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# June 2021 Outlook

June 8, 2021

<p><b>OVERVIEW</b></p>	<p>Washington enters the unofficial summer much as it started in May with continued efforts to see if a bipartisan agreement can be reached on an infrastructure package. Talks continue between the Biden Administration and Senate moderates, but an agreement on the size of a package, not to mention how it should be funded, still seems a ways off. This month, therefore, <i>may</i> resolve whether a bipartisan agreement can be reached or if Democrats will decide to go on their own through reconciliation, which itself presents issues given the slim majorities in both the Senate and House. At the same time, both chambers will continue working through the FY22 appropriations process with multiple hearings planned with Biden Administration officials on budget recommendations. For the month, the Senate is back in session this week to wrap up consideration of the U.S. Innovation and Competition Act and here through the week of the 21st before breaking for two weeks around July 4th. It's another Committee Work Period week for the House this week before Members return for three weeks of Floor votes before they recess for a week for the 4th.</p>
<p><b>SENATE ACTIVITY</b></p>	<p>Majority Leader Schumer (D-NY) has previewed a busy June agenda for the chamber including processing judicial nominees, finishing the China package (more information below), voting on certain controversial measures, and increased pressure to advance infrastructure legislation. Senate Committees will hold additional hearings on infrastructure-related issues within their jurisdiction and continue efforts towards a comprehensive package in line with President Biden's Build Back Better agenda. Various committees will also hold hearings to discuss recent cyberattacks and to examine Biden's FY22 budget requests.</p> <ul style="list-style-type: none"> <li>• Senate Homeland Security and Governmental Affairs Committee will hold a confirmation hearing this week, on June 10th, to consider the President's nominees for Director of the Cybersecurity and Infrastructure Security Agency (Jen Easterly) and National Cyber Director (Chris Inglis). We expect members to discuss recent major cyberattacks, including SolarWinds, Colonial Pipeline and JBS and ask about certain cybersecurity vulnerabilities in critical infrastructure.</li> <li>• Leader Schumer announced that the Senate will take up voting rights legislation (S. 1) the week of June 21. However, while President Biden recently pressed Congress to pass this legislation, labeling it among the top priorities of his administration, prospects for its passage will be challenging. Minority Leader McConnell (R-KY) has vowed to block the bill and Sen. Manchin (D-WV) announced over the weekend that he will not support S.1. The bill includes new political spending disclosure requirements and changes to voter registration, mail-in voting, redistricting and other balloting procedures, among other provisions, and was passed out of the House in March.</li> <li>• Schumer has also indicated plans to bring forth additional measures unlikely to reach the 60-vote threshold in the Senate, including gun control legislation, the Paycheck Fairness Act and potentially an LGBTQ rights bill, the Equality Act. Additionally, a second vote to establish an independent Commission to study the January 6th insurrection is possible following a failed attempt last month. House Speaker Pelosi (D-CA) recently called on Schumer to hold another vote on the measure, indicating that a White House-appointed Commission is unworkable, as it would still need congressional approval for budgetary and subpoena authorities.</li> </ul>

<p><b>CHINA LEGISLATIVE PACKAGE</b></p>	<p>As we've seen over the past couple of months, the Senate has inched closer to advancing the legislative package addressing many aspects of the U.S.-China relationship and will resume consideration of the measure (renamed the U.S. Innovation and Competition Act of 2021) this week.</p> <ul style="list-style-type: none"> <li>• The chamber will vote on the Schumer Substitute Amendment and a Cornyn Amendment to modify the semiconductor incentives program of the Department of Commerce. This package includes the Endless Frontier Act, CHIPS funding, funding for the Commerce Department to invest in open RAN 5G alternatives to Huawei and ZTE, as well as the various committee products from the Foreign Relations, Banking, Finance, Homeland Security, HELP, Judiciary and Appropriations Committees.</li> <li>• We expect the Senate to ultimately pass this legislation with some Republican support, though the prospects, process, and timing to pass a bill in the House remain unclear. The House has not yet begun a similar comprehensive effort, and we believe it is unlikely to pass the U.S. Innovation and Competition Act "as is."</li> </ul>
<p><b>HOUSE ACTIVITY</b></p>	<p>The House remains in recess this week and will return on June 14th to regular session, although certain Committees will still continue to hold virtual hearings this week.</p> <ul style="list-style-type: none"> <li>• On June 10<sup>th</sup>, the House Ways &amp; Means Committee will hold a hearing on the tax gap. The joint hearing will include both the Select Revenue Measures and the Oversight Subcommittees, and we expect members to highlight comments from IRS Commissioner Charles Rettig in his testimony last month, as well as to discuss certain efforts including a proposal to require additional reporting from financial institutions on inflows and outflows from financial accounts, as well as additional funding for the IRS.</li> <li>• As in the Senate, we also will continue to see various committee hearings to discuss the President's budget requests and a continued focus on advancing infrastructure legislation. Despite ongoing negotiations and obstacles posed by Republicans, Speaker Pelosi continues to signal plans to take up legislation in the House this month, setting the stage for the Senate to move forward in July. House Transportation &amp; Infrastructure Committee Chairman DeFazio (D-OR) has scheduled a markup this week to consider his surface transportation reauthorization bill, the INVEST in America Act, which seeks to incorporate many aspects of Biden's American Jobs Plans. We expect the bill will likely pass out of Committee with little-to-no Republican support and understand the legislative text will be released shortly before the markup.</li> <li>• Next week, the House is expected to take up a package of several bills that passed through the Financial Services Committee last month regarding corporate governance. This package will include legislation regarding ESG and climate disclosure as well as corporate political activities. The House also is expected to consider a resolution to repeal the Office of the Comptroller of the Currency's (OCC) True Lender rule. A similar resolution passed the Senate last month.</li> </ul>
<p><b>SENATE BANKING COMMITTEE</b></p>	<p>The Senate Banking Committee (SBC) has two Subcommittee-level hearings scheduled at this point, and we expect at least one additional hearing to be added to the June agenda.</p> <ul style="list-style-type: none"> <li>• First up is a hearing in the Housing, Transportation, and Community Development Subcommittee focused on rural transit with representatives from three rural public transportation systems to discuss opportunities to reform public transit in a future infrastructure package.</li> <li>• The Economic Policy Subcommittee also will hold a hearing on the potential for a central bank digital currency (CBDC) with former CFTC Chair Giancarlo as a witness. We expect Sen. Kennedy (R-LA) will highlight his draft legislation to create a CBDC pilot program, and for Giancarlo to provide an update on his Digital Dollar Project, which recently announced plans to launch five pilot programs over the next year to test potential uses of a CBDC.</li> </ul>

