

July 6, 2018

Washington Update

This Week in Congress

- **House** – The House is in recess until Tuesday, July 10.
- **Senate** – The Senate is in recess until Monday, July 9.

Next Week in Congress

- **House** – The House may consider the “**Interior, Environment, Financial Services, and General Government Appropriations Act, 2019**” (H.R. 6147); the “**Crooked River Ranch Fire Protection Act**” (H.R. 2075); the “**Matthew Young Pollard Intelligence Authorization Act for Fiscal Years 2018 and 2019**” (H.R. 6237); the “**Unfunded Mandates Information and Transparency Act of 2017**” (H.R. 50); the “**Strengthening Fishing Communities and Increasing Flexibility in Fisheries Management Act**” (H.R. 200); and the “**Reclamation Title Transfer and Non-Federal Infrastructure Incentivization Act**” (H.R. 3281).
- **Senate** – The Senate will resume consideration of the nomination of **Mark Jeremy Bennett** to be United States Circuit Judge for the Ninth Circuit and an Act to amend the “**White Mountain Apache Tribe Water Rights Quantification Act of 2010**” (S.140).

FINANCIAL SERVICES

Regulators Request Public Comment on Proposed 2019 Resolution Plan Guidance

Key Point:

- *The Federal Reserve and FDIC requested comment on the 2019 resolution planning guidance for large complex U.S. banking organizations.*

On June 29, the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) issued a [request for comment](#) on their

“Resolution Planning Guidance for Eight Large, Complex U.S. Banking Organizations.” A Federal Reserve [press release](#) explained that:

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The proposed guidance would apply beginning with the July 1, 2019 resolution plan submissions of the firms. The proposed guidance is largely similar to the guidance issued by the agencies in April 2016, with updates to the agencies' expectations for how a firm's resolution strategy should address derivatives and trading activities, and the firm's payment, clearing, and settlement (PCS) activities.

The update to the derivatives guidance sets expectations for firms regarding their capability to book, monitor, and identify their derivatives exposures, including for exposures that transfer risks between affiliates. The proposed guidance also reduces burden by eliminating certain information requirements. The proposed PCS update directs firms in their resolution planning to take account of both the firm's role as a user of PCS services and as a provider of PCS services for clients.

The proposed guidance will be subject to a 60 day comment period from the date of publication in the Federal Register.

UPCOMING EVENTS

July 11

Financial Services Markup: The House Financial Services Committee may hold a markup of several financial services bills.

July 12

MRAC: The Commodity Futures Trading Commission (CFTC) will hold a meeting of its Market Risk Advisory Committee (MRAC). The meeting will focus on the current initiatives to reform the London Interbank Offered Rate (LIBOR), including the development and adoption of alternative interest rate benchmarks.

Credit Bureaus: The Senate Banking Committee may hold a hearing to discuss credit bureaus and the Fair Credit Reporting Act.

Treasury: The House Financial Services Committee will hold a hearing entitled "The Annual Testimony of the Secretary of the Treasury on the State of the International Financial System." Treasury Secretary Steven Mnuchin is scheduled to testify at the hearing.

Terrorism Financing: The House Financial Services Committee's Subcommittee on Terrorism and Illicit Finance will hold a hearing entitled "Countering the Financial Networks of Weapons Proliferation."

July 16

FIMSAC: The SEC will hold a meeting of its Fixed Income Market Structure Advisory Committee (FIMSAC). The meeting agenda includes updates and presentations from the subcommittees.

July 17

Federal Reserve: The Senate Banking Committee may hold a hearing to consider the Federal Reserve's Semiannual Monetary Report to Congress. Federal Reserve Chairman Jerome Powell is expected to testify at the hearing.

July 19

CFPB and Ex-Im Bank Nomination Hearing: The Senate Banking Committee is expected to hold a hearing to consider the nominations of Ms. Kathleen Laura Kraninger, be Director of the Consumer Financial Protection Bureau (CFPB); and Ms. Kimberly A. Reed, to be President of the Export-Import Bank.

