LEGISLATIVE CATALYST · DIGITAL ASSETS

CLARITY's Endgame: Recess, the September Window, and the Midterm Freeze

The before-August question we published in June is effectively resolved. The live question is no longer whether July — it is which of two remaining 2026 windows, if either, the Digital Asset Market Clarity Act (H.R. 3633) can clear.

TON618 CAPITAL RESEARCH · FOR INFORMATION PURPOSES ONLY · UPDATES THE 23 JUNE 2026 NOTE (V1.2)

ORIGINAL CALL · SCORING 1 AUG

In June we estimated **~13% (range 5–20%)** that CLARITY would be signed before 1 August, against a direct market then at **~18%** — our outside-view trim argued the market was over-paying for the pre-recess sprint. That contract now trades at **<1¢** with no Senate vote scheduled and five days left. Barring the extraordinary, the question resolves **No** — the direction of our below-market call, and specifically the reference-class logic behind it (a bill that had missed every prior deadline), is the part that scored.

~18%

SEP WINDOW · BY 1 OCT

The 2026 outcome now hangs on a three-week window: 14 September to 2 October. Majority Leader Thune said on 23 July that he does not expect a floor vote before the summer break; the Senate sits only the first week of August, returns 14 September, and effectively leaves to campaign after 2 October. We estimate **~2%** the bill is law by the recess, **~18% (range 10–25%)** it is law by 1 October, and **~35% (range 28–42%)** it is signed at some point in 2026 — the residual sitting in a post-election lame-duck session. The market agrees on the shape: Kalshi's term structure steps from <1% (Aug) to ~3% (Sep) to **~24% (Oct)** — the September window alone carries roughly twenty points — with full-year 2026 at ~40% (Polymarket 37.5%).

Conclusion first: the pre-recess window is dead, September is the market's primary 2026 window, and if September fails, the bill's fate rests on a lame-duck Congress after the midterms — with Sen. Lummis publicly warning that a miss could push comprehensive market-structure law out for years.

1 The staged windows

A single "by date X" question no longer describes the situation. The 2026 legislative calendar leaves exactly three discrete chances, separated by hard breaks. Probabilities are cumulative ("signed on or before").

STAGED PROBABILITY LADDER — RECONCILED ESTIMATES VS. THE DIRECT MARKET, 27 JUL 2026

WINDOW	CALENDAR REALITY	MARKET	TON618
By 31 Jul (the original June question)	No vote scheduled; ethics dispute open	<1%	<1%
By the recess (session ends ~7 Aug)	One session week; Thune: vote not expected, hopes to "get the floor process started"	~3%	~2%
By 1 Oct — the September window	Senate returns 14 Sep; ~3 working weeks before the campaign exodus, shared with the 30 Sep FY27 funding deadline	**~24%**	**~18%**
October	Both chambers essentially out campaigning (Senate recess 3 Oct–8 Nov)	~0 added	~0 added
Any time in 2026 (adds the lame duck, ~9 Nov on)	**Post-election session; composition and incentives unknowable today**	**~40% / 37.5%**	**~35%**

Market column: Kalshi KXCRYPTOSTRUCTURE date-bounded contracts (mid), except the final row where both Kalshi (~40%) and Polymarket (37.5%) full-year contracts are shown. The October row is the term structure’s own message: the Nov-1 contract trades at the same level as the Oct-1 contract — the market assigns the campaign month essentially zero incremental probability.

2 Where the bill actually stands

Data shows (Congress.gov action log re-pulled 27 Jul 2026; no new floor action since 1 Jun):

H.R. 3633 — DIGITAL ASSET MARKET CLARITY ACT, SELECTED ACTIONS & DEVELOPMENTS

DATE	ACTION
17 Jul 2025	Passed House, 294–134 — strong bipartisan margin
14 May 2026	Senate Banking ordered reported, 15–9 (Dems Gallego & Alsobrooks crossed over)
1 Jun 2026	Reported w/ substitute (Sen. Scott); placed on Senate Legislative Calendar, **Cal. No. 423** — where it still sits
22 Jul 2026	Republicans circulate a revised 616-page draft with an ethics title barring federal officials — including the President — from issuing or sponsoring digital assets; Democrats reject it as insufficient
23 Jul 2026	Majority Leader Thune: does not expect the bill to reach a vote before the summer recess; hopes to "get the floor process started" before the break
27 Jul 2026	Reporting confirms the Senate has set CLARITY aside for the final session week to prioritize other floor business