<p><b>HOUSE FINANCIAL SERVICES COMMITTEE</b></p>	<p>Chairwoman Waters (D-CA) has set another robust agenda for her committee this month with eight hearings and a full Committee markup on the docket.</p> <ul style="list-style-type: none"> <li>• HFSC will begin this week with a hearing focused on affordable housing and legislative proposals to improve certain housing programs, including likely a measure to provide Housing Choice Vouchers to low-income families. The Committee also will meet to consider a CBDC, which we expect to include broader discussions around regulating cryptocurrencies and digital assets. We also expect members to take a deeper dive into potential implications on investors and market volatility of delaying development of a regulatory framework for crypto in an Oversight &amp; Investigations Subcommittee hearing later in the month (June 30th).</li> <li>• Also of note is a hearing on credit reporting in which we expect the Democratic proposal to create a government-run credit bureau to be a main focus. In addition, we believe certain Democratic members will reintroduce legislation focused on eliminating negative information from consumers' credit scores and incorporating alternative data into credit scoring and reporting models. Additionally, a Subcommittee hearing on evading sanctions is scheduled for mid-June, and we expect to see questions on recent cyber and ransomware attacks and how to prevent these types of attacks on US critical infrastructure going forward.</li> <li>• The Committee is also scheduled to hold another markup in June, and we expect that the main focus will be housing/infrastructure related, but it is possible that other items will be considered. As we have seen since the start of this Congress, Waters has prioritized addressing affordable housing, racial equity, and climate change risk to the financial sector and has scheduled additional hearings on each of the three topics this month as well. The full slate of hearings for the month is below: <ul style="list-style-type: none"> <li>○ <b>June 9th:</b> Full Committee hearing entitled, "Universal Vouchers: Ending Homelessness and Expanding Economic Opportunity in America."</li> <li>○ <b>June 15th:</b> Task Force on Financial Technology hearing entitled, "Digitizing the Dollar: Investigating the Technological Infrastructure, Privacy, and Financial Inclusion Implications of Central Bank Digital Currencies."</li> <li>○ <b>June 16th:</b> Subcommittee on Housing, Community Development &amp; Insurance hearing entitled, "Flexible Federal Funding: Examining the Community Development Block Grant Program and Its Impact on Addressing Local Challenges."</li> <li>○ <b>June 16th:</b> Subcommittee on National Security, International Development and Monetary Policy will convene for a virtual hearing entitled, "Schemes and Subversion: How Bad Actors and Foreign Governments Undermine and Evade Sanctions Regimes."</li> <li>○ <b>June 23rd:</b> Full Committee hybrid Markup.</li> <li>○ <b>June 29th:</b> Full Committee hearing entitled, "A Biased, Broken System: Examining Proposals to Overhaul Credit Reporting to Achieve Equity."</li> <li>○ <b>June 29th:</b> Subcommittee on Diversity and Inclusion hearing entitled, "The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice."</li> <li>○ <b>June 30th:</b> Subcommittee on Oversight &amp; Investigations hearing entitled, "America on "FIRE": Will the Crypto Frenzy Lead to Financial Independence and Early Retirement or Financial Ruin?"</li> <li>○ <b>June 30th:</b> Subcommittee on Consumer Protection &amp; Financial Institutions hearing entitled, "Addressing Climate as a Systemic Risk: The Need to Build Resilience within Our Banking and Financial System."</li> </ul> </li> </ul>
<p><b>REGULATORY AGENDA</b></p>	<p>We expect to see a flurry of activity on the financial regulatory front this month, including at the Financial Stability Oversight Council (FSOC), Securities and Exchange Commission (SEC) and Federal Reserve.</p> <ul style="list-style-type: none"> <li>• Treasury Secretary Yellen will preside over an FSOC meeting on June 11th, which was originally scheduled for May 21st. The meeting will include open and closed executive sessions and will see a focus on money market funds in advance of an expected July report from the Financial Stability Board on the topic. The FSOC meeting agenda also</li> </ul>