July 24

SEC and GNMA Nomination Hearing: The Senate Banking Committee is expected to hold a hearing to consider the nominations of Mr.

Elad L. Roisman, to be a Member of the Securities and Exchange Commission; and Mr. Michael R. Bright, to be President of the Government National Mortgage Association (GNMA or Ginnie Mae).

For more information about financial services issues you may [email](#) or call Joel Oswald at 202-659-8201. Alex Barcham and Rebecca Konst contributed to the articles.

DEFENSE

Pentagon Releases Assessment of Afghanistan War

Key Points:

- *The DOD claims that the President's strategy is working to limit the danger posed by the Taliban and others while bolstering Afghan forces*
- *The DOD reiterates U.S. policy of approving of negotiations with the Taliban to end hostilities in the 17-year long conflict*

This week, the Department of Defense (DOD) released its statutorily required, semiannual report titled “[Enhancing Security and Stability in Afghanistan](#)” that “describes efforts to enhance security and stability in Afghanistan from December 1, 2017, through May 31, 2018.” The report “includes a description of the strategy of the United States for enhancing security and stability in Afghanistan, a current and anticipated threat assessment, and a description and assessment of the size, structure, strategy, budget, and financing of the Afghan National Defense and Security Forces.”

The DOD stated that “[s]ince President Trump announced the new U.S. strategy for South Asia on August 21, 2017, we have seen a shift in Afghanistan’s military and diplomatic efforts.” The DOD claimed that “[o]ur announcement of a conditions-based strategy breathed new life into the Afghan National

Defense and Security Forces (ANDSF) and the Afghan government.” The DOD stated that “[t]he shift from a time-based to conditions-based approach also sowed new doubt in the Taliban, as fighters and leadership recognized that the United States is committed to Afghanistan and committed to transforming the ANDSF into a lethal force capable of defending its homeland.” The DOD asserted that “[o]ur increased military pressure, the increased capacity of the ANDSF, and the renewed confidence of the Afghan government led President Ghani in February, at the second Kabul Peace Conference, to offer peace negotiations without preconditions to the Taliban.” The DOD claimed that “[t]his unprecedented initiative opens the door for meaningful negotiations between the Afghan government and the Taliban.”

The Pentagon acknowledged that “[d]espite progress in both the military and diplomatic arenas, challenges remain.” The DOD stated that “[t]he Taliban continues to receive external support from regional actors, including Pakistan, Iran, and Russia.” The Pentagon stated that “[t]he United States and Afghanistan, and our allies and partners, must work tirelessly and together to end external support of the insurgency.” The Pentagon stated that “[w]e continue to welcome any partner who supports a Kabul-led peace process without further destabilizing Afghanistan.” The DOD stated that “[t]o maintain momentum on the battlefield and secure continued U.S. and coalition support for Afghanistan, the United States must ensure the long-term plan to support the ANDSF remains sustainable.” The Pentagon stated that “[w]e must remain good stewards of U.S. and coalition funds dedicated to the mission and encourage the Afghan government to accept more financial responsibility for the defense of its country. The Pentagon claimed it “will routinely assess the conditions on the ground

and factor those conditions into the decisions we make that shape the size and capability of the ANDSF.”

Upcoming Hearings and Events

July 10

NATO/Israel The Senate Foreign Relations Committee will hold a [business meeting](#) to consider two bills:

- S. Res. 557, A resolution expressing the sense of the Senate regarding the strategic importance of NATO to the collective security of the transatlantic region and urging its member states to work together at the upcoming summit to strengthen the alliance
- S. 2497, United States-Israel Security Assistance Authorization Act of 2018, with an amendment

July 11

Foreign Military Assistance: The House Armed Services Committee’s Emerging Threats and Capabilities Subcommittee will hold a hearing titled “Department of Defense’s Role in Foreign Assistance.”

