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MONTHLY INTELLIGENCE BRIEF — AUGUST 2026

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EXECUTIVE SUMMARY

The month at a glance.

- **Federal Funding: two continuing resolutions (CRs) passed, one bill still required.** The House (July 21, through Dec. 4) and Senate (Aug. 8, through Dec. 11, with anomalies) passed separate stopgaps. **The House returned August 31 to vote on the Senate-passed measure under suspension of the rules, with both parties' leadership and the White House in support** — passage is assessed as likely, but as of August 31 no measure is enacted.
- **That is favorable for municipals, contingent on completion:** no offsets, no pay-for review, and **the municipal tax exemption is not under consideration as a pay-for** — provided the final measure stays clean. BMA is monitoring continuously.
- **Supervision reform advanced on two tracks.** The MSRB's **G-27 amendments** await SEC approval, and FINRA has indicated it is drafting remote-supervision amendments following two industry roundtables — a proposal is expected soon.
- **Rule 15c2-11 remains unadopted** — **BMA's comment letter** supports the amendment, and Chairman Atkins has indicated a willingness to meet with BMA members. **GSE reform has stalled:** Treasury's Office of Capital Markets told BMA it is in a wait-and-see posture.
- **PABs gained a legislative vehicle.** In response to **DOT's request to raise the exhausted $30 billion PAB cap**, the bipartisan **TURBO Act** was introduced in the Senate; the surface transportation authorization expires September 30.
- **CLARITY faces a September 15 cloture vote** after the Senate adjourned without acting. (See The Digital Desk and the Addendum.)
- **Treasury clearing: four months out.** Commissioner Uyeda issued an **August 7 implementation update**, and the Commission reopened comment on exemption requests covering non-U.S. client and inter-affiliate transactions.

- **Jackson Hole clarified the Fed's posture — hawkishly.** In his **August 28 keynote**, Chair Warsh called July PCE inflation of 3.7% "concerning," recommitted to 2% as a "firm, fixed target," and offered "an outline, a trail map — just don't call it forward guidance." A **majority of investors again expect a September hike**.
- **The month's data had pointed the other way.** August 7 payrolls fell 23,000 (with 103,000 in downward revisions) and CPI printed in line at 3.4%/2.5% core, pulling hike odds toward 30% — before Jackson Hole reversed the trend. The **September 15–16 FOMC**, with the first updated projections since June, is the decision point.
- **BMA is engaged on all of these fronts** — eleven active workstreams, updated below; complete record at **bondmarket.org**.

BMA ON THE RECORD — ISSUES & UPDATES

Eleven active workstreams, with BMA's comment letters to the SEC, FINRA, and the MSRB linked directly below. The complete advocacy record is at ***bondmarket.org****.*

- **Tax exemption & refunding regulations** — with budget reconciliation deferred and both CRs clean, **the municipal tax exemption remains outside the pay-for discussion**; BMA remains on continuous watch and is advancing the exemption's merits with policymakers and the Public Finance Network. The IRS's July 30 hearing on the **proposed refunding-bond regulations** is complete; BMA's comments to Treasury and the IRS are in the record, and the final regulations are the next milestone. The **advance-refunding bills** remain positioned for a post-election window.
- **GSE reform** — BMA staff met with the leadership of Treasury's Office of Capital Markets on the status of the administration's Fannie Mae/Freddie Mac initiative. The readout: Treasury conceptualized a release following the President's 2025 statements, but the Office is **not currently focused on GSE reform and is in a wait-and-see posture** pending further direction. Treasury's questions centered on UMBS market reaction, preserving the federal backstop, and protecting the TBA market — BMA's priorities exactly.
- **Treasury clearing readiness** — four months to the December 31 cash deadline. BMA continues to press member operational concerns — done-away economics, documentation, porting — into the SEC's **implementation process**, including the reopened comment periods on non-U.S. client and inter-affiliate exemptions.
- **Dealer capacity** — the Basel "endgame" re-proposal remains outstanding; BMA continues to advocate for the broker-dealer Treasury exclusion as the unfinished component of the eSLR recalibration.
- **SEC Rule 15c2-11** — the Commission must still act on final approval of the **equity-only amendments**. **BMA's comment letter to the SEC** supports the amendments, following BMA's earlier letter to Chairman Atkins requesting reversal of the 2021 interpretation; the Chairman has indicated a willingness to meet with BMA members, and H.R. 3959 remains the legislative backstop.

