PRETTY GOOD POLICY FOR ZCASH

What the November 2026 Midterms Mean for the Zcash Ecosystem

I. U.S. Midterm Election Results and Impact

Democrats have won control of the U.S. House of Representatives and the U.S. Senate, according to election reporting,[1] setting up a divided government when the 120th Congress begins on January 3, 2027. President Trump will remain in office. Some races and the final size of the majorities are still unresolved.

For the Zcash ecosystem, the most consequential outcome is the forthcoming change in House and Senate committee leadership. Leadership decides which bills move forward and what those bills must contain. Our assessment is that broader crypto legislation, such as market structure legislation, will face tougher negotiations, while scrutiny of financial privacy and illicit finance are likely to increase. Narrower agreements on developer protections and other issues remain possible, but this will be more difficult to achieve, particularly when compared against the CLARITY Act negotiations, which saw the removal of key Blockchain Regulatory Certainty Act (BRCA) provisions. The BRCA clarifies that noncustodial blockchain developers are not money transmitters under the Bank Secrecy Act, and an important part of the legislation that shielded blockchain developers from criminal liability was removed prior to the Senate's September 15 procedural vote.[2]

The 120th Congress is an opportunity to educate new and incumbent lawmakers about Zcash, financial privacy, self-custody, and developer protections, but it will be an uphill battle given the growing backlash towards crypto, particularly "big crypto." Prominent Democrats have already previewed that the next two years will be marked by investigations into the Trump administration,[3] and that includes crypto companies affiliated with the administration and Trump family.[4]

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[1] Associated Press, *Democrats Win the US House and Senate as Voters Deliver a Strong Rebuke to Trump and Republicans*, AP News (Nov. 3, 2026), https://apnews.com/article/midterm-election-house-senate-democrats-republicans-trump-f126e12e05b579a327b98481c0ae2226; *Democrats Win Control of House, Senate as Voters Spurn Trump*, Wash. Post (Nov. 4, 2026), https://www.washingtonpost.com/politics/2026/11/03/elections-2026-live-updates-voters-head-polls-senate-house-governor-races/.

[2] Compare Blockchain Regulatory Certainty Act of 2026, S. 3611, 119th Cong. § 2(b)(1)(B) (as introduced Jan. 12, 2026), https://www.govinfo.gov/content/pkg/BILLS-119s3611is/xhtml/BILLS-119s3611is.html, with Digital Asset Market Clarity Act, H.R. 3633, 119th Cong. § 10604, at 311–14 (proposed substitute, draft EHF26724, released Sept. 14, 2026), https://www.lummis.senate.gov/wp-content/uploads/EHF26724.pdf. See also Pretty Good Policy for Zcash (@pgpzcash), *Deflated over the removal of Section 1960 from the CLARITY Act? Us too. But there's a silver lining.*, X, https://x.com/pgpzcash/status/2099923450630484355.

[3] Eric McDaniel, *Back in the Majority, Democrats Have Plans for a Long List of Trump Investigations*, NPR (Nov. 4, 2026), https://www.kunc.org/npr-news/2026-11-04/back-in-the-majority-democrats-have-plans-for-a-long-list-of-trump-investigations.

[4] *See id*. (reporting planned scrutiny of Trump family cryptocurrency projects). Devon Ombres et al., *Tracking the Return on Investment of Trump's Backers*, Ctr. for Am. Progress (Nov. 2, 2026), https://www.americanprogress.org/article/tracking-the-return-on-investment-of-trumps-backers/. "Individuals and entities related to eight crypto and digital finance firms donated more than $161 million to Trump-affiliated political entities, projects, and businesses. The industry has seen dropped lawsuits and investigations that, had the companies been found liable, would have cost an estimated $216 million in potential fines and disgorgements on the low end—and $1.9 billion on the high end."

II. Why the change in Congress matters

The majority party controls committee agendas and has greater power to hold hearings, investigate government actions, and shape legislation. A Democratic Senate can also approve or reject future nominees for agencies that oversee digital assets. Those powers can influence policy even when Congress does not pass a comprehensive crypto bill.

