

RFA Monthly Outlook – March 2024

Overview

After months of tedious negotiations, Congress may finally take significant steps on the fiscal year (FY) 2024 appropriations process this week after continuous efforts to punt government funding deadlines down the road. The House and Senate voted last week to avoid a partial government shutdown by passing another short-term continuing resolution (CR) that will fund parts of the government through March 8th and the remaining parts through March 22nd. This week, Congress will vote on the first tranche of funding bills, with the House likely voting first on Wednesday and the Senate following suit shortly after.

Aside from appropriations, there are several unresolved issues in Washington, such as the Ukraine/Israel/Taiwan supplemental package that passed the Senate last month and the bipartisan tax package that passed the House earlier this year.

Additionally, President Biden will give the last State of the Union Address of his first term this Thursday, March 7th, and he is expected to release his FY25 Budget proposal next Monday, March 11th.

On the regulatory front, the Consumer Financial Protection Bureau (CFPB) finalized its Credit Card Late Fees Rule today, and the Securities and Exchange Commission (SEC) will vote on the long-awaited climate-disclosure rule and amendments to Rule 605 tomorrow.

Below, the RFA team provides our perspective on notable legislative, regulatory and administrative activity for the March work period.

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Congressional Activity

The House and Senate will only be in session for 13 days this month, with the ongoing FY24 government funding fight dominating most of that time. The first minibus will need to be voted on before this Friday’s March 8th deadline. Lawmakers will then have two more weeks, until March 22nd, to come to an agreement on the second, more challenging to pass, tranche of appropriations bills.

The Senate starts off the month by resuming consideration of the nomination of Ronald Keohane to be Assistant Secretary of Defense. The House intends to consider H.R. 2799, House Financial Services Committee (HFSC) Chairman McHenry’s (R-NC) broad capital formation package this week. While we expect the overall bill to be a party line vote, amendments related to e-delivery, closed end funds, and 403(b) could receive bipartisan support.

Appropriations

As mentioned above, last week Congress passed a short-term resolution that extended government funding through March 8th and 22nd. The resolution was intended to give members adequate time to review the first minibus, which Congress is set to vote on this week. This minibus includes the Agriculture Commerce, Justice, and Science; Energy and Water; Interior and Environment; Military Construction and Veterans Affairs; and Transportation, Housing and Urban Development funding. Negotiators are still finalizing a package to fund the remaining six bills through the end of the fiscal year, which are significantly more contentious. This set includes Homeland Security; Health and Human Services; State and Foreign Operations; Defense; Financial Services and General Government; and the Legislative Branch. While getting the first package across the finish line this week will be a big first step, it does not eliminate the possibility of a partial government shutdown in two weeks.

Speaker Johnson has expended some political capital in these spending negotiations. GOP hardliners, including members of the House Freedom Caucus, have criticized Johnson for cutting a spending deal with Democrats instead of advocating for a year-long CR, which would fund the government at current levels but be subject to automatic cuts across the board after April 30th. Moderate Republicans have also privately expressed frustration with the process and with Johnson's overall acquiescence to far-right demands.

We expect a handful of conservative Republicans to vote against the spending deal struck by the Speaker. However, the measure is expected to pass through a suspension of the rules with overwhelming bipartisan support in the coming days.

Bipartisan Tax Package

The fate of the House-passed tax package is still up in the air, even with the strong bipartisan vote from the House of Representatives. Senate Republicans are still not on board with the package due to concerns with the expansion of the Child Tax Credit, as well as the lack of SECURE 2.0 Act fixes and traditional tax extenders. Senate Finance Committee Ranking Member Crapo (R-ID), a key Senator to watch as this legislation is considered, voiced his opposition to the legislation until modifications are made. Sen. Crapo stated that he was working on surveying Republicans on the Finance Committee to see what changes can be made to gather more support for the bill. Currently, it is all but certain that Senate Republicans will demand changes in order to support the legislation.

Specifically, Sen. Crapo has taken issue with the child tax credit portion of the bill that "looks back" and expands eligibility for taxpayers with zero income, and he has called to drop this provision altogether. The bill will need to garner at least 60 votes to defeat a filibuster, however, Leader Schumer still needs to determine if this is the right legislative path for this package. At this moment, the timing of when and if the legislation will pass is unclear.