- **Remote supervision — two tracks, both moving.** *MSRB:* the **G-27 amendments** — filed with the SEC for final approval — would extend from 30 to **90 days** the time a supervised employee may work from a remote location other than a primary residence, and would define "structuring" narrowly as "final approval of a public offering or private placement transaction," expressly excluding debt modeling, financial analysis, and issuer solicitation. **BMA urged the SEC to approve**: "BMA fully supports the Proposal. We commend the MSRB for its leadership and innovation in addressing limited issues around Rule G-27." BMA expects approval. *FINRA:* following two industry roundtables in June and August, FINRA has indicated it is drafting amendments to its remote-supervision rules, and a proposal is expected soon — consistent with **BMA's comment letter to FINRA on the modern-workplace review (Notice 25-04)**, which detailed how fixed-income traders are supervised and made the case for greater flexibility. Both SROs have indicated they are contemplating more comprehensive reforms; the MSRB is waiting for FINRA to solidify its proposal before advancing a broader plan. BMA's priorities are unchanged: traders and structuring personnel in the flexible regime, the OSJ treatment of traders' residences, consistent treatment of banker-MAs, and harmonized rulebooks.
- **MSRB harmonization** — the **G-28 / FINRA Rule 3210 alignment** becomes operative **September 16**. The SEC has **approved the G-20 gift-rule amendments** aligning the MSRB with FINRA's regime — a priority raised in **BMA's regulatory-modernization letter to FINRA**. When the MSRB proposed different effective dates for broker-dealers versus bank dealers and MAs, BMA petitioned for parity; the Board's **Notice 2026-04** provided the clarification BMA requested.
- **SMMP (D-15) — at its most recent meeting, the MSRB Board did not approve any changes to Rule D-15.** The **draft amendments (Notice 2025-08)** would eliminate the RIA affirmation requirement and raise the issuer threshold to $100 million; **BMA's letter to the MSRB** supported the former and opposed the latter. The Board's requested meeting with BMA is on the calendar.
- **MSRB rate card** — review of the fee-and-reserves restructuring continues, with attention to the dealer share of MSRB funding as FDTA costs approach.
- **Principal-trade relief** — the request for SEC interpretive relief under the Investment Advisers Act — annual authorization in place of trade-by-trade consent — continues in preparation.
- **FDTA Phase 2** — one month to the **final joint rule's** **October 1 effective date**. The joint standards set the stage for each agency's implementing rulemaking — **the SEC will write the rule for bond dealers and issuers.** **BMA's comment letter to the SEC** highlighted concerns about the proposal's scope, FIGI-versus-CUSIP, and dealer compliance burden; those concerns anchor the Phase 2 agenda ahead of the SEC's **municipal-market determinations**. Best-execution and TRACE items appear under FINRA below.

THE MONTH IN BRIEF

The data and the Chair pointed in opposite directions; Congress advanced its funding measures without completing them.

August produced a genuine reversal. The August 7 employment report — payrolls down 23,000, revisions of 103,000 — and an in-line CPI cut September hike probabilities from above 80% to roughly 30%. Jackson Hole then moved them back: Chair Warsh's first keynote called 3.7% PCE inflation "concerning," reaffirmed 2% as a firm target, and stopped one step short of pre-announcing a hike. On the fiscal side, both chambers passed continuing resolutions before the recess, and the House returned August 31 to vote on the Senate-passed measure with bipartisan leadership and White House support — constructive for municipals, but not yet enacted. September resolves both: a new dot plot on the 16th, a single funding bill before the 30th, and the CLARITY, G-28, and best-execution dates in between.