Sen. Elizabeth Warren (D-MA) is the current senior Democrat on the Senate Banking Committee, and Rep. Maxine Waters (D-CA) holds that role on the House Financial Services Committee. Both could become chairs, although selections have not been finalized.[5] Former and incoming Sen. Sherrod Brown (D-OH) won Ohio's Senate special election.[6] Sen. Brown is a former Banking Committee chair who has viewed the crypto industry with skepticism, lost his 2024 election after crypto PACs spent $40 million to oust him, and won again in the 2026 midterm election despite crypto PACs spending another $63 million to keep him out of office.[7] His future committee assignment and role is unsettled. Relatedly, Rep. Bryan Steil (R-WI), who chairs the House Financial Services Digital Assets Subcommittee, lost his reelection bid.[8]

These changes make it important for us to build relationships with incoming members and explain Zcash's practical uses and underscore the importance of financial privacy. Our focus will be narrower than broader crypto advocacy that focuses on exchanges, stablecoins, and other important, but less relevant, issues. Instead, we will focus on how each lawmaker approaches financial privacy and their views on software developer liability.

III. Broad crypto legislation faces tougher negotiations

Despite the CLARITY Act's failure to overcome a key procedural hurdle, Democrats have already stated they will pursue market structure legislation with a stronger focus on consumer protection, illicit finance safeguards, and ethics.[9] With Democrats controlling the next Congress and locking in on investigating the administration, these demands are likely to carry more weight. An agreement on the CLARITY Act before the current Congress ends is possible, but many see the legislation as dead and unenacted bills must be reintroduced in the new Congress.

IV. The issues that matter most for the Zcash ecosystem

A. Developer protections remain a central priority

For wallet and protocol developers, a key question is when writing or maintaining software can expose someone to money transmission obligations and criminal liability, which matters especially for noncustodial products.

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[5] U.S. S. Comm. on Banking, Hous. & Urb. Affs., *Leadership*, https://www.banking.senate.gov/; U.S. H.R. Comm. on Fin. Servs., *Committee Members*, https://financialservices.house.gov/about/members.htm (both last visited Nov. 4, 2026).

[6] Julie Carr Smyth, *Sherrod Brown Flips Senate Seat in Ohio for Democrats by Ousting Sen. Jon Husted*, Associated Press (Nov. 3, 2026), https://apnews.com/article/election-2026-ohio-senate-brown-husted-9e7ae9e1715c0e8203614aea6f71666d.

[7] Jesse Hamilton, *Sherrod Brown's Ohio Edge Threatens a Rough Go for Crypto Next Year*, CoinDesk (Nov. 1, 2026), https://www.coindesk.com/news-analysis/2026/11/01/sherrod-brown-s-ohio-edge-threatens-a-rough-go-for-crypto-next-year (reporting approximately $40 million in 2024, almost $56 million from Fairshake in 2026, and about $63 million in identified industry PAC spending in the 2026 race).

[8] Evan Casey, *Democrat Mitchell Berman Defeats US Rep. Bryan Steil to Flip Wisconsin's 1st Congressional District*, Wis. Pub. Radio (Nov. 3, 2026), https://www.wpr.org/news/democrat-mitchell-berman-defeats-republican-bryan-steil-2026.

[9] Press Release, Rep. Maxine Waters, *Ranking Member Maxine Waters Responds to $6.3 Billion Binance Hack, Calls for Stronger Crypto Accountability* (Oct. 30, 2026), https://democrats-financialservices.house.gov/news/documentsingle.aspx?DocumentID=415414.

The legislative history and election results highlight the importance of pursuing clearer developer protection on its own merits, potentially as a narrower bill, rather than as part of a larger legislative package.

B. Financial privacy needs a distinct policy use case

With Democrats retaking control of Congress, money laundering and sanctions concerns will be at the forefront of future negotiations. The risk for the ecosystem is language that treats transaction privacy, software publication, or network infrastructure operation as activities that would require companies to register as financial institutions.