Border Funding & Aid for Israel and Ukraine

House Speaker Johnson (D-LA) has remained steadfast in his opposition to putting the \$95 billion Senate-passed aid package, which includes \$60 billion in Ukraine aid and funding for both Israel and Taiwan, on the House floor in its current form. Privately, the Speaker has told colleagues that he is in no rush to address the issue, especially as government funding deadlines loom. However, our view

remains that pressure will continue to build on Johnson to take action on this issue as an overwhelming majority of the House of Representatives supports providing aid to these countries.

As evidence, in February, a bipartisan group of House lawmakers introduced a pared-down appropriations supplemental that would have some border security provisions attached (e.g., one year authorization for the Remain in Mexico policy). We expect, as appropriations issues are resolved, that attention will once again turn toward the Supplemental Package. Johnson will need to determine how to navigate the expected conservative opposition to any legislation short of H.R. 2, the Secure Our Border Act of 2023. President Trump is further complicating the calculus for this package because of his refusal to give President Biden any “win” on the border during an election year.

Nominations

Department of Labor

Julie Su, President Biden's pick for Labor Secretary and current acting Secretary, was voted out of the Senate HELP Committee last week along party lines. Republican Senators have voiced their frustration regarding Su's renomination and the Committee's closed-door vote. Despite the challenges surrounding her nomination, President Biden continues to support Su, asserting confidence that he is “in his authority” to renominate her for the position. However, it remains unclear whether Majority Leader Schumer (D-NY) will bring her nomination to the floor until there is more consensus about her nomination within the Democratic caucus. Currently, Sen. Manchin (D-WV) is opposed, and several other Democratic members are uncommitted.

FTC

In another contentious nomination battle, the confirmation of vacant Republican seats on the FTC's Board of Commissioners remains uncertain. Sen. Hawley (R-MO), despite facing pushback from his Republican colleagues, has criticized Andrew Ferguson and Melissa Holyoak based on their ties to Majority Leader McConnell (R-KY) and past records on BigTech issues. Rebecca Kelly Slaughter's renomination to the Commission is also still pending a vote.

FERC

Senate Energy and Natural Resources Committee Chair Manchin has stated that he is prepared to consider multiple nominations for Federal Energy Regulatory Commission (FERC) commissioners in the upcoming weeks. Last week, President Biden nominated Judy W. Chang, David Rosner, and Lindsay S. See to serve as commissioners at FERC.

Other Notable Priorities

Minority Leader McConnell's Retirement

Last week, Senate Minority Leader McConnell (R-KY) announced that he will step down as Republican Leader in November. The two most likely contenders to become the next Republican Leader are Senators John Thune (R-SD) and John Cornyn (R-TX), both of whom have held various leadership positions and have support within the Republican Conference. Senators Cornyn and Thune have already announced their candidacy for the position. While Sen. Barrasso (R-WY) was also considered a contender for the position, he has decided to run for Whip instead. There will likely be dark horse candidates who decide to run for McConnell's position and numerous factors that could

impact the race, especially since the vote will be held via a secret ballot. Additional names floated for the top spot include Sens. Rick Scott (R-FL), and Steve Daines (R-MT). Although Sen. Tom Cotton (R-AR) was initially speculated to run, he announced that he would instead be running for Senate GOP Conference Chair.

Credit Card Competition Act (CCCA)

The Senate Judiciary Committee plans to hold a hearing on the CCCA on April 9th. While witnesses have not been confirmed, Chairman Dick Durbin (D-IL) has invited the CEOs of Visa, MasterCard, United Airlines, and American Airlines. It is unclear whether the companies will send CEOs or other executives.

Artificial Intelligence (AI)

Last month, Speaker Johnson and House Minority Leader Hakeem Jeffries (D-NY) launched a bipartisan Task Force on Artificial Intelligence, which is made up of 12 Republicans and 12 Democrats. The Task Force is Chaired by Reps. Jay Obernolte (R-CA) and Ted Lieu (D-CA), and it will be focused on producing a “comprehensive report that will include guiding principles, forward-looking recommendations and bipartisan policy proposals developed in consultation with committees of jurisdiction.”

