RICH FEUER ANDERSON
2022 Outlook
January 3, 2021

OVERVIEW	We, like many, are asking ourselves where 2021 went, while preparing for year two of the Biden Administration and another year of the seemingly unending pandemic. To quickly recap, Congress wrapped up 2021 by addressing a couple of must-pass items (the debt ceiling and National Defense Authorization Act (NDAA)), while leaving two big ticket items (government funding and the Build Back Better Act (BBBA)) at the top of the agenda for 2022 – which also happens to be a midterm election year. The Senate convened this morning, while the House remains in recess until next week. Majority Leader Schumer (D-NY) and Senate Democrats will waste no time in resuming discussions on passing the BBBA – although prospects for passage seem even dimmer now than they did before the holidays. Midterm election years generally see a shift in focus among lawmakers to campaign-mode, particularly for the party in charge. Democrats will attempt to hold on to their thin margins in Congress, meaning some larger, more controversial items may be off the table. This, however, may provide an opportunity for more bipartisan measures, like retirement policy or cybersecurity legislation, to break through. Democratic leadership and Chairs of key committees will have to consider the midterm-factor while forming their agendas for the coming year – weighing how to address their priority items in the chance of a shift in power, while not hitting too hard on more divisive issues. Similarly, President Biden and Democratic Senators will seek to rapidly fill remaining vacancies at departments, agencies and in the judiciary, especially as they look to the potential of losing control of the Senate. Meanwhile, Republicans will spend the year attempting to outline what they believe Democrats have done wrong, or have not achieved while being in the majority. On the bright side for both parties, they will not have to deal with a debt ceiling increase again prior to the November midterms. On the administration front, President Biden entered 2021 with a bold policy agenda, prioritizing pandemic recovery, climate, and focusing on racial equity. These issues will remain key pillars of the Biden agenda in 2022. Biden signed 72 executive orders in his first year, more than any President in modern history – Trump (58), Obama (41), Bush (56) and Clinton (59). The EOs on climate-related financial risk, promoting competition, and cybersecurity provide a number of directives for financial regulators and Congress, setting the stage for some concrete action in 2022. While President Biden might not be on the ticket in November, voters will be watching his every decision as they gear up for the midterms. His ability to deal with the pandemic, keep schools open, address issues like inflation, and push forward with other campaign promises will have a weighing impact on the outcome in November. RFA outlines our current expectations for 2022 across the board below.
CONGRESSIONAL ACTIVITY	**Build Back Better Act** After months of negotiations, the day after the Senate adjourned for the year, Sen. Manchin (D-WV) announced that he would not vote for the BBBA in its current form. He reiterated his reservations about the bill's effects on the national debt and inflation and concerns with altering specific provision timelines to reduce the overall price (i.e., the Child Tax Credit).

	What's Next? Majority Leader Schumer has indicated that he still plans for the Senate to vote on the measure this month – Senate Democratic leadership and caucus meetings this week are expected to help determine whether and when to proceed. A failed BBBA vote may help the Senate to close the door on the package as currently constructed and move toward a smaller, and much more narrow approach that could potentially garner the support of Manchin. But, with trust between the factions within the Democratic party continuing to deteriorate, it is unclear if progressives will be willing to scale back their priorities drastically, if at all, and whether Sen. Manchin and other moderates will be willing to continue negotiations. With Democrats currently in control of the White House, Senate, and House, many progressive Members view this as their only opportunity to advance their "big and bold" agenda. The White House will have to lead the effort to unify the party quickly for any chance of success. We expect as more time goes on without a compromise, the chances of Democrats salvaging BBBA may weaken. That said, the White House believes there's still an opportunity to reach a deal with Manchin. Shortly before announcing his no-vote, Manchin provided an outline of possible changes to the bill he could support. The framework has not been made public but is believed to be the same size and scope as the President's framework and covers many of the same priorities. Certain aspects include things like, a maximum price tag of $1.75T; rolling back certain aspects of the Tax Cuts & Jobs Act; fixing drug pricing; and having the package considered by Senate Committees. We expect there to be rumors of upcoming deadlines or target dates to pass the BBBA to ramp up pressure on Democratic Senators, such as the State of the Union (which has yet to be scheduled), the expiration of the continuing resolution (which currently funds the government until February 18th), or the upcoming elections, such as early state primary elections for the 2022 midterms beginning in March. Of note, new inflation data covering December will be released on January 12th. If we see numbers as poor as November's report, Manchin may not be incentivized to make a deal any time soon. **Government Funding** Congress left for the Holidays without passing a comprehensive government funding bill for the remainder of FY22. The current Continuing Resolution (CR) expires on February 18th, so dealing with funding will be one of the first things that must be addressed when they return. Given the lack of progress made so far, we think it's likely that another short-term CR will be needed before a comprehensive omnibus is able to pass, especially because most Republicans are happy with funding the government at the current Trump Administration levels. • It is important to remember that both Senate Appropriations Chairman Leahy (D-VT) and Ranking Member Shelby (R-AL) are retiring at the end of 2022, so it will be a top priority for them to pass funding bills for both the remainder of FY22 and for FY23 before they leave office. **Other Items** • **H.R. 1:** Late last month, Majority Leader Schumer announced in a Dear Colleague letter to his members that he plans to take up voting rights legislation as early as this week. We understand the issue remains at the top of Schumer's to-do list for his party, and we expect the issue to receive attention as BBBA negotiations may remain in a deadlock. However, passage of the legislation would require total unity within the Democratic party, given no GOP support. Schumer has suggested Senate rules changes to remove the usual 60-vote threshold to move forward. Conversations are ongoing to determine whether and what types of changes can be made, that moderates such as Sens. Manchin and Sinema (D-AZ) would support. • **January 6th:** While the House is not scheduled to be in session this week, Speaker Pelosi (D-CA) has planned a series of activities to mark one year since the events of last January in the Capitol. Looking forward, the Select Committee will continue to investigate, with reports and public hearings reportedly planned over the next several months, meaning we can expect January 6, 2021 to continue to reverberate throughout 2022.