We believe three things now govern the September window:

- **The ethics dispute is the gate that closed July.** The fight has narrowed to whether the conflict-of-interest title reaches the sitting President's crypto ventures. Republicans moved substantially (the 22 Jul draft); Democrats want more. This is no longer a technical drafting gap — it is a named political standoff, and its resolution is close to a precondition for cloture.
- **The seven-Democrat math is unchanged.** ~53 Republicans still need ~7 Democratic votes for cloture; only two Democrats crossed in committee. Whether the ethics compromise is what unlocks those votes is the live question — the two problems are the same problem.
- **September floor time is contested by a shutdown deadline.** The FY27 funding deadline is 30 September — the same three working weeks as CLARITY's window. Appropriations fights consume exactly the floor time and leadership bandwidth CLARITY needs; the FY26 cycle produced a 43-day full shutdown and this spring's record 76-day DHS partial shutdown — a demonstration of how completely funding fights can crowd out discretionary priorities.

> **The stakes, as the bill's own sponsors frame them:** Sen. Lummis has warned publicly that missing the 2026 window could delay comprehensive market-structure legislation "for years" — with some reporting placing the next realistic window as far out as 2030 (new Congress, new committee cycle, presidential-election-year compression). We treat that as advocacy from an interested party, but the underlying calendar logic — a failed 2026 attempt hands the bill to an unknown 2027 Congress — is sound either way.

3 Method: the same three-lens ensemble, re-aimed

The method is unchanged from v1.2 — triangulate a direct market, a structural gate model, and an outside-view reference class, weighting the most direct source heaviest — but the target question shifts from "before August" to the September window (signed on or before 1 October), with full-year 2026 carried alongside.

1. **Direct market (primary anchor).** Kalshi's date-bounded "law before Oct 1, 2026" contract trades ~23–25¢ (mid ~24%). The full series steps <1% (Aug) → ~3% (Sep) → ~24% (Oct) → ~24% (Nov) → low-40s (Dec/full-year); Polymarket's full-year contract reads 37.5% on $2.8m volume. Prices last printed 22 Jul — after Thune's comments began circulating but before the 23 Jul confirmation; if anything, the Aug/Sep legs are stale-high.
2. **Structural gate model (skeptic's floor).** Rebuilt for the September window in §4; implies ~10%.
3. **Outside view — reference class (base rate).** Unchanged in construction (GENIUS fast-path vs. IIJA concurrence stall; ~21% past-committee→enacted; CLARITY's own serial slippage, now including the missed July window itself); implies ~9% for the September window.

4 The September-window gate model

P(signed ≤ 1 Oct) = P(Senate passes ≥60 by ~26 Sep) × P(House clears the Senate text by 1 Oct | Senate passed) × P(signature by 1 Oct). The ~26 Sep sub-deadline leaves the House only days — the same days in which a government-funding fight will be peaking.

BASE-CASE DECOMPOSITION — SEPTEMBER WINDOW

GATE	RATIONALE	P
A. Senate floor passage (≥60) by ~26 Sep	Requires the ethics standoff resolved in August (negotiations can continue through recess), 7 Dems delivered, and Thune to spend contested floor time in a 3-week window shared with the FY27 funding deadline. "Floor process started" pre-recess would be the tell.	28%
B. House clears identical text by 1 Oct | A	House leadership has signaled willingness to take the Senate product (GENIUS template) — but the Senate substitute already differs from the House-passed text, the ethics title will have moved further, and the House is also days from its own campaign exit	38%
C. President signs by 1 Oct | A,B	Administration remains supportive; GENIUS was signed next-day. The new ethics title is the one wrinkle — a signature is still overwhelmingly likely, but no longer ceremonial by construction	90%
Product	**0.28 × 0.38 × 0.90**	**~9.6%**

Reconciling the model with the market

The gate model (~10%) again sits below the direct market (~24%), and the disagreement is again about concentration: Kalshi's own term structure implies P(September window | signed in 2026) ≈ 21/40 ≈ **half of all remaining 2026 probability**. That concentration is defensible — September is the last window in which a *known* Congress acts, and the market prices the campaign month at zero — but the market showed us in June what its concentrated near-window pricing is worth: the before-August leg it priced at 18% is expiring near zero. Bill-specific execution risk (an unresolved, named political dispute; a concurrence round-trip; a competing shutdown clock) is exactly the kind of risk these contracts have repeatedly under-discounted. We weight toward the market but hold the discount.