The Task Force is the first substantive action by the House of Representatives on AI policy and will likely influence any AI policy going forward. The timeline for a report is unclear, although, given the election year, it is more likely that a report will be released before the August recess. RFA’s understanding is that the Task Force is looking to identify incremental policy changes as opposed to developing a wide-ranging federal regulatory AI structure.

Congressional Black Caucus AI Policy Series

The Congressional Black Caucus recently announced an Artificial Intelligence Policy Series to focus on preventing discrimination against marginalized communities by AI technologies. The educational series intends to convene public policy leaders to ensure that AI benefits and equitable access are available to all.

The lawmakers will convene these sessions to develop legislation that will regulate AI systems and prevent them from deepening the racial wealth gap. Sen. Cory Booker (D-NJ) has emphasized the urgent need for civil rights oversight concerning AI to prevent the reinforcement of societal divisions.

Committee Activity

Senate Banking Committee

The Senate Banking Committee will start this month with the Semiannual Monetary Report from Federal Reserve Chair Jay Powell on Thursday. We expect the Committee to focus on a broad set of issues including inflation, Basel III endgame, Reg II, and the cumulative impact of proposed regulations. Further, some members will look to glean whether the Federal Reserve will consider bifurcating portions of the Basel III endgame proposal or repropose it altogether.

Looking Ahead

On March 12th, the Committee will hold a hearing on various legislative proposals related to the housing sector. Additional March hearings are likely.

House Financial Services Committee

The House Financial Services Committee kicks off its March activity tomorrow also with Federal Reserve Chair Powell for his Semiannual Monetary Report. Like the Senate, we expect members to focus on issues, such as inflation, the Basel III endgame proposal, and Regulation II. Lawmakers are also likely to discuss the state of the banking sector as the hearing coincides with the one-year anniversary of the Silicon Valley Bank failure.

On Thursday, the Financial Institutions and Monetary Policy Subcommittee will hold a hearing entitled, “Polititized Financial Regulation and its Impact on Consumer Credit and Community Development.” The hearing will be a catch-all type of hearing focused on CFPB issues.

Looking Ahead

The following hearings will be held over the course of the month:

- **March 12th:** The National Security Subcommittee will hold a hearing on the Defense Production Act.
- **March 13th:** The Digital Assets, Financial Technology and Inclusion Subcommittee will hold a CFPB-related hearing. We expect topics such as the CFPB’s larger participant rule to be discussed.
- **March 20th:** The Capital Markets Subcommittee will hold a hearing on the SEC’s Climate Disclosure Rule, which is expected to be finalized tomorrow.
- **March 21st:** The Full Committee will hold a hearing on international regulations.

Senate Finance Committee

The Senate Finance Committee will largely be focused on the bipartisan, House-passed tax package this month. The \$78 billion package will likely not face a markup in the Committee, despite recent claims from some of the Committee’s members.

Ranking Member Crapo (R-ID), who is still in the process of surveying Republican support, has signaled a willingness to become a “yes” on the bill if modifications are made. House Ways & Means Chairman Jason Smith (R-MO) has met with several Senate Finance Committee Republicans to try to galvanize support for the legislation, but his calls to pass the legislation as it stands has mostly fallen on deaf ears. Currently, it is all but certain that Senate Republicans will make changes to the bill.

Hearings

Treasury Secretary Yellen will likely appear in front of the Committee this month to discuss President Biden’s FY25 Budget, and the associated tax policy released in the U.S. Treasury Department’s Green Book.

House Ways & Means Committee

The House Ways and Means Committee will hold a hearing on March 7th on the Organization for Economic Co-Operation and Development (OECD) global tax deal that the Biden Administration has agreed to along with all other OECD countries. The hearing will focus on the OECD’s Pillar I and will

likely discuss issues such as Digital Services Taxes. The hearing will likely not touch upon many financial services issues directly.

