

RICH FEUER ANDERSON

March 2022 Outlook

March 1, 2022

<p>OVERVIEW</p>	<p>As the nation of Ukraine is ravaged by war, President Biden will deliver his first official State of the Union address to both chambers of Congress this evening. Presidents notoriously use the State of the Union address to heavily tout their accomplishments and detail their priorities for the coming year. We expect President Biden to stick to this historical precedent and discuss some of his victories, such as passage of the Bipartisan Infrastructure Package, the American Rescue Plan, and the strength of the labor market. However, with the invasion of Ukraine by Russia, he also is expected to heavily discuss what some have said could be the dawn of a new Cold War, as well as 39-year high inflation, the COVID-19 pandemic, and clean energy and manufacturing. Over the past few months, objections from some Democrats have put President Biden’s domestic agenda at risk, so we may see him use this prime-time address to renew calls for big-ticket Democratic priorities, such as comprehensive voting rights legislation and parts of the Build Back Better Act. All these issues are set against the backdrop of a looming midterm election and low approval ratings for the Administration, setting the stage for a dynamic and consequential first State of the Union address for President Biden. All 535 Members of Congress are invited to attend compared to the only 200 attendees in last year’s address to Congress. This is still substantially lower than the typical 1,600 in-person guests but implies the White House is shifting toward lesser COVID-19 restrictions.</p> <p>Congress also returns to Washington this week after a weeklong hiatus with a packed legislative agenda for March. Following a restrictive February legislative calendar, Congress will be in session for most of the month, with the Senate in session the entirety of March while the House is in session for 15 days. Recent developments in Ukraine will take up significant oxygen in D.C., as Congress weighs whether further sanctions in addition to the Administration’s efforts are warranted, as well as potential legislation to provide support to Ukraine. Other priorities such as the conference process for the China competition bills, the nomination of Ketanji Brown Jackson to serve on the Supreme Court, and government funding will also take center stage this month. We also expect there could be movement on LIBOR legislation as early as this week, and that pressure to act on cybersecurity legislation will heighten given current global circumstances. Committees in both chambers of Congress are expected to hold a plethora of hearings as well. More below.</p>
<p>CONGRESSIONAL ACTIVITY</p>	<p>Government Funding</p> <p>Negotiations over an FY2022 spending package will accelerate this week as lawmakers eye attaching billions of dollars for disaster aid in addition to Ukraine assistance ahead of the March 11th deadline. Congressional leaders announced last month that a topline framework was reached that includes parity between defense and domestic spending. This marks positive progress towards an omnibus spending package, and it remains clear that top Appropriators, Chair Leahy (D-VT) and Ranking Member Shelby (R-AL) want to avoid another short-term funding measure in the interim. That said, negotiations will continue throughout this week to work out current sticking points before the deal is ready for passage, and it is unclear whether nine working days will realistically prove to be enough time. We will get additional clarity over the next few days but understand another continuing resolution is not out of play.</p> <ul style="list-style-type: none"> • The Russian invasion of Ukraine may offer a rare opportunity for bipartisanship in Congress. Lawmakers from both parties have spoken of crafting legislation to send

military and humanitarian aid to help Ukraine combat continued Russian aggression. Last week, the Biden administration also asked Congress for another \$30 billion in pandemic response funding in conjunction with the government funding package. According to initial reports, the request includes \$17.9 billion for antiviral treatments and other medical supplies, \$4.9 billion for testing, and \$2.7 billion to fight future variants. The omnibus is the preferred vehicle for such measures, but it remains to be seen whether any of which will ultimately be included.

- Looking ahead, President Biden is expected to release his FY23 budget request in early March, after he delivers the State of the Union this evening.

China Package

House and Senate negotiators continue to make progress on China competitiveness legislation. Over the last few weeks staff has begun the process of pre-conferencing the Senate passed United States Innovation and Competition Act (USICA) and the House passed COMPETES Act. We understand that there will be some form of an official conference, though we think the process is going to be driven by the committees and leadership. We believe that the final product will look very similar to the bipartisan Senate bill, and that items will likely need sign off from both Chairs and Ranking Members of Committees with jurisdiction to have a good chance at inclusion.