WEIGHTED BLEND — P(SIGNED ON OR BEFORE 1 OCT 2026)

ESTIMATOR	READS	WEIGHT	CONTRIBUTION
Kalshi direct Oct-1 contract (best single source)	24%	45%	10.8%
Outside view / reference class	9%	20%	1.8%
Structural gate model (inside floor)	10%	20%	2.0%
Full-year markets × market timing split	22.5%	15%	3.4%
Reconciled — September window	**—**	**100%**	**~18%**

Fourth-row derivation: Polymarket's full-year 37.5% × the market-implied share of 2026 probability falling on or before 1 Oct (Kalshi 24/40 = 60%) = 22.5%. Rounded headline: **~18%, range 10–25%** by 1 October. For full-year 2026 the same blend (Kalshi ~40%, Polymarket 37.5%, an outside view near 30% given the contract's year-long decay — 64→48→42.5 as read for our June note, 37.5% today — and a gate model extended with a ~22% conditional lame-duck leg) reconciles to **~35%, range 28–42%**.

Sensitivity — the two live gates

SENSITIVITY OF P(SIGNED ≤ 1 OCT) — STRUCTURAL MODEL ONLY

SCENARIO	GATE A	GATE B	GATE C	P(≤ 1 OCT)
Bear — ethics standoff persists through recess; shutdown fight swallows September	15%	25%	88%	~3.3%
Base — partial ethics deal in August; one September floor attempt	**28%**	**38%**	**90%**	**~9.6%**
Bull — deal announced pre-recess, cloture filed, House pre-commits to Senate text	40%	55%	92%	~20.2%

Scenario weights of 40/40/20 give a structural EV of ~9%, consistent with the base case. The bull case requires visible progress *before* the recess — which is why the next ten days are informative far beyond their ~2% direct probability.

5 What would move the estimate

SIGNAL TO WATCH	DIRECTION	WHY IT MATTERS
Thune "starts the floor process" before the recess (files cloture / locks a September date)	▲ up	His own stated fallback for the final session week; converts September from "if" to "when" and would validate the bull scenario
Announced ethics compromise (White House / Senate Dems)	▲ up	The named blocker; a published deal likely brings the 7 Democrats with it
House leadership pre-commits to the Senate text	▲ up	Collapses Gate B toward the GENIUS fast-path inside a days-tight window
Clean or fast FY27 funding resolution	▲ up	Releases the September floor time the bill needs
Shutdown brinkmanship into 30 Sep	▼ down	Directly consumes the window; the FY26 cycle produced a 43-day full shutdown and a record 76-day DHS partial shutdown
Ethics talks still deadlocked when the Senate returns 14 Sep	▼ down	Three weeks is not enough to both settle the standoff and run floor procedure
Kalshi Oct-1 contract decaying through August	▼ down	The market's own before-August leg went 18¢→<1¢; the same decay pattern in the Oct leg would say September is failing early

6 Investment relevance

For a Bitcoin-benchmarked book, the update changes the shape of the catalyst, not its existence. **We believe** the practical read is:

- **The catalyst has a calendar now.** Nothing tradeable happens on this bill between the recess and 14 September. The information-rich moments are compressed into the next ten days (does the floor process start?) and the three September weeks. Positioning around any other dates is paying theta for nothing.
- **September is a ~1-in-5 event priced as the year's main chance.** At ~18% reconciled (market ~24%), a September signing is a minority outcome — but it carries roughly half of all remaining 2026 probability. A visible pre-recess cloture filing is the single cheapest upside signal to monitor.
- **The asymmetry has migrated to the failure branch.** With full-year odds down from a June coin-flip to ~35–40% and the sponsor herself invoking multi-year delay, a clean September failure plus a quiet lame duck likely reprices "regulatory clarity" expectations embedded in crypto-equity multiples (exchanges, stablecoin issuers) more than a signing would lift them — consistent with the year-long one-way decay of the full-year contract.

This note expresses no BTC price target. It is a single-event probability assessment intended as one input to catalyst positioning, consistent with the fund's mandate to outperform spot BTC over multi-year horizons.

DISCLOSURES

As-of date. All probabilities and statuses are as of 27 July 2026 and will drift with the Senate calendar; the original before-August question formally resolves 1 August 2026. **Question definition.** "Passing" remains defined as *signed into law* (enacted). This update restates the target as staged cumulative windows: by the recess (~7 Aug), by 1 October (the September window), and any time in 2026.