Secretary Yellen is also expected to testify before the Committee in the near future. The rest of the Committee hearing agenda will include a combination of healthcare and trade-related items.

Other Notable Upcoming Hearings and Markups

- **The Senate Judiciary Committee** will hold a nomination hearing tomorrow and an executive business meeting on March 7th to advance several district judge nominations
- **The Senate Foreign Relations Committee** will hold a nomination hearing on March 7th for Erik Woodhouse to be Head of the Office of Sanctions Coordination, with the rank of ambassador.
- **The House Small Business Committee** will hold a hearing tomorrow entitled, “Reducing Mismanagement: GAO Recommendations to Improving the SBA.”
- **The House Natural Resources Subcommittee on Oversight and Investigations** will hold a hearing on March 7th entitled, “Monetizing Nature and Locking up Public Land: The Implications of Biden’s Strategy for Natural Capital Accounting.”

Biden Administration Update

State of the Union

President Biden’s long-awaited State of the Union (SOTU) will be held this Thursday, March 7th.

He is expected to highlight his Administration's economic and geopolitical accomplishments in his upcoming speech, likely emphasizing his legislative victories like the Inflation Reduction Act, the bipartisan infrastructure law, and actions that have bolstered his ‘Investing in America’ agenda.

Additionally, President Biden will likely address the work his Administration has done to crack down on “junk fees,” the Administration’s favored term for add-on fees charged across various services. He also likely will raise his creation of a new multiagency [Strike Force](#) to “crack down on unfair and illegal pricing” by corporations.

Biden also likely spend considerable time on our relationship with China during his speech. We expect that he will discuss his Administration’s work to navigate this complex bilateral relationship, acknowledging the importance of diplomatic engagement while safeguarding American interests and national security. He may also use this as an opportunity to tout his executive orders to address cyber threats, increase scrutiny of outbound investments to China, and prohibit U.S. investment in critical China-based technology sectors like advanced computer chip manufacturing.

Furthermore, the President is set to highlight his Administration's emphasis on investing in new technologies and building a strong domestic manufacturing supply chain, particularly in the fields of AI and semiconductor capabilities, to help the U.S. maintain its competitive edge in the global marketplace. He will also likely call for further investments in workforce training programs that will

allow the U.S. to build the workforce necessary to create new advancements in AI and machine learning technologies.

Student Loan Forgiveness

The Biden-Harris Administration announced the automatic forgiveness of \$1.2 billion in student loans for around 153,000 eligible borrowers under the Saving on a Valuable Education (SAVE) Plan. To receive this forgiveness, borrowers had to be enrolled in SAVE, have made at least 10 years of payments, and initially borrowed \$12,000 or less for college.

Climate Agenda Implementation

President Biden recently met with Democratic officials to discuss how best to promote political victories from their historic climate law. However, there is concern that these victories have yet to take shape or resonate with underserved minorities and communities of color. As such, the Administration is pushing forward with the finalization of several environmental and tax policy changes to cement as much of the President's legacy on climate change as possible before the November election.

EPA

EPA regulations on power plants' greenhouse gas emissions and vehicles' tailpipe pollution are expected to be released soon. Environmental groups anticipate a massively receptive response to these regulations. In January, the Council on Environmental Quality submitted a regulation reworking environmental permitting for the White House's review. "Phase 2" of the National Environmental Policy Act (NEPA) is expected to be completed in April, which the Administration will use to speed up the development of clean energy and power transmission projects. We also expect finalization of the EPA's Subpart W Greenhouse Gas Inventory changes for Petroleum and Natural Gas Systems in the next several months.

Executive Order on Transfer of Personal Data

On February 28th, the White House announced that President Biden will sign an executive order (EO) to curb the sale of Americans' personal data to adversarial foreign nations, such as China and Russia. This move marks the first attempt by a U.S. president to restrict third-party sales and access to data collected by tech, advertising, and marketing firms.

In the coming weeks, the Department of Justice (DOJ) will release a proposed rule aimed at restricting bulk data transfers of personal information by data brokers and other companies to countries of concern, including China, Russia, North Korea, Iran, Cuba, and Venezuela. This includes genomic data, biometric identifiers, geolocation data, personal health and financial data, and any personal information tied to national security interests.