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	• **COVID-19:** We still expect COVID-19 and the ensuing economic implications to remain a top-of-mind item for members across the dais, particularly given the recent wave of cases across the country. However, while there have been calls by some progressive Democratic members to pass another COVID-19 relief package, we do not believe there is enough momentum or urgency at this time for such a package. We would expect strong pushback from GOP members if these talks come to fruition. • **China/USICA:** While Senate Majority Leader Schumer's attempt to include the U.S. Innovation and Competition Act (USICA) in this year's NDAA failed, he and House Speaker Pelosi have agreed to conference the bill, noting that there are "a number of important, unresolved issues" that need to be addressed, including discrepancies around certain trade provisions. We expect this legislation, aimed at bolstering U.S. competitiveness against China, to gain significant traction in the first half of 2022. USICA passed the Senate with broad, bipartisan support, and the House's version of the bill, the Ensuring Global Leadership and Engagement (EAGLE) Act, passed out of the House Foreign Affairs Committee on a strictly party-line vote. Despite the need for continued negotiations, we view this as a measure with the potential to pass into law in 2022. • **Retirement policy:** We saw significant progress in the House on the SECURE 2.0 legislation, which would build upon the SECURE Act of 2019 by further incentivizing participation in 401(k)s and other savings plans, including through auto-enrollment. Retirement legislation remains one of the few issues in Congress with bipartisan support, and particularly given the nature of a midterm election year, there is great opportunity for advancing a bipartisan measure such as this. We expect the Senate to take up its own version of the SECURE 2.0 legislation, following its passage in the House Ways & Means Committee last summer. Senate Finance Committee Chair Wyden (D-OR) and Ranking Member Crapo (R-ID) have continued to signal a willingness to tackle this issue and conduct a committee mark-up. We anticipate this could happen in Q1 of 2022 (assuming no complications due to BBBA). • **ESG:** ESG-related issues have remained at the forefront of discussions in Washington this year. However, challenging politics in Congress have prevented Democrats from passing various ESG-focused proposals into law. While we expect continued congressional efforts to promote climate and diversity initiatives in the private sector, like additional industry diversity information requests from House Financial Services Committee Chair Waters (D-CA), concrete action will more likely come from the regulators in 2022. • **Cybersecurity:** This year's NDAA was expected to address key cybersecurity issues, such as mandatory incident reporting, updating the Federal Information Security Modernization Act (FISMA), and securing Systemically Important Critical Infrastructure (SICI). Measures to address these priority issues did not make the final version of the defense bill, but given the uptick in cyber and ransomware attacks, we expect these cybersecurity policies to be addressed in 2022. The issue remains a top priority among both lawmakers, including Chairs and Ranking Members of the House and Senate Homeland Security Committees, as well as among regulators. FSOC members have each identified the issue among their top three in prioritization, and Chair Gensler has also said the SEC is considering cyber-related disclosure requirements for public companies. • **SAFE Banking:** This was a key point of contention in this year's NDAA negotiations. While the House version of the NDAA included the SAFE Banking Act, certain Senators successfully fought for the language's removal in the final product, drawing ire from the bill's House sponsor, Rep. Perlmutter (D-CO). We understand Perlmutter has begun conversations with Speaker Pelosi on potential upcoming legislative vehicles for the bill's inclusion. • **Financial technology:** Congress and regulatory agencies will continue to weigh both the benefits and potential risks of technological innovations in the financial space. This includes the incorporation of artificial intelligence and machine learning into underwriting practices, lending decisions and credit scoring. Regulatory focus will be on

