells you something important about where real support actually stood.

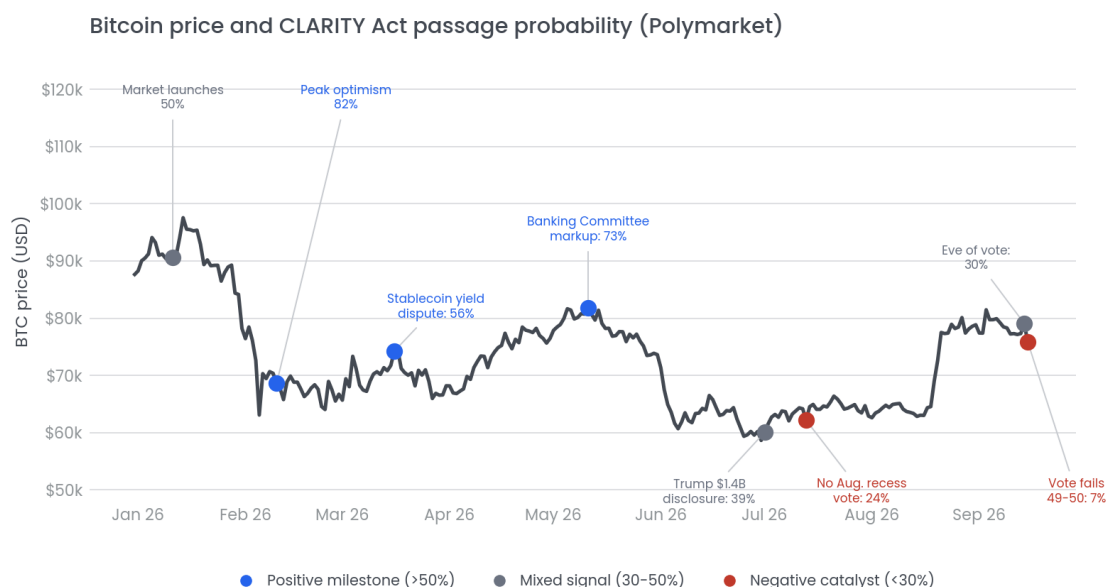
The final vote was 49–50. Four Republicans crossed party lines to vote no: Susan Collins (ME), Josh Hawley (MO), Jerry Moran (KS), and Thom Tillis (NC). Tillis's no was technically procedural – he attached a motion to recommit so the bill can theoretically be brought back – but the effect was the same. On the Democratic side, the no votes included not just expected opponents like Warren but also senators who had spent months in negotiations and were widely expected to provide the critical crossovers: Ruben Gallego (AZ), Angela Alsobrooks (MD), Mark Warner (VA), Cory Booker (NJ), Raphael Warnock (GA), and Catherine Cortez Masto (NV). Senators Gillibrand and Schumer also voted no.

The proximate trigger was the final version of the bill's ethics provisions. Senate Republicans released a 630-page substitute text on September 14 incorporating 126 changes requested by Democrats over months of negotiations. The ethics language – the central sticking point throughout – was made enforceable by state attorneys general rather than the federal Department of Justice. For Warren and the Democrats, this was insufficient. 'A weak fig leaf that will do nothing to stop him from making his next \$1.4 billion in crypto profits,' she said from the Senate floor. The White House had also secured Trump's support for blind-trust rules covering his digital asset investments – a notable last-minute concession that still moved zero Democratic votes.

The CLARITY Act died eleven votes short, after more than a year of negotiations and hundreds of millions of dollars of industry lobbying. It is a remarkable result: a bill with bipartisan House support (294-134 in July 2025), White House backing, committee clearance, and industry consensus couldn't secure a simple majority in a Republican-controlled Senate.

The market reaction – sharp but not structural

Markets moved quickly. Bitcoin fell 4.6% to a session low of \$75,942 in the hours following Monday's vote, briefly dipping below \$75,000. Total crypto liquidations reached \$771 million, with long positions accounting for \$568.5 million of the losses – a clear sign that many traders had positioned for passage. Polymarket odds, which had priced the bill at 82% in February and still sat around 14% Tuesday morning, collapsed to approximately 7% as the count came in.



Sources: Bloomberg (XBTUSD BGN Currency); Polymarket / press reconstruction. Deutsche Digital Assets.