The EO and proposed rule will not impose any immediate new legal obligations for companies, and financial services firms will largely be exempt. The EO does, however, encourage the CFPB to use existing authorities to address data brokers who aggregate and sell sensitive data, including data of military personnel. DOJ will be opening two rounds of public comment periods to solicit feedback before the rule is finalized. According to the agency, the EO will authorize the DOJ to investigate any reported violations of the regulations and consider establishing civil and criminal penalties if found out of compliance.

CHIPS & Science Act Implementation

The Biden Administration is prioritizing the implementation of the CHIPS & Science Act this year. Commerce Secretary Gina Raimondo recently announced updates on the Administration's CHIPS initiative, emphasizing its importance in the global technology race and in building a domestic semiconductor industry. Secretary Raimondo outlined the U.S.' strategic plan to self-produce the entire silicon supply chain and reduce our reliance on foreign semiconductor production, manufacturing everything from polysilicon production to advanced packaging. Currently, the Administration aims to produce 20% of the world's leading-edge logic chips by 2030, with the Commerce Department focusing on supporting projects that will be operational by 2030.

Regulatory Update

Prudential Regulators

The Federal Reserve Board announced an extension of its comment period on its interchange fee proposal, Regulation II, until May 12, 2024. The original deadline was Feb. 12, 2024. The extension comes as little surprise given the potential impact of the rule on the debit card market and will give the public and industry more time to analyze the proposal and submit comments. On Basel III endgame, we are watching closely whether Chair Powell makes any indications about the next steps on the rule during his appearances on the Hill this week. Rumors persist that the Federal Reserve is considering bifurcating portions of the rule or reproposing it. However, we have picked up little intelligence to date suggesting these changes are under serious consideration. In fact, in one-on-one meetings with members of Congress, Federal Reserve Vice Chair for Supervision Barr has indicated that no decisions have been made.

Last month, the OCC, FDIC, and Federal Reserve Board published their first series of requests for comment to reduce regulatory burdens pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996, which requires FFIEC and banking regulators to review their regulations every decade to identify outdated or unnecessary regulations for their supervised entities. The banking regulators have divided their regulations into 12 categories and are first soliciting comments on the applications and reporting, powers and activities, and international operations categories. Over the next two years, the agencies will request comment on the remaining categories. As is standard, the public has 90 days from publication in the Federal Register to comment.

Securities and Exchange Commission

After much anticipation and numerous delays, the SEC will finally vote on the final Climate Disclosure Rule tomorrow. The reporting of scope 3 emissions—the most ambitious part of the rulemaking—has been cut from the final rule. Despite this change, we still expect a litany of litigation challenging the SEC's authority to act in the climate space. The Commission will also vote tomorrow to finalize Rule 605 amendments on disclosure of order execution information.

The SEC has lagged on finalizing other equity market proposals, such as the Order Competition Rule and the Tick Size/Access Fee Rule. However, the Commission is approaching finalization on Regulation ATS, which will likely be considered during an open meeting soon.

Chair Gensler's current priority is finalizing the Regulation Best Execution rulemaking, and we expect action on this item in the coming weeks.

Consumer Financial Protection Bureau

The CFPB released the final Credit Card Late Fee rule today - the rule is aimed at cracking down on excessive credit card late fees, which the Administration includes in its actions to eliminate "junk fees."

Looking Ahead

Comments for a proposal re Nonsufficient Funds (NSF) and one re overdraft fees are due March 25th and April 1st, respectively. In addition, we anticipate that the Bureau will release an advisory opinion (AO) soon regarding earned wage access (EWA) products.

The Bureau has several proposal comment periods that have closed but have not yet had a final proposal, including the Large Participant Rule (LPR) for digital payment apps, the consumer data rights proposal, and the nonbank registries. The FCRA, which has a more fluid timeline, has been examined by the Bureau's small business review panel, however, the agency has not moved forward with a proposed rule.