For more information on defense issues you may [email](#) or call Michael Kans at 202-659-8201

HEALTH

Upcoming Hearings and Meetings

July 9

ACA: The American Enterprise Institute will hold a discussion on “Whiplash: The Affordable Care Act’s Twisted Path Through Implementation, Litigation, and Reinterpretation.”

July 10

Costs: The National Coalition on Health Care will hold a discussion on “Strategies for Improving the Affordability of High-Quality Health Care and Coverage.”

Drug Prices: Pew Charitable Trusts will hold a discussion on “State Efforts to Lower Drug Spending.”

July 11

340B Program: The House Energy and Commerce Committee will hold a hearing on “Opportunities to Improve the 340B Drug Pricing Program.”

For more information about healthcare issues you may [email](#) or call Nicole Ruzinski Bertsch or George Olsen at 202-659-8201. Michaela Boudreaux contributed to this section.

TRANSPORTATION AND INFRASTRUCTURE

Nielsen Calls For Greater Authority To Combat Drone Threats

Key Points:

- The Secretary of Homeland Security asks Congress to pass legislation that would better secure the U.S. from threats posed by UAS
- A Senate bill has been reported to the Senate; no companion legislation introduced in the House

In a *Washington Post* [opinion piece](#), Secretary of Homeland Security Kirstjen Nielsen called for enactment of a bill that would provide the Department of Homeland Security (DHS) with greater authority to counter what she characterized as a grave threat to U.S. security posed by unmanned aerial systems (UAS) (aka drones.) The “Preventing Emerging Threats

Act of 2018: Countering Malicious Drones” ([S.2836](#)) was introduced in May by Senate Homeland Security Committee Chairman Ron Johnson (R-WI), Ranking Member Claire McCaskill (D-MO), and others. In June, the Committee marked up and reported out the bill. Companion legislation has not been introduced in the House.

Nielsen claimed that “[f]or years, [DHS] has worried about the dangers of unmanned aerial systems, and we have sought the legal authority to protect Americans against corrupted aerial devices.” She claimed that “[u]nfortunately, the laws on the books today were not written with weaponized drones in mind. As a result, the nation’s two biggest law enforcement departments — DHS and the Justice Department — have their hands tied when it comes to protecting Americans.” Nielsen contended that “[w]hile we do have certain limited capabilities for scanning the skies for rogue drones, we largely lack the updated tools and most sophisticated authorities to monitor and mitigate inbound threats.” She stated that “DHS should be able to access signals being transmitted between a nefarious drone and its ground controller to accurately geolocate both quickly...[and] [t]his could allow authorities to take control of the device or stop its operator on the ground to prevent a potential attack.” She asserted that “current legal constraints prohibit us from doing so and from addressing other drone-threat scenarios, such as drones configured to operate without a human operator, which will require a separate set of solutions.”

Nielsen asserted that “[t]he Defense Department already has similar authorities to protect U.S. forces overseas and certain domestic facilities...[b]ut it’s time we had them to protect Americans here at home.” She claimed that “[w]e cannot afford to wait.” Nielsen said that “[o]ur enemies are aware of

our vulnerabilities and eager to exploit them. So let’s stop admiring the problem and start solving it.” She said that “[t]he House and Senate should approve a legislative fix at the earliest possible opportunity.”

Upcoming Hearings and Events

July 11

Infrastructure Loans: The Senate Environment and Public Works Committee will hold a [hearing](#) titled “The Long-term Value to U.S. Taxpayers of Low-cost Federal Infrastructure Loans.”

UAS Policy Issues: The House Transportation & Infrastructure Committee’s Aviation Subcommittee will hold a [roundtable](#) titled “Counter UAS issues.”

For more information on transportation issues you may [email](#) or call Michael Kans at 202-659-8201.