	<p>includes a discussion on the transition away from LIBOR to SOFR and other alternative rates, as well as on updates to the council's priorities.</p> <ul style="list-style-type: none"> <li>• SEC Chair Gensler's decision late last week to remove Trump-appointed Public Company Accounting Oversight Board (PCAOB) chair Duhnke has received sharp criticism from the Republican SEC Commissioners and lawmakers who see it as the White House giving into the demands of progressive members such as Sens. Warren (D-MA) and Sanders (I-VT). The SEC indicated that the remaining PCAOB board members also will be removed as it stated that it intends to seek candidates to fill all five board positions.</li> <li>• The SEC has a few additional notable items on its upcoming agenda, including an Investor Advisory Committee meeting this week which includes discussions regarding best execution issues. The meeting also will include a segment on 10b5-1 Plans, and we understand Gensler has recently asked staff to consider potential revisions to enhance restrictions and transparency over these plans. The comment period for the Commission's Request for Comment on ESG and climate risk disclosures also closes on June 14th, which we expect will set the stage for a potential rule proposal later this summer or early fall.</li> <li>• The Federal Reserve's Federal Open Market Committee (FOMC) will hold a two-day meeting on June 15-16, and we expect Chair Powell to see questions on the staggering unemployment numbers, inflationary concerns, and the Fed's recent hinting at slowing its current pace of asset purchasing, although any major policy changes are unlikely. The Fed is also expected to release 2021 bank stress tests results on June 24th.</li> </ul>
<p><b>BIDEN ADMINISTRATION</b></p>	<p>President Biden declared June a "National Month of Action" last week while outlining his Administration's plans to mobilize efforts towards increasing vaccination numbers to 70% across the country prior to the July 4th holiday. However, we find it unlikely that pressure from the White House will be enough to push Congress to act before the recess in these areas given the abbreviated time period and ongoing negotiations between parties, not to mention the slim Democratic majorities. Additionally, Biden will attend a series of summits in Europe this month, his first trip abroad since taking office, to meet with various world leaders to discuss issues including global economic recovery and COVID-19 response, climate change, transatlantic relations, technology and cybersecurity, among other items.</p> <ul style="list-style-type: none"> <li>• <b>Infrastructure:</b> The President has continued meeting with members of both parties in search of a bipartisan compromise as it relates to his \$1.7T infrastructure proposal, and while it seems some headway has been made with GOP members, a deal still seems far away. Most recently, Biden signaled an openness to decrease the size of the package and consider taking the corporate tax rate increase off the table - a provision considered a non-starter by Republican members. We expect the focus of securing a bipartisan agreement will shift to a group of moderate Senators who may put forth a proposal. Otherwise, Democrats will likely have to fully pivot and will be reliant on advancing a package by reconciliation. We believe moving to reconciliation is the most likely outcome at this point given the significant disparity in dollar amounts and disagreements related to the inclusion of certain tax proposals, and as the Biden Administration has signaled it will not wait much longer for a compromise.</li> <li>• <b>Cybersecurity:</b> Through the use of executive orders and actions, and in recent public remarks from the White House, it is clear that President Biden sees cyber and ransomware attacks as a mounting national security concern. The Administration has signaled it is increasing its focus on cyber in the coming weeks and months ahead and we expect to see additional pressure put on both the federal government and private sector to strengthen cybersecurity protocols. Additionally, Biden has already indicated plans to address certain concerns with Russian President Putin at a June 16th summit in Switzerland. Just last week, Deputy National Security Adviser for Cyber and Emerging Technologies, Anne Neuberger, called on companies to adopt security measures to protect against ransomware attacks and the Department of Justice announced it will now pursue ransomware attack investigations similar to its handling of terrorism cases. We</li> </ul>

	<p>understand that the Administration is also working to develop comprehensive policies for dealing with ransomware attacks and payments for the public and private sectors.</p> <ul style="list-style-type: none"><li>• <b>Tax:</b> Over the weekend, the G7 finance ministers and central bankers released a communique that supports a 15 percent global minimum tax and an agreement on the allocation of taxing rights where market countries awarded taxing rights on at least 20% of profit, exceeding a 10% margin for the largest and most profitable multinational enterprises. The next step is to secure an agreement at the G20 next month in Venice.</li></ul>
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