FSOC/Treasury

Treasury Sec. Yellen testified in her FSOC capacity last month. FSOC's shift to elevating the entity-designation framework received the most focus from Committee members. Sec. Yellen also informed the Committee that Treasury plans to propose AML rules for investment advisers in the coming weeks. She also made specific comments on FSOC's view of non-bank mortgage lenders as a potential financial stability risk, as well as detailed concerns about the risks ahead for Commercial Real Estate and its potential to place significant strain on small banks.

FSOC also held a closed executive session on Friday, February 23rd. Currently we anticipate that FSOC will hold its next meeting in late March or early April. In the interim, FSOC's Hedge Fund Working Group and Non-Bank Mortgage Servicing Task Force continue to be the most active behind the scenes.

We are also closely monitoring the potential for proposals from the Servicing Task Force member agencies focused on resolution planning and liquidity.

RFA's 2024 Election Forecasting

2024 Presidential Election

With former President Donald Trump sweeping former Ambassador Nikki Haley in her home state of South Carolina last month, along with winning every other race except for the District of Columbia, it appears that Trump is on his way to clinching a primary victory as early as mid-March.

Republican Vice-Presidential Options

Trump's rumored short list of Vice-Presidential picks includes South Dakota Governor Kristi Noem, Sen. Tim Scott (R-SC), Rep. Byron Donalds (R-FL), former GOP presidential candidate Vivek Ramaswamy, and former Rep. Tulsi Gabbard (I-OH). In this year's CPAC straw poll, Governor Noem

topped the poll with 15% of the vote, closely followed by Ramaswamy. We do not expect Trump to make any announcement about a potential Vice-Presidential pick until he secures the GOP nomination. Historically, Vice-Presidential picks have been made during the late summer, with former Vice President Pence selected in July 2016, former House Speaker Paul Ryan selected in early August 2012, and former Alaska Governor Sarah Palin in late August 2008.

March 5th (Super Tuesday) – 874 Total Delegates

This evening, the results from “Super Tuesday” will begin to trickle in, with 874 delegates up for grabs in the Republican Party primary. Following Super Tuesday, an additional 596 delegates will be available for candidates to win this month. So far, former President Trump has won 273 delegates while former Ambassador Haley has won 43. With the former President only needing 942 delegates, it is very possible that he wins the nomination on either March 12th or March 19th after a few additional primary elections and conventions.

If Trump wins at least 50.1% of the vote in each state on Super Tuesday, he will net 601 delegates from just the states that have a winner-takes-all system or majority-takes-all system alone. Some states, like Texas, have a hybrid system, where other candidates may have a chance to win at least a few delegates. Others, like Alaska and North Carolina, will distribute their delegates proportionally if candidates meet a minimum threshold. Given polling in each state, we expect Trump to perform strongly on Super Tuesday, earning at least 780 delegates, thus putting him within grasp of the nomination.

March 10th-12th – 190 Delegates

Looking past Super Tuesday, we expect President Trump to take all 29 delegates from Wyoming on March 10th, and all delegates from Mississippi and Washington on March 12th. Georgia and Hawaii both have their primaries on March 12th too, but neither state uses a winner-takes-all nor a majority-takes-all mechanism. However, from seeing Georgia and Hawaii’s rules and looking at polling for each state, we can conclude that Trump will earn nearly all delegates from each state. We believe that a conservative estimate (80% of delegates in proportional system states) will be that on March 10th and March 12th, President Trump will earn 174 delegates, giving him a total of 1,266 delegates, giving him enough to secure the Republican nomination for President at the Republican Party Convention in July.

March 15th-23rd – 406 Delegates

Should our initial predictions fail, which would mean that Ambassador Haley would have to prevent President Trump from reaching the 50.1% threshold in one or multiple states, we believe that President Trump will certainly reach the 1,215 total delegate thresholds by March 19th due to the multiple, pro-Trump states with winner-takes-all thresholds, including Florida, Ohio, Arizona, Kansas, and Ohio. Illinois will also have a primary on the 19th, but delegate allocations will be done via a hybrid system of conventions and the primary. We believe that by the Louisiana primary on March 23rd, President Trump will be the nominee, but will still likely win the Bayou State and all its delegates through Louisiana’s winner-takes-all system.