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deterring algorithmic bias and ensuring companies comply with fair lending laws. Regulators will also increase attention on emerging products like Buy Now, Pay Later and Earned Wage Access products. The path forward on bank charter options is narrowing as ILC charters will not be viable given change in FDIC leadership, and the OCC's special purpose charter also off the table. Fintechs with aspirations for a bank charter will need to fully embrace being a full bank to avoid policy and political obstacles. We expect committees will also hold various hearings focused on the emergence of cryptocurrencies and blockchain technology, and for comprehensive legislation by Sen. Lummis (R-WY) on regulating the digital assets space to be introduced in Q1 2022.

Housing: Senate Banking Committee Chairman Brown (D-OH) and House Financial Services Committee Chair Waters (D-CA) have both made housing policy a top priority this Congress. However, the path forward on housing legislation rests on the ability to move the housing components in the BBBA. Stand-alone housing legislation of any significance is unlikely to be successful due to partisan disagreement. Instead, we expect Congress to focus on pressing regulators and agencies for action (e.g., Decreasing the FHA's Mortgage Insurance Premium).

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<td>SENATE BANKING & HOUSE FINANCIAL SERVICES COMMITTEES</td>
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January Agenda
We expect a robust hearing agenda in 2022, following a significant amount of 2021 committee activity in the House Financial Services Committee (HFSC) and the Senate Banking Committee (SBC), with both holding more than 60 hearings at the full committee and subcommittee levels. We expect much of the energy in January to be exerted on level-setting for the year, and identifying key priority issues of each committee. There will be less action in the Committees this month than in the months to come. That said, SBC is currently scheduled to hold a hearing on CDFIs and supporting underserved communities this week. We also expect to see nominations hearings for Fed Chair Powell and Governor Brainard for Federal Reserve positions (detailed below) with potential for additional nominations hearings. HFSC will have a lighter agenda this month, with only a few hearings and no markup, although the schedule is still in the works.

2022 Agenda

HFSC Chair Waters and SBC Chair Brown have both indicated a continued interest in digital assets and determining an appropriate regulatory framework. We expect to see additional legislative proposals, particularly around stablecoins, focused on implementing the legislative recommendations from the President's Working Group. We understand Chair Waters is already organizing additional crypto-related hearings, following the appearance by industry CEOs last month. We expect this hearing series will mirror the GameStop-related hearing series she held last year, including industry and consumer witnesses. Both committees are expected to also hold at least one hearing on Central Bank Digital Currencies (CBDCs) – these could occur after the Fed releases its anticipated CBDC report.
We also expect the fallout from the sudden resignation of FDIC Chair McWilliams Friday to reverberate throughout the year on Capitol Hill and within the regulatory agencies. In a similar regard, both SBC and HFSC will each hold regular oversight hearings with the prudential regulators (FDIC, OCC, NCUA, Fed), the SEC and HUD, semi-annual testimony from the CFPB and Federal Reserve, and will continue with their quarterly CARES Act hearings with Treasury Secretary Yellen and Fed Chair Powell.
We also expect there will be a continued focus on fintech and technology companies in the financial services space within both committees, and a continued focus on affordable housing. Despite certain housing-related aspects included in the recent infrastructure bill and BBBA, this is the number one priority of Chairs Brown and Waters and we expect them to exert additional efforts on this front prior to the midterm elections and the potential for a shift in party leadership on their committees.
The HFSC Subcommittee on Diversity & Inclusion has previously requested diversity information from the largest banks and asset managers, and we expect additional requests in 2022 potentially to the private equity and/or insurance industries.

