

DIGITAL ASSETS AFTER CLARITY: THE BEST PROTECTION IS ADOPTION

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Lower costs, easier access, and greater control over money create the constituency that protects innovation.

The Digital Assets industry is better off moving forward with supportive rules from the SEC, CFTC, Treasury, and banking regulators than accepting the restrictions in the final CLARITY compromise. We have an administration willing to modernize financial markets. We should use the next two years to put better financial products into people's hands.

Our safest path forward is to create products that delight customers and deploy them broadly. Lower costs, easier access, useful services, and greater control over money give people a direct interest in preserving innovation. The strongest constituency we can build is a public that benefits from what we create.

Legal certainty matters. So does the freedom to compete. A law can make a restriction durable just as easily as it can make a right durable. Before celebrating permanence, we should examine what we are making permanent.

What CLARITY Would Have Restricted

The September CLARITY compromise would have restricted covered providers from paying customers simply for holding payment stablecoins, while allowing qualifying activity rewards. It also would have directed Treasury to restrict certain rewards upon specified findings of substantial, detrimental deposit transfers from community banks. [1]

Protecting a bank from a liquidity crisis and protecting it from a better competitor are different objectives. Financial stability requires sound oversight. Competition requires that customers be free to choose a better service. When technology reduces the cost of delivering financial services, consumers should share in the savings.

The separate GENIUS Act already contains restrictions on issuer-paid stablecoin interest and yield, subject to its effective-date provisions. [2] CLARITY's setback leaves that law intact. The issue is whether to layer additional restrictions onto providers and rewards.

Even CLARITY's innovation sandbox would have limited participating firms to 25 employees and each commission to 20 project approvals annually. [3] These were limits on that program, but they illustrate how legislation can fix the dimensions of an experiment before the market has revealed its potential.

The objective should be a free market in financial innovation: clear rules, open entry, vigorous competition, and freedom for customers to choose. Protect ownership rights, require honest disclosures, and punish fraud. Within those rules, let entrepreneurs test better technologies and business models, and let successful products grow.

The Administration Is Already Opening That Path

On September 17, the SEC used existing authority to provide conditional relief for onchain trading of certain tokenized stocks. Chairman Paul Atkins described a process of allowing markets to develop, learning from their operation, and following temporary relief with durable rulemaking. Investor protections and the securities laws' prohibitions on fraud remain in place. [4]

CFTC Chairman Michael Selig supported CLARITY, but also committed to using existing authority if the bill stalled. He directed staff to explore rules for leveraged or margined crypto trading through regulated markets and to work with developers on lawful onchain finance. [5]

Treasury Secretary Scott Bessent has connected stablecoin implementation with innovation, American growth, and the dollar's global role. Workable rules can help translate those objectives into payments, commerce, and financial services people use. [6]

CLARITY itself preserved existing SEC exemptive authority. [7] That is precisely the point: substantial opportunities already exist under current law. We can pursue them without accepting the bill's additional restrictions as the price of progress.

The Digital Assets Stack

As appropriate rules and compliant market infrastructure develop, the benefits can extend across the Digital Assets economy.

Digital Capital—Bitcoin (BTC). The OCC has eased supervisory barriers to bank crypto custody. [8] Building on that progress with workable custody rules and prudently underwritten lending can make Bitcoin easier to own, finance, and use as collateral. More institutions competing to serve Bitcoin holders can expand access and deepen liquidity.

Digital Credit—Stretch (STRC). Our flagship Digital Credit instrument, STRC, is preferred stock that connects Strategy's Bitcoin treasury business with investors seeking income. [9] Supportive rules can open opportunities for broader distribution, tokenized ownership, and more convenient trading while preserving shareholders' legal rights. Compliant lending arrangements could make STRC more useful as collateral, with clear terms and risk disclosures.

Digital Equity—Strategy (MSTR). Additional compliant trading venues, easier transfer, and longer trading hours could widen participation in Strategy's common stock and improve liquidity. More efficient access to equity capital can help Bitcoin treasury companies finance growth and develop new financial products. Modernizing market infrastructure can benefit both issuers and shareholders.

Digital Exchanges—Coinbase (COIN). Platforms such as Coinbase can compete to combine crypto, securities, custody, payments, and financing in a more useful customer experience. [10] Supportive rules can help appropriately regulated businesses introduce and integrate new products. Broader participation creates business opportunities for exchanges and greater competition on price and service for customers.

Digital Currency—Circle (USDC). USDC, the regulated dollar stablecoin issued through affiliates of U.S.-based Circle, connects digital finance to everyday payments and global commerce. [11] Supportive rules can help Circle and its partners expand digital dollar use through faster settlement, programmable payments, and integration with financial institutions. American businesses can gain new markets while the dollar becomes more useful worldwide.

Digital Innovation. These categories reinforce one another. Capital supports credit. Equity finances businesses. Exchanges connect investors and issuers. Digital currency moves value between them. Developers can combine these capabilities into products more useful than the individual components. Open competition lets more people build, more ideas be tested, and more value reach customers.

Banks should participate in this future. They can compete to provide custody, payments, distribution, and credit against digital assets. Established institutions and new entrants should earn customers by delivering better products and service. That is how financial innovation improves the financial system.

Why Speed Matters

Speed matters because innovation compounds. An earlier launch produces earlier feedback. Better products attract customers, distribution, and investment, which support the next round of improvement. A year spent waiting is a year of benefits customers never receive and experience American businesses never acquire.

The gains extend beyond finance. Lower payment and financing costs can free resources for businesses to invest, hire, and expand. Faster settlement puts capital back to work sooner. Broader access connects savers and entrepreneurs. Giving American firms room to develop and export these capabilities can strengthen the U.S. economy while creating value around the world.

The Best Protection Is a Public That Benefits

The strongest argument for CLARITY is familiar: "We need a law to protect us from a future hostile administration."

Durable law can protect rights, and some changes still require Congress. But no statute removes politics from regulation. A future administration would still make important implementation and enforcement decisions. The industry also needs a public constituency that makes hostility costly.

Imagine 50 million American voters using digital financial products that improve their lives: cheaper payments, convenient access to Bitcoin, useful securities, transparent income products, and credit on competitive terms.

Those voters would have something concrete to defend. Taking away an unfamiliar technology is politically different from taking away a service millions of people rely on. A future administration would have to explain why those customers should lose benefits they already enjoy.

The goal should be 50 million satisfied users with a direct interest in preserving financial choice. Adoption raises the political cost of reversal. Sound rulemaking strengthens the legal foundation. We should build both.

Adoption also improves the next legislative debate. Products that do not yet exist have no customers to speak for them. Once they are widely used, households, businesses, advisers, developers, and banks

can explain what they want preserved. A record of public benefit gives the industry a stronger position than promises about what it might someday deliver.

Customer delight must be earned. Products should be useful, understandable, and dependable in good markets and difficult ones. Transparent terms, honest risk disclosures, convenient access, and the freedom to change providers build trust. Broad deployment turns that trust into lasting support.

We should use 2027 and 2028 to establish useful products at scale, convert temporary relief into durable rules, and pursue focused legislation where additional authority or protections are needed. The measure of success is the value delivered to customers and the economy.

Let the Digital Assets industry innovate rapidly in a free market and create the greatest possible value for the U.S. and global economy. Create products that delight customers. Deploy them broadly. Give millions of people a reason to defend the freedom that made them possible.

The best protection for digital innovation is a public that benefits from it.

NOTES AND SOURCES

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