Figure 1 – Bitcoin price (USD) with key CLARITY Act Polymarket probability readings annotated. Dots indicate the implied probability of passage at each milestone: blue (>50%), grey (30-50%), red (<30%). Sources: Bloomberg (XBTUSD BGN Currency); Polymarket / press reconstruction. Deutsche Digital Assets.

The reaction was meaningful but, in our view, correctly calibrated as sentiment-driven rather than structural. Bernstein, before the vote, had forecast a 10–25% near-term Bitcoin pullback to the \$55,000–\$60,000 range in a failure scenario. The actual move was materially smaller, suggesting two things: the market had already begun pricing in failure in the weeks prior (Polymarket had been falling steadily since July), and the non-passage of a legislative bill does not remove the underlying fundamentals driving Bitcoin adoption. ETF inflows, institutional demand, and global macro tailwinds do not disappear because Congress failed to agree on an ethics clause.

The assets most exposed are those whose legal classification the bill would have settled most clearly – XRP, Solana, and other tokens that sit in the regulatory grey zone between commodity and security. Standard Chartered's conditional \$8 XRP target and JPMorgan's \$4.3–8.4 billion first-year XRP ETF inflow forecast both explicitly hinge on CLARITY passage. For Bitcoin itself, which already has CFTC commodity classification and ETF approval, the direct regulatory impact is more limited.

Is it dead – or just deferred?

Senator Tillis's motion to recommit means the CLARITY Act technically remains in play. The Senate could bring it back as early as September 17. In practice, the question is political will, and the signals are not encouraging. One Republican Senate aide told The Block the bill is dead. Senator Lummis, its lead sponsor, was more combative, blaming Democrats for 'setting the terms of the debate when they never intended to deliver the votes.' Senator Thom Tillis, despite his no vote, said he believes there is still life in the bill.

The structural obstacle is the calendar. With midterm elections in November, floor time is extremely limited. If Democrats improve their Senate position – which polling suggests is possible – Elizabeth Warren could replace the current ranking Democrat on the Banking Committee, making any crypto market structure bill significantly harder to advance. Senator Lummis herself has warned that failure could push the next realistic legislative window to 2029 or 2030.

The more likely near-term path runs through regulators, not legislators. Both SEC Chair Paul Atkins and CFTC Chair Michael Selig have signalled they will continue developing crypto frameworks independently of the bill. The SEC is advancing its standalone 'Regulation Crypto Assets' framework; the CFTC is developing rules for prediction markets and commodity spot markets. This is slower, less comprehensive, and more legally vulnerable to future challenges – but it is real, and it matters for day-to-day market participants.

What this means for European investors

For European institutional investors, the failure of the CLARITY Act changes the near-term U.S. regulatory picture but not the European one. MiCA is in force. It also does not change the framework under which US-based crypto ETFs operate under.

What U.S. legislative failure does affect, at the margin, is global institutional momentum. A 2026 survey of institutional crypto allocators found that 65% cite regulatory clarity as a

prerequisite for increasing crypto exposure. The bill's failure delays the full unlocking of that institutional demand, particularly for U.S.-domiciled allocators. Since U.S. capital sets the global marginal price for digital assets, a slower U.S. institutional ramp translates into subdued global demand in the medium term.

The GENIUS Act – the stablecoin framework signed into law in July 2025 – remains intact and continues to provide a functioning legislative floor for the U.S. crypto market. The industry is not left without any rulebook. It is left without the comprehensive market structure framework that would have brought the most capital off the institutional sidelines.

Conclusion

The CLARITY Act's failure is ultimately a reminder that crypto regulation in the U.S. is, at its core, a political problem that technical solutions cannot fix. The bill was not defeated because of poor drafting or lack of industry support – it had both. It was defeated because a sitting president with \$1.4 billion in crypto income could not credibly sign ethics restrictions on his own financial interests, and because Senate Democrats correctly calculated that accepting a weaker provision would hand the administration a political win without delivering the safeguards their constituents were asking for.

Until that structural conflict is resolved – by the passage of time, a change of administration, or a genuinely enforceable ethics framework – comprehensive U.S. crypto legislation will remain hostage to it. In the interim, the path forward runs through the SEC and CFTC, whose chairs have both signalled they will act. Regulatory rulemaking is slower, narrower, and more fragile than statute – but it is the realistic near-term alternative. For European investors operating under MiCA, the U.S. delay is a headwind for global institutional momentum, not an existential threat to the asset class. The fundamentals that drove Bitcoin's institutional adoption have not changed. What has changed is the timeline.

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