

Crypto

# Coinbase Power Play Sparks Crypto Rift as Key Bill Gets Delayed



Coinbase's Brian Armstrong still sees a path for the US to pass comprehensive crypto legislation even after helping to derail a bill last week. Armstrong spoke with Bloomberg's Emily Chang at Bloomberg House in Davos on the sidelines of the 2026 World Economic Forum. *Source: Bloomberg*

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### Takeaways by Bloomberg AI

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- A White House crypto adviser expressed displeasure with Coinbase CEO Brian Armstrong's assertion that no bill is better than a bad one regarding cryptocurrency legislation.
- The crypto industry is divided between those who want to extract the best possible terms and those who are prepared to make concessions to get regulatory clarity.
- The delay in the bill's passage has led to concerns that the industry may have overplayed its hand, with some executives warning that a future

It was a rare White House rebuke to the crypto industry: Don't take your newfound political muscle in Washington for granted.

A week after [Coinbase Global Inc.](#) Chief Executive Officer Brian Armstrong helped stall sweeping cryptocurrency legislation in the Senate, White House crypto adviser Patrick Witt took to X to express his displeasure with Armstrong's assertion that no bill is better than a bad one. "You might not love every part of the CLARITY Act, but I can guarantee you'll hate a future Dem version even more," Witt wrote.

With the bill likely to be delayed for at least [several more weeks](#), some crypto executives are asking whether the industry overplayed its hand. A rift is opening up between those like Armstrong who want to extract the best possible terms, and those prepared to make concessions in order to get much-needed regulatory clarity while the US political climate is still favorable.

Hanging over the debate is this year's midterm elections, which could usher in a Congress much less friendly to an industry that's still recovering from a crackdown under Joe Biden.



"His audacity and hubris struck me as breathtaking," said Arthur Wilmarth, professor emeritus of law at George Washington University, said of Armstrong. "But if I were in his shoes, I would have to ask myself, do I really think that six months from now, or a year from now, I'm going to be in a stronger position than I am right now?"

Nathan Dean [lowered his odds](#) that the bill will be passed in the first half to 60% from 70%. “If we don’t see progress from the committee in February, our odds of success will likely fall even more,” Dean wrote.

Armstrong appeared to strike a slightly more conciliatory tone on Tuesday, telling Bloomberg TV that while the draft contained “too many giveaways to tradfi,” he still sees a path for the legislation to be passed.

Coinbase did not respond to multiple requests for comment.

In helping scuttle the Senate Banking Committee’s markup of the bill, Armstrong demonstrated how far crypto’s political reach has come under President Donald Trump, an industry champion whose family has amassed vast riches in digital assets.

Read more: [Trump Family’s \\$6.8 Billion Fortune Is Now One-Fifth Crypto](#)

The crypto industry was the biggest donor in the 2023-2024 election cycle, lavishing more than \$133 million on political candidates seen as backing its agenda, according to OpenSecrets. Industry participants also donated to Trump’s presidential campaign, his inauguration and his White House ballroom.

Betting on Trump has already paid off handsomely, with a raft of executive orders supporting crypto and landmark legislation governing stablecoins passed in July.

## **Wall Street Wakes Up**

But crypto’s string of wins also set off alarm bells at US banks, who perceived a near-existential risk of deposit flight and decided to act. Their top priority was to ensure that offering yields or rewards on stablecoins, a type of token pegged to the dollar, would be banned.

The restrictions on stablecoin rewards from third parties like exchanges that appeared in the bill version slated for markup have become perhaps the biggest flashpoint between banks and crypto, with neither side willing to budge.

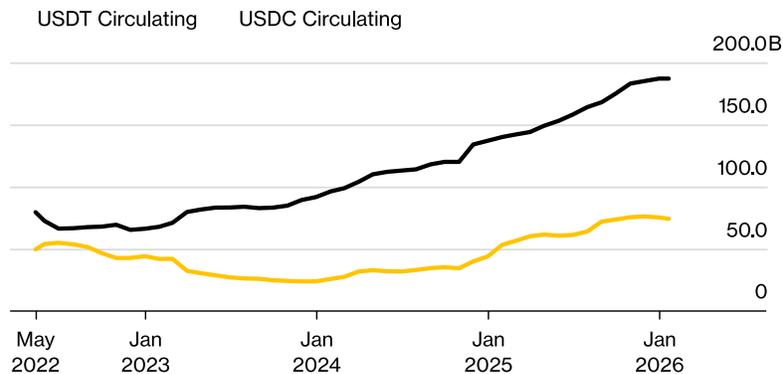
Lenders argue that allowing firms like Coinbase to effectively pay yield on clients’ stablecoin holdings could suck away lower-yielding bank deposits and destabilize the financial system; crypto executives counter that they simply have consumers in mind. and

... to pass on fees generated from services banking customers on to clients.

“It’s totally absurd in my view,” [Circle Internet Group Inc.](#) CEO Jeremy Allaire said about banks’ claims about deposit flight risk. Rewards on stablecoins are akin to those offered by credit card issuers and “help with stickiness, they help with customer traction, et cetera,” he said during a panel discussion at the World Economic Forum in Davos, Switzerland.

Similar warnings that were sounded when money-market funds emerged proved to be unfounded, Allaire said. Some Coinbase customers can earn rewards of around 3.5% on their holdings of Circle’s stablecoin USDC on its platform.

### Tether Increases Market Share Over Circle



Source: DeFi Llama

Armstrong has sought to portray it as a kind of David-and-Goliath battle in which his and other crypto firms are standing up for the consumer.

“The bank lobbying groups and bank associations are out there trying to ban their competition,” he said in Davos. “I have zero tolerance for that, I think it’s un-American and it harms consumers.”

There are other elements of the market structure bill seen as unfavorable to crypto, from surveillance of decentralized-finance platforms to restrictions on tokenized stocks and potentially increased powers, in some areas, for the Securities and Exchange Commission – seen as an industry bogeyman under former Chair Gary Gensler.

### Long Game

To some executives, holding out for rules that embed crypto deep into the US financial system on favorable terms that could outlast Trump’s administration is worth the political risk. Now is the time to

would struggle to undo crypto's gains, the argument goes.

“The crypto industry is playing the long game here, recognizing that the proposed legislation could restrain its activities under a future administration that could be less crypto-friendly and that might favor tighter regulation,” said Eswar Prasad, a senior professor of trade policy at Cornell University who closely follows the sector.

Not all crypto firms share that sentiment. Kraken and Mike Novogratz's [Galaxy Digital Inc.](#) are among companies that favor getting the market structure bill approved as quickly as possible and would have preferred the markup to proceed, according to people familiar with the firms' thinking.

“Walking away now would not preserve the status quo in practice,” Kraken's CEO Arjun Sethi wrote in an X post. “It would lock in uncertainty and leave American companies operating under ambiguity while the rest of the world moves forward.”

Groups supportive of the DeFi industry were also prepared for the markup and expressed disappointment at the delay.

“We were gearing up for the markup, we were prepared for it to happen,” said Amanda Tuminelli, executive director and chief legal officer of DeFi Education Fund. “We had been working productively with other members of the industry and with the Senate Banking Committee who has worked very, very hard on getting this bill to a good place.”

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