Nominations

- **Federal Reserve:** All Federal Reserve nominees remain in a stalemate caused by Republican opposition to Vice Chair of Supervision nominee Sarah Bloom Raskin. As a reminder, Senate Banking Committee Chair Brown (D-OH) held a meeting two weeks ago where no Republicans attended in protest over Raskin, preventing the committee from having a quorum and being able to move the nominees forward. Ranking Member Toomey (R-PA) has raised concerns about Raskin's nomination, stating primarily procedural and ethical concerns – that he needs more information on her before the vote should proceed. So far, Republicans have stood behind Toomey on this request and Democrats have kept the slate of all the Fed nominees and the FHFA Director position packaged together, meaning that all of these nominations are on hold until this impasse is resolved. We are continuing to monitor and believe this will be the top priority of Chair Brown for the immediate future (more below).
- **CFTC:** The Senate Agriculture Committee will hold a hearing tomorrow (3/2) with the four nominees to the Commodity Futures Trading Commission (CFTC) – Christy Goldsmith Romero (D), Kristin Johnson (D), Summer Mersinger (R) and Caroline Pham (R). Currently, only Chair Behnam (D) and Commissioner Stump (R) are in place at the CFTC, and Stump announced her intention to leave upon the conclusion of her term in April. We do not expect the CFTC nominees to encounter any issues moving forward, especially since two Democrats are paired with two Republicans, and this historic slate of four women appointees should be in place at the commission by late Spring. We also expect the Agriculture Committee to build upon its work at last month's hearing on digital assets, with additional activity in the crypto space likely in the coming months.
- **FTC:** The Senate Commerce Committee is scheduled to hold a vote on Alvaro Bedoya to be a Commissioner at the Federal Trade Commission (FTC), which would move his nomination to the Senate Floor as early as this month. Bedoya's nomination was postponed last month given the absence of Sen. Luján (D-NM), whose vote is required to advance Bedoya out of Committee given no Republican support. The Commerce Committee will also vote on Gigi Sohn to be a Commissioner of the FCC – another Biden nominee requiring the support of all Democratic Senators to advance.
- **Housing:** As noted above, Federal Housing Finance Agency (FHFA) Director nominee Sandra Thompson is expected to remain stuck in the Senate Banking Committee, as she is currently grouped with the five Federal Reserve nominees. This will remain particularly frustrating for Thompson as its possible she could see some bipartisan support. Regardless, she will continue to serve as Acting FHFA Director in the interim. On the

	<p>Federal Housing Administration (FHA) front, Commissioner nominee Julia Gordon remains waiting a full Senate vote. Gordon received a tie vote in Committee and will have to go through a lengthier process to be confirmed. At this stage, we anticipate Gordon will need to wait until Q2 to be confirmed given the backlog caused by Sen. Luján’s absence.</p> <ul style="list-style-type: none"> • Other: Filling vacancies to lead the Federal Insurance Deposit Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) seem to be less pressing, and developments here are not expected in March as Acting Chairs of each agency remain in place.
<p>SENATE BANKING & HOUSE FINANCIAL SERVICES COMMITTEES</p>	<p>Senate Banking Committee The stalemate over moving forward on five Federal Reserve nominees as well as the Director of the FHFA could continue this week, even though Senate Banking Committee (SBC) Chair Brown has said he will hold another vote tomorrow in an attempt to advance them out of the Committee. We believe the primary focus of SBC this month will be on these nominees, although all indications are that Republicans will continue to stick together to not provide a quorum. Of note, all Democrats on SBC indicated they were in favor of the nominees, with the exception of Sen. Warren (D-MA), who indicated she opposed Powell to continue as Federal Reserve Chairman. Warren’s vote will not deter Powell’s advancement.</p> <ul style="list-style-type: none"> • Meanwhile, Fed Chair Pro Tempore Powell (his term technically ended in February) will appear in front of the Committee on Thursday (3/3) for the Fed Chair’s Semiannual Monetary Policy Report to Congress. The hearing comes at an interesting time, with the standoff on his confirmation and as the Fed is expected to move forward to raise interest rates later this month, not to mention issues such as inflation and the war in the Ukraine also weighing on the central bank. • We also expect the Committee will continue its focus on digital assets and broader issues around supply chain and the implementation of the bipartisan infrastructure bill. <p>House Financial Services Committee The House Financial Services Committee (HFSC) has backloaded most of its work for this month in the last week, but it kicks off March with its hearing with Powell tomorrow, the day before his appearance in front of SBC. After hearing from Powell, HFSC will only hold one more hearing this month before the week of the 28th, with a markup planned for the middle of the month as well. We understand the markup list remains fluid at this point but could include around 15 bills focused largely on expanding financial inclusion to disadvantaged communities, minorities, and homeless individuals, as well as measures to provide greater protections and capital-building opportunities for small businesses. The “Close the ILC Loophole Act,” by Rep. Garcia (D-IL) has also been floated to be included. HFSC will hold its third hearing this Congress on CBDs (although it’s the first since the Fed released its related Report), as well as a hearing on the use of AI and coding in RegTech – technology to help organizations improve regulatory compliance while cutting costs. The hearing will likely also touch on the use of Blockchain in this regard. Additional hearings will touch on supply chain issues, oversight of the country’s stock exchanges, and bank overdraft fees. Here is the expected schedule for the month:</p> <ul style="list-style-type: none"> • March 2nd – Full Committee hearing entitled, “Monetary Policy and the State of the Economy.” • March 8th – Full Committee hearing entitled, “The Inflation Equation: Corporate Profiteering, Supply Chain Bottlenecks, and COVID-19.” • March 16th – Full Committee markup. • March 29th – Full Committee hearing entitled, “The Future of Money: Assessing the Benefits and Risks of a U.S. Central Bank Digital Currency.” • March 30th at 10am: Task Force on Artificial Intelligence hearing entitled, “Keeping Up with the Codes – Using AI for Effective RegTech”