Revisions. *v1.0–v1.2 (23 Jun 2026)* — before-August estimate evolved 6% → 15% → 13% (range 5–20%) as the direct Kalshi contract and then an outside-view reference class were added. *v2.0 (27 Jul 2026)* — before-August leg effectively resolved (market <1%); note restructured around staged windows; September-window estimate introduced at ~18% (range 10–25%); full-year 2026 at ~35% (range 28–42%). The June note's below-market call is scored in the header strip.

Data sources & vintage. Legislative status: Congress.gov API, H.R. 3633, re-pulled 27 Jul 2026 (last recorded action 1 Jun 2026, Cal. No. 423) — treated as authoritative for formal actions; floor intentions from contemporaneous reporting (below). Market-implied probabilities: **Kalshi** KXCRYPTOSTRUCTURE series via the public trade API, read 27 Jul 2026, last prints 22 Jul 2026 — "before 1 Aug" 0.4¢ last (0.1/0.4 bid-ask, ~878k volume, ~470k OI); "before 1 Sep" 3¢ (3/4); "before 1 Oct" 23¢ (23/25); "before 1 Nov" 21¢ (23/24); "before 1 Dec" 41¢ (41/45); "before 1 Jan 2027" 40¢ (40/41, ~741k volume). Minor term-structure inversions (Nov<Oct, Jan-27<Dec) are within bid-ask noise on thin legs and are read as flat, not negative, increments. **Polymarket** "Clarity Act signed into law in 2026?" via the Gamma API, 27 Jul 2026: 37.5% Yes, $2.80m volume. Calendar: Senate 2026 schedule (in session first week of August; returns 14 September; October campaign recess) per the Senate's released calendar and contemporaneous coverage. The 22 Jul revised draft, 23 Jul Thune comments, 27 Jul floor-priority reporting, the seven-Democrat cloture math, the 7 Aug industry deadline framing, and the Lummis multi-year-delay warning: CoinDesk, PYMNTS, Yahoo Finance, crypto.news, and related contemporaneous reporting (sources below).

Method & assumptions. The September-window headline (~18%) is a weighted blend of four estimators: the direct Kalshi Oct-1 contract (45%), an outside-view reference class (20%), a structural conditional-gate model (20%), and full-year markets converted on the market-implied timing split (15%) — the same construction and weights as v1.2. Gate inputs, blend weights, and scenario weights (Bear 40 / Base 40 / Bull 20) are analyst judgments. **Separation of fact and opinion:** action dates, market prices, calendar dates, and quoted statements are facts; all probabilities, weights, scenario constructions, and the ~18% / ~35% conclusions are opinion.

Limitations. Legislative forecasting is low-base-rate and regime-sensitive; a single leadership decision can move the estimate more than its stated range. Kalshi prices on the shorter legs last printed 22 Jul (pre-dating full confirmation of the pre-recess miss) and may be stale-high; contract resolution is on *any* qualifying market-structure bill, a superset of H.R. 3633. Polymarket's contract is full-year and used for corroboration and the timing split only. This is a point-in-time read; we recommend refreshing when the Senate returns 14 September or on any pre-recess cloture action.

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SOURCES

1. Congress.gov — H.R. 3633, Digital Asset Market Clarity Act, bill status & actions: congress.gov/bill/119th-congress/house-bill/3633
2. Kalshi — "Will crypto market structure legislation become law?" (series KXCRYPTOSTRUCTURE, date-bounded contracts; Oct-1 leg the direct anchor): kalshi.com/markets/kxcryptostructure
3. Polymarket — "Clarity Act signed into law in 2026?": polymarket.com/event/clarity-act-signed-into-law-in-2026
4. CoinDesk — "Clarity Act expected to miss its window before Congress' summer break, leadership says" (23 Jul 2026): coindesk.com; "U.S. Senate puts off crypto Clarity Act for now as it focuses limited bandwidth elsewhere" (27 Jul 2026): coindesk.com
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7. Reference class (carried from v1.2) — GENIUS Act timeline: Congress.gov S.1582; IIJA (H.R. 3684) timeline: Congress.gov; GovTrack, "Historical Statistics about Legislation" (~21% of past-committee bills enacted, 2021–23): govtrack.us; Kalshi government-shutdown / appropriations markets (calibration only); CLARITY deadline history — CoinDesk, Fortune, Elliptic, Latham & Watkins US crypto-policy tracker.