THE FED & TREASURY

- **Jackson Hole: a hawkish clarification.** Chair Warsh's **August 28 keynote**, delivered on his 100th day, described the economy as at "full employment" and the inflation data as "more concerning," citing July PCE of 3.7% against a 2% target he called "firm" and "fixed." His standard for policy: "We must be confident that underlying inflation is moving to our objective clearly and at sufficient speed." He declined to characterize the September meeting — "you can call it an outline, a trail map, just don't call it forward guidance," which he said "has overstayed its welcome" — but **analysts read the speech as materially more hawkish than his July press conference**. Short-term rates remain the primary tool; AI and balance-sheet questions are not driving near-term policy. Markets responded positively to the clarity, and a **majority of investors again expect a September hike**.
- **The data that preceded it.** August 7 payrolls printed **−23,000 against expectations of +85,000**, with 103,000 in downward revisions; July CPI landed at **3.4% headline, 2.5% core**; PPI was flat and retail sales fell 0.6%. **Hike probabilities had fallen toward 30%** before the symposium. The **July minutes (Aug. 19)** confirmed the 9–3 division but predate all of it. The **September 15–16 FOMC** brings the first updated dot plot since June's one-hike median.
- **Treasury stepped into the long end.** Treasury **reportedly doubled the size of its long-dated buyback operations** on August 19, a liquidity-support step that lowered long yields on announcement — a visible intervention in the far end of the curve ahead of the Fed's own communication.
- **Clearing: four months out.** Commissioner Uyeda's **August 7 statement** updated the Commission's implementation work, and the SEC reopened comment periods on exemption requests for transactions with non-U.S. clients and certain inter-affiliate transactions. FICC's done-away submission within Sponsored GC and its default-management and porting rules (approved December 2025) are the operating infrastructure; done-away economics and documentation remain the open items against **Treasury's advisory assessment** of roughly $550 billion in daily cash activity and 77% of repo volume in scope.
- **Bank capital.** The Basel "endgame" re-proposal remains outstanding; the broker-dealer Treasury exclusion remains the open item for dealer capacity.

THE SEC

- **Rule 15c2-11 — adoption remains outstanding.** The **equity-only amendment** is unadopted three months past its proposed May 18 effective date; each month extends the no-action framework it is designed to retire. Fall open-meeting agendas are the watch item. (BMA's letter and engagement: see BMA on the Record.)
- **Disclosure and data.** The semiannual-reporting proposal continues through its process, a relevant precedent for the FDTA's municipal determinations. Form PF data continues to inform official-sector leverage monitoring.

FINRA & MSRB

- **FINRA — three dates for the fall.** The approved affiliate-principal TRACE change awaits its **effective date via regulatory notice**; **best-execution modernization comments (Reg. Notice 26-15)** are due **September 25 — BMA is preparing a fixed-income-focused comment letter to FINRA**; and the **TRACE Native FIX transition** retires legacy FIX late in the fourth quarter. The **Rule 6730 aggregated-allocation regime** BMA advocated continues to perform as intended. (Remote supervision: see BMA on the Record.)
- **MSRB — G-28 operative September 16.** The **G-28 amendments** paralleling FINRA Rule 3210 become **operative September 16**; dual-registrants should have consolidated employee-account treatment implemented by that date. The **Rule G-12** interdealer-comparison comment window is open, and Board Chair Natasha Holiday has **characterized the G-27 filing** as part of an ongoing modernization, with broader reforms to follow once FINRA's proposal is set. (G-27, the gift rule, D-15, and the rate card: see BMA on the Record.)

THE CFTC

- Limited public activity in August, but growing structural relevance: the Commission's futures-positioning data remains the clearest public measure of basis-trade leverage, and its tokenized-collateral workstream (see The Digital Desk) extends its role as clearing concentrates Treasury activity in central counterparties.