Our strategy involves education on why lawful users need financial privacy and confidentiality, particularly in light of increasing cyber attacks and data breaches and global digitalization of finance. Here, we'll focus primarily on use cases/case studies that can illustrate the importance of financial privacy alongside efforts to prevent crime.

One key talking point will be how Zcash supports selective disclosure through viewing keys and illustrating how confidentiality and appropriate record sharing can coexist.

V. Agencies can still act while Congress negotiates

The Securities and Exchange Commission's Regulation Crypto Assets remains a proposal, with an offering framework and conditional investment contract safe harbor.[10] The Commodity Futures Trading Commission has also opened an advance notice of proposed rulemaking on certain retail crypto commodity transactions under existing authority.[11] These processes can affect market access and business models while legislation remains unsettled.

A change in who controls Congress does not mean current agency officials will be replaced. And existing legal authority, rulemaking procedures, and future appointments will shape the pace and scope of regulatory changes. However, what we are likely to see are more committee hearings that focus on crypto, with narratives centering around bad actors and illicit activity.

VI. What this means across the ecosystem

The effects will differ by activity. The following are planning considerations, rather than newly imposed requirements or predictions that a particular restriction will be adopted.

Stakeholders	Main implication
Protocol and wallet developers	Legal uncertainty around noncustodial software may persist.
Exchanges and payment providers	Scrutiny of private transactions could influence support for Zcash and shielded functionality.
Users and businesses	Access to private payments may depend partly on intermediaries' policy and compliance choices.
Miners and infrastructure providers	Tax, reporting, and regulatory definitions may affect different activities differently.

[10] Regulation Crypto Assets, 91 Fed. Reg. 54,510 (proposed Aug. 21, 2026); Sec. & Exch. Comm'n, Release Nos. 33-11434 & 34-106150 (Aug. 18, 2026), https://www.sec.gov/rules-regulations/2026/08/s7-2026-27.

[11] Regulation Crypto Asset Transactions and Regulation Crypto Asset Markets, 91 Fed. Reg. 64,811, 64,811–12 (Oct. 13, 2026) (advance notice of proposed rulemaking), https://www.govinfo.gov/content/pkg/FR-2026-10-13/html/2026-20888.htm.

Stakeholders	Main implication
Other ecosystem organizations	Policy uncertainty may affect planning, legal support needs, and access to services.

VII. There are still opportunities to build support

Democrats have participated in market structure negotiations, and developer protection proposals have attracted bipartisan sponsorship.[12] Those precedents are openings for engagement, but these discussions will be different from previous ones where Democrats were essentially steamrolled in negotiations and the crypto industry had stronger clout. Our plan is to redirect the conversation and discuss financial privacy in terms of consumer safety, business confidentiality, civil liberties, and protecting U.S. competitiveness in blockchain innovation.

PGPZ's priorities remain preserving lawful private payments, securing clear protections for noncustodial developers, and supporting data minimization in financial transactions. Accordingly, we will work with lawmakers in both parties and with the regulatory agencies to further those goals.

VIII. What stakeholders should watch next as the 120th Congress forms

The primary discussions to keep track of are committee leadership selections, efforts to revive the CLARITY Act during the lame duck period before the new Congress takes office, and how developer protections and illicit finance are discussed in legislative proposals. Sen. Brown's special election could affect the lame duck period if he is seated before the new Congress starts.[13]

Over the coming months, we will continue to monitor agency proposals and appointments and any renewed effort to restrict privacy-preserving technologies, self-custody, and developer protections.

[12] See S. 3611, 119th Cong. (2026) (introduced by Sen. Lummis for herself and Sen. Wyden); Press Release, Sen. Mark R. Warner, supra note 9.

[13] U.S. Senate, *About Electing and Appointing Senators—Filling Vacancies*, https://www.senate.gov/about/origins-foundations/electing-appointing-senators/vacancies.htm (last visited Nov. 4, 2026) (explaining acceptance of election credentials and administration of the oath).