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	• Additional issue areas where we anticipate the committees could focus on in the upcoming year include: flood insurance, cybersecurity, credit reporting, climate risk in the financial system, financial sanctions, SPACs, China, buy now pay later and related cash products, fair lending, CDFIs and MDIs, diversity and equity initiatives, Community Reinvestment Act, and COVID-19 relief.
REGULATORY	**Regulatory Agenda** In December, most financial regulatory agencies released their 2021 Fall Rulemaking Agendas, or "Reg Flex" agendas, outlining the rulemakings and actions they are prioritizing along with target completion dates. The SEC's agenda was sweeping with over 50 items listed. Others have a more modest number of items, but still pack a powerful punch of substance. For example, the prudential regulators will tackle updates to the Community Reinvestment Act and new capital rules for large banking organizations. Not surprisingly, climate-related items will continue to be a prominent area of focus. Additionally, we also saw a glimpse of long-standing Democratic priorities such as revising the Trump DOL fiduciary rule, and finalizing the CFPB's Section 1071 Small Business Data Collection rulemaking. Heading into January, here are some other notable regulatory items to monitor: • **CFPB Housing Items:** The Bureau announced in the fall it would not extend the Regulation X safeguards for mortgage servicers who are working with struggling homeowners. As a result, as of January 1st mortgage servicers will need to follow Regulation X timelines at a time when many borrowers are rolling off CARES Act forbearance. The CFPB will be monitoring closely and likely adjust as needed to avoid forcing a servicer to move a borrower too fast through the loss mitigation process when other relief may be available. • **DOL Fiduciary Rule:** The Department of Labor publicly listed an initial target date for its Fiduciary Proposed Rule of December 2021. Given the short work month and the continued delay in finalizing a proposed revision to the Trump Fiduciary Rule, DOL missed this goal, and we anticipate a January or early February release of the Proposed Rule. • **LIBOR:**After a few years of significant interagency work on the LIBOR transition, January 1st brought with it a formal shift away from LIBOR in new financial contracts. Federal financial regulators have continued to work together to help facilitate this process. Regulators continue to call for legislation to address legacy contracts, which still awaits action in the Senate (the House passed their version in December). It will be important to closely monitor the transition during Q1 to determine the need for any further regulatory action. • **Crypto:** In the absence of consensus across financial regulators related to a crypto regulatory framework, we anticipate the SEC to remain active by taking one-off actions for approval of products and activities. Further, enforcement actions could continue to provide forward-looking clarity. While we don't anticipate anything from the prudential bank regulators related to bank permissibility issues in January, we do anticipate the beginning of specific guidance in Q1. We also expect the Fed's CBDC report to be released in the coming months. • **ESG:** Given the unlikelihood of comprehensive ESG-focused legislation passing in Congress, action is more likely – and expected – at the regulatory level. A rule proposal from the SEC with ESG reporting requirements is expected in early 2022, including climate risk and human capital disclosures. • **Federal Reserve Reg. II:** The Federal Reserve has continued to work through comments on modifications to Reg. II pertaining to debit transaction routing requirements. After an extension of the comment period last summer, the Federal Reserve noted further Board action could come as early as January. ***On the Horizon*** – Prudential regulators are working to finalize the Basel Capital rules; CFPB Section 1071 Small Business Data Collection proposed rule; Community Reinvestment Act amendments; and Treasury Approval of Housing Assistance Fund plans submitted by states