THE WHITE HOUSE

- **Fiscal: two CRs, one bill still required.** The House CR (July 21) funds the government through **December 4** without technical anomalies; the Senate CR (Aug. 8) runs through **December 11**, includes the anomalies, and adds a temporary block on OMB's grant-guidance revisions. The Senate measure **passed 90–6** and, because it differs from the House bill, returned to the House. **The House reconvened August 31 to consider it under suspension of the rules — a two-thirds threshold requiring substantial Democratic support — with both parties' leadership and the President backing passage**; the House has four session days before the Labor Day break, and the Senate returns September 14. The near-term expectation is a CR at FY2026 levels through December 11 rather than a shutdown, with the FY2027 fight over spending levels — the House has completed committee action on all twelve bills; the Senate lacks a topline agreement — continuing past the election. As of August 31, no measure is enacted.
- **GSE reform has stalled.** Treasury's Office of Capital Markets is in a wait-and-see posture on any Fannie Mae/Freddie Mac release (readout in BMA on the Record).
- **Infrastructure: PABs gained a vehicle.** **DOT's July request** to raise the PAB cap — $30 billion, doubled from $15 billion under the 2021 infrastructure law and now exhausted — along with expanded TIFIA/RRIF eligibility and a proposed consolidation of the Highway Trust Fund's transit account, drew a legislative response: the bipartisan **TURBO Act** introduced in the Senate. Some infrastructure groups now advocate eliminating the cap entirely. The surface transportation authorization expires **September 30**.
- **Energy and rates.** The oil premium receded in August but the 3.7% PCE reading Warsh cited keeps inflation — not energy alone — as the policy driver.

CAPITOL HILL & TAX POLICY

- **The funding measures passed both chambers — reconciliation of the two has not occurred.** The House and Senate CRs differ in duration (Dec. 4 versus Dec. 11) and content (anomalies, the OMB grant-guidance block), and a single measure must be enacted before October 1. House adoption of the Senate text — under consideration as of August 31, with the Senate's exclusion of new ICE and Border Patrol funding and its OMB grant-guidance provision the points of potential House Republican objection — would complete the process; **Leader Thune has held budget reconciliation in abeyance until the funding work is done**. Four weeks of session remain before October 1, then both chambers are out through the midterms.
- **The implications for municipals remain favorable — contingent on completion.** With reconciliation deferred and both CRs clean, **the municipal tax exemption is not under consideration as a pay-for** — provided the final measure remains clean and a December negotiation does not turn to revenue. *(Weekly political detail: BMA's* ***Washington Weekly****.)*
- **Surface transportation and the TURBO Act.** With the authorization expiring September 30 and the **Senate behind the House**, the choice between an extension and a full reauthorization determines whether the TURBO Act's PAB-cap increase receives a vehicle this year. BMA will continue to monitor developments.
- **The restoration legislation remains positioned.** The **LIFT Act, Investing in Our Communities Act, and LOCAL Infrastructure Act** remain the vehicles to restore advance refunding — with LIFT raising the bank-qualified cap from $10 million to $30 million — for a lame-duck or next-Congress window.

THE DIGITAL DESK — AI, TOKENIZATION & BLOCKCHAIN

Our standing section on the technologies reshaping US bond market structure — business, market structure, and Federal policy.

The business perspective. Chair Warsh addressed the question directly at Jackson Hole: AI and balance-sheet considerations **are not driving near-term policy** — but the capital-investment cycle he cited as a source of strength is now a standing element of the growth-and-yields outlook. On tokenization, the implementation window is open: **DTC's pilot to tokenize custodied assets, including Treasuries, targets launch this half**, and the CFTC's **tokenized-collateral guidance** continues to develop the margin use case.

The market structure perspective. The DTC pilot will begin answering the open questions — liquidity fragmentation between a bond and its token, the integration of continuous tokenized markets with business-day funding and clearing, and the location of the authoritative record. A newer question has surfaced in the FDTA process: **whether language-based AI renders structured, tagged disclosure obsolete** — if models can extract data from unstructured documents reliably, the case for mandated machine-readable formats weakens. The SEC's municipal-market determinations will have to address it.

The Federal policy perspective. The administrative anchors hold — digital assets lead the **SEC's strategic plan**, and the SEC–CFTC **joint interpretation** confirms **a tokenized security remains a security**. The legislation faces its **September 15 cloture vote** after the Senate adjourned August 8 without acting. Full analysis in the Addendum.