	<ul style="list-style-type: none"> • March 30th – Subcommittee on Investor Protection, Entrepreneurship and Capital Markets hearing entitled, “Oversight of America's Stock Exchanges: Examining Their Role in Our Economy.” • March 31st – Subcommittee on Consumer Protection and Financial Institutions hearing entitled, “The End of Overdraft Fees? Examining the Movement to Eliminate the Fees Costing Consumers Billions.”
WHITE HOUSE	<p>State of the Union</p> <p>As previously mentioned, we expect President Biden to use the State of the Union (SOTU) as a platform to tout his accomplishments from his first year in office, including high vaccination rates, passage of the bipartisan infrastructure plan and his Supreme Court nominee. He will point to the strength of the labor market (6.6M new jobs), boast about creating the most diverse cabinet in American history and underscore his administration’s historic efforts to address climate change. That said, given current events, both domestic (e.g., inflation) and abroad (e.g., Russia-Ukraine), Biden will have to carefully craft his message around these touchy topics, while detailing a plan forward that he hopes will resonate with voters across the country, particularly given his low approval rating.</p> <ul style="list-style-type: none"> • One item to look out for in his speech tonight will be how he addresses the Build Back Better Act (BBBA), and particularly whether or not he calls for further action from his party to advance a slimmer version or portions of the bill. His remarks here will provide a pivotal marker for the agenda of the Democratic party in the coming months – whether Congress will ultimately leave BBBA behind to focus on other policy priorities or continue to try and find areas of compromise on the measure. • Iowa Republican Governor Kim Reynolds is prepared to deliver what we expect will be a fiery GOP response to the SOTU, while progressive Democratic member Rep. Tlaib (D-MI) will give a response on behalf of the Working Families Party. We expect Reynolds’ rebuttal speech will focus largely on the need to reopen America – end COVID-19 lockdowns and mandates and keep schools open. Tlaib will likely call for Democrats (particularly centrist Members) to unite in moving forward with certain legislative priorities, including climate-related proposals within BBBA, and other social policies. <p>Supreme Court</p> <p>Keeping to his pledge to reshape the federal judiciary, President Biden has selected DC Circuit Court of Appeals Judge Ketanji Brown Jackson as his nominee to succeed retiring Justice Stephen Breyer, making history by picking a Black woman for the nation’s highest court. The Senate Judiciary Committee aims to begin Judge Jackson’s confirmation hearings on March 21st. This timeline would theoretically allow Democrats to meet their goal of confirming Jackson by the Easter recess.</p> <p>In the meantime, Jackson will start holding meetings on Capitol Hill this week with Senate Majority Leader Schumer (D-NY), Senate Minority Leader McConnell (R-KY), and Senate Judiciary leaders Sens. Durbin (D-IL) and Grassley (R-IA). It’s yet to be known if Jackson will receive bipartisan support. That said, one important thing to note – three republicans – Sens. Graham (SC), Collins (ME), and Murkowski (AK) all supported her confirmation to her current post on the US Court of Appeals for the District of Columbia Circuit last year.</p>