	(rolling basis). As noted earlier, personnel is always policy at the financial regulators and a slew of agency heads may see their confirmation hearings in January. While not a specific regulatory action item, these individuals will have major impact on policy actions in 2022 and beyond. FDIC Chair McWilliams abrupt departure last week will also have major implications for the finalization of Basel capital rules and CRA. Additionally, the Federal Reserve will have to continue to monitor inflation, with rate hikes expected this year, potentially beginning in the Spring. We anticipate Chair Powell will further detail the Fed's plans in this regard in the late-January FOMC Meeting. **Nominations/Key Open Positions** The end of 2021 finally brought certainty over some financial regulatory nominations and continued head scratching over others. President Biden formally renominated Jerome Powell to be Federal Reserve Chair and nominated an existing Fed Governor, Lael Brainard, to be Vice Chair. These picks bring consistency on the monetary policy front while the economy continues to face serious risks from the Covid-19 pandemic and inflation. Rostin Benham was also confirmed by the Senate on December 15, and the nominees for Republican CFTC commissioners were formally announced (Summer Mersinger and Caroline Pham), who should be paired with the Democratic nominees announced earlier in the Fall (Kristin Johnson and Christy Goldsmith Romero). We expect these financial nominations to be prioritized by the respective committees (Senate Banking Committee for Fed nominees and Senate Agriculture Committee for CFTC nominees), with hearings beginning as early as this month. • **OCC:** After serious concerns raised by the banking industry and a contentious nominations hearing, Saule Omarova officially withdrew her nomination to be Comptroller of the Currency. This has proved to be a difficult position for the Administration to fill, as several potential rumored nominees never materialized in early 2021. With no clear new nominee as of yet, we expect Acting Comptroller Hsu to be in the post for the foreseeable future. • **Federal Reserve:** Lael Brainard receiving the nomination for the Vice Chair of the full Board of Governors means it is still an open question over who will get the job as the Fed's Vice Chair of Supervision. Two names floated recently for the position are Richard Cordray, who was the first Director of the CFPB, and Sarah Bloom Raskin, who is a former Fed Governor and a former Deputy Secretary of the Treasury. Regardless of whom President Biden picks, the expectation is they will have a much more rigorous supervisory agenda than their predecessor and will be more in line with the Administration's priorities on issues like climate risk and racial equity. • **FDIC:** The unexpected New Year's Eve announcement from FDIC Chair McWilliams that she would step down on February 4th leaves another financial regulatory position for President Biden to fill. Given the partisan fight and unprecedented moves by Democratic members of the FDIC Board (most notably CFPB Director Chopra and Mary Gruenberg) to try and force the FDIC to request public comment on the issue of bank mergers, which led to the departure of McWilliams, we expect that any nominee by President Biden will be hard pressed to receive any Republican support. Since it will take work to come to a nominee that will receive full Democratic Senate support, Gruenberg will be Acting Chair for some period of time when he assumes that position in February. Also of note at the FDIC is that the Biden Administration has yet to nominate anyone to serve as Vice Chair, meaning that there will be two FDIC board vacancies once McWilliams departs. • **FHFA:** In the housing arena, President Biden formally nominated FHFA Acting Director Sandra Thompson who is well respected as a sophisticated career regulator. We anticipate her confirmation hearing and Senate vote in Q1 likely bipartisan support. At the FHA, progress may be slow moving as FHA Commissioner nominee Julia Gordon continues to face across the board Republican opposition due to her previous statement on policing. At this time, we anticipate the Biden Administration to stand by her nomination, but Democrats will need to figure out a timely procedural path forward to confirm her.

	• **SEC:** Another late-breaking announcement was that Republican SEC Commissioner Elad Roisman will step down from his post at the end of January. There has been no word yet on his potential replacement. • **Treasury:** President Biden still needs to put forth a new nominee for Under Secretary of International Affairs at Treasury after his initial selection was withdrawn last summer.
POLITICAL	As we noted, entering a midterm year will impact President Biden's ability to tackle certain policy objectives, not to mention the difficulty we've already seen in shepherding through legislation in such a narrowly-divided Congress – BBBA and voting rights legislation being prime examples. Issues such as immigration reform, broad climate-change initiatives and health care reforms will likely be put on the back burner and replaced with less controversial items. However, Democrats should be expected to consider some "messaging" measures and will work to highlight accomplishments of the Administration and Democratic Congress, such as the bipartisan infrastructure legislation. Although, considering the ongoing pandemic, Biden and congressional Democrats may not have a choice but to direct their focus to COVID-19 relief and economic recovery. Despite the course of action, every step will be watched and weighed by voters and the elections will be the first major national test of voter approval of President Biden's performance. While it's too early to determine the ultimate outcomes (unforeseen events throughout the year could create shifts in voter perception), we've laid out a brief overview of what to watch leading up to November and RFA's initial take on what to expect. • To level set, 34 Senate seats are up for reelection and all 435 House seats will be contested. Thirty-six gubernatorial seats are also in play, although we will focus on federal races for now. • In the Senate, Republicans are defending 20 seats compared to 14 for Democrats. High-profile retirements (i.e., Sen. Toomey (R-PA), Portman (R-OH) and Burr (R-NC)) have plagued Republicans' ability to easily hold all of these seats. Of note, the GOP is losing 5 members to retirement who currently serve as Ranking Members on key committees. Meanwhile, Democrats are currently only losing one member to retirement, Sen. Leahy (D-VT), and Vermont is considered safe for Democrats. However, there are several Democratic seats Republicans see as potential pickup opportunities, such as seats in Georgia (Sen. Warnock), Arizona (Sen. Kelly), Nevada (Sen. Cortez Masto) and New Hampshire (Sen. Hassan). *RFA Take: The outcome is too early to predict, but as of early 2022, the playing field favors Democrats maintaining a slight majority in the Senate.* • On the House side, Republicans can retake control with a net gain of five or more seats, which seems well within reason at this point. Democrats are experiencing the burden of key retirements, with almost two dozen House members of the party already announcing plans to step down - many of these from swing districts. Another key factor in the House is redistricting. States where redistricting is finalized preview a victorious road for Republicans, although with some states' maps still pending, it is too early to estimate by how much. Other factors such as suburban voter turnout, inflation, school issues and other local issues will be more influential at the district-level as well. *RFA Take: Republicans take control of the House.*