WHAT'S NEXT

- **Aug. 31** — House reconvened to vote on the Senate-passed CR (through Dec. 11) under suspension; Senate returns **Sept. 14**
- **Sept. 15** — CLARITY Act cloture vote; **Sept. 15–16** — FOMC, first updated dot plot since June
- **Sept. 16** — **MSRB G-28 amendments operative**; **Sept. 25** — **FINRA best-execution comments due**
- **Sept. 30** — surface transportation authorization expires (TURBO Act / PAB cap); a single CR must be enacted before **Oct. 1**
- **Oct. 1** — **FDTA joint standards effective**; **Dec. 4–11** — CR expiry window; **Dec. 31** — Treasury cash-clearing compliance
- **Pending** — **SEC Rule 15c2-11 adoption**; SEC approval of **MSRB G-27**; FINRA remote-supervision proposal; Basel re-proposal; affiliate-principal TRACE effective date; **late Q4** — legacy FIX retirement; **2H 2026** — DTC tokenization pilot

ONE MORE THING

August closed with greater clarity than it opened: the Chair told markets what he is watching, Congress narrowed the funding question to a single vote, and the exemption's favorable position held. None of it is final. September supplies the decisions — a dot plot, a funding bill, a cloture vote, two rule effective dates — inside four working weeks. BMA maintains continuous monitoring for exactly that reason.

The next edition follows next month.

ADDENDUM — THE CLARITY ACT: STATUS, POLITICS, AND BOND MARKET IMPLICATIONS

A supplement to this month's Digital Desk for members with fixed-income exposure to the digital asset market structure debate.

Where the bill stands. The Digital Asset Market Clarity Act (H.R. 3633) passed the House in July 2025 (294–134) and **advanced through Senate Banking 15–9 on May 14**. On **July 22, Senate Republicans released a consolidated text** **merging the Banking and Agriculture Committee frameworks with revised ethics provisions**. The Senate **adjourned August 8 without a vote; Leader Thune filed cloture before adjournment, setting a procedural vote for September 15**. Passage requires 60 votes; the realistic paths are floor action this fall or a year-end vehicle.

The politics. Three dynamics govern the outcome: institutional finance has moved to supportive — **BlackRock, Fidelity, Franklin Templeton, and Goldman Sachs endorsed the bill in late July**; the banking industry is pressing to close the **stablecoin-yield loophole** — pass-through yield to stablecoin holders notwithstanding the GENIUS Act's prohibition on issuer interest — with direct consequences for deposit and money-fund flows; and Democratic votes above 60 remain conditioned on ethics language **revised but not resolved in the July 22 text**. The midterm calendar compresses all three.

The regulatory architecture. The bill divides jurisdiction by asset: digital commodities to the CFTC; securities — expressly including tokenized securities — remain with the SEC, with registration pathways for intermediaries in both markets. For the bond market the essential provision is confirmatory: it aligns with the SEC–CFTC **joint interpretation** that **a tokenized security remains a security**, and would harden that position against administrative reversal.

Bond market implications. Five channels:

- **Tokenized Treasuries, municipals, and corporates remain within the existing rulebooks.** CLARITY codifies rather than disrupts: SEC, FINRA, and MSRB requirements — registration, best execution, trade reporting, supervision — apply regardless of settlement technology.
- **The stablecoin-yield question is a front-end demand question.** Stablecoin reserves are a structural buyer of Treasury bills; whether yield reaches holders determines how aggressively stablecoins compete with money funds and deposits — and therefore the scale and stability of that bill demand.
- **Legal certainty accelerates collateral and settlement adoption** — **tokenized collateral**, **DTC's pilot**, repo mobility, margin efficiency, intraday funding.
- **Venue and registration boundaries determine where tokenized bonds trade** — on existing ATSs and dealer platforms, or on newly registered venues.
- **A failure scenario is not a status quo scenario.** Without a statute, the agency framework proceeds but lacks durability; rules established administratively can be reversed administratively — a consideration for multi-year infrastructure commitments.

Bottom line. For the bond market, CLARITY's significance is the legal foundation beneath the tokenization of conventional fixed income. Passage locks in the security-remains-a-security principle, resolves the stablecoin-yield question, and accelerates settlement infrastructure; failure leaves the same direction of travel on a less durable footing. Either way, the operative rulemakings run through the SEC, FINRA, MSRB, and CFTC — where BMA is engaged. The September 15 cloture vote is the next data point.

> **Need more information?** Contact Michael Decker at mdecker@bondmarket.org or Brett Bolton at bbolton@bondmarket.org. For more information on the BMA more broadly, on subscriptions to the Beltway Bond Brief, or to sponsor the Brief, contact Mike Nicholas, CEO of the BMA, at mnicholas@bondmarket.org.