TECHNOLOGY

Senate Intelligence Committee Agrees With IC That Russia Interfered With 2016 Election

Key Point:

- *The Committee finds the IC’s report on the 2016 election to be “well-supported” and stated that its own investigation has uncovered wider, more extensive cyber operations by Russians to disrupt the 2016 election*

This week, the Senate Intelligence Committee released an [unclassified summary](#) of its initial findings on the Intelligence Community’s (IC) 2017 assessment of whether Russia interfered with the 2016 election, and the Committee found that “the overall judgments...were well-supported and the tradecraft was strong” according to its [press release](#). The Committee

added that its “investigation has shown that the Russian cyber operations were more extensive than the hack of the Democratic National Committee and continued well through the 2016 election.” The Committee added that it is “is preparing a comprehensive, classified report detailing our conclusions regarding the ICA on Russian activities...[that] will be submitted for a classification review, and the unclassified version will be released to the public.”

The Committee explained that:

The Intelligence Community Assessment (ICA) released in January 2017 assessed that Russian activities in the run-up to the 2016 presidential election represented a significant escalation in a long history of Russian attempts to interfere in U.S. domestic politics. This escalation was made possible by cyber-espionage and cyber-driven covert influence operations, conducted as part of a broader “active measures” campaign that included overt messaging through Russian-controlled propaganda platforms. The ICA revealed key elements of a comprehensive and multifaceted Russian campaign against the United States as it was understood by the U.S. Intelligence Community at the end of 2016.

Upcoming Hearings and Events

June 10

DOJ and 2016 Election: The House Judiciary and Oversight and Government Reform Committees will hold a [joint hearing](#) titled “Oversight of FBI and DOJ Actions Surrounding the 2016 Election: Testimony by FBI Deputy Assistant Director Peter Strzok.”

June 11

Consumer Network Information: The House Energy & Commerce Committee’s Communications and Technology Subcommittee will hold a [hearing](#) titled “Protecting Customer Proprietary Network Information in the Internet Age.”

Smartphone Searches: The Senate Homeland Security & Governmental Affairs Committee’s Federal Spending Oversight and Emergency Management Subcommittee will hold a [hearing](#) titled “Examining Warrantless Smartphone Searches at the Border.”

China Investment Strategy: The House Foreign Affairs Committee’s Terrorism, Nonproliferation, and Trade and the Asia and the Pacific Subcommittees will hold a [hearing](#) titled “China’s Predatory Trade and Investment Strategy.”

Digital Tech and IP: The House Small Business Committee will hold a [hearing](#) titled “Innovation Nation: How Small Businesses in the Digital Technology Industry Use Intellectual Property.”

June 12

DHS Supply Chain Security: The Homeland Security Committee’s Counterterrorism and Intelligence and Emergency Preparedness, Response and Communications Subcommittees will hold a joint hearing titled “Access Denied: Keeping Adversaries Away from the Homeland Security Supply Chain.”

Big Data: The House Science, Space & Technology Committee’s Energy and Research and Technology Subcommittees will hold a [joint hearing](#) titled “Big Data Challenges and Advanced Computing Solutions.”

For more information on technology issues you may [email](#) or call Michael Kans at 202-659-8201.

TRADE

Tariffs on Chinese Goods Go Into Effect

Key Points:

- The U.S. has imposed 25 percent tariffs on \$34 billion worth of Chinese goods. These will target machinery, auto parts, medical devices, and information technology, amongst other goods.
- China has imposed tariffs on \$34 billion worth of U.S. goods, including agricultural goods and automobiles.
- Both countries have plans to impose tariffs on an additional \$16 billion worth of goods.

The U.S. imposed 25 percent tariffs on \$34 billion worth of Chinese goods starting 12:01 a.m. Eastern time Friday. The Chinese implemented their 25 percent tariffs on \$34 billion of U.S. goods at the same time. The U.S. has aimed its tariffs at goods that will benefit from the Made in China 2025 plan, representing industries including aerospace and information technology as well as auto parts and medical instruments. China is targeting agriculture producers in states that support President Trump. China's tariffs are likely to do significant damage to the U.S. soybean industry, which exported \$14 billion of soybeans to China last year. China has already begun shifting soybean imports from the U.S. to Brazil. Meanwhile, U.S.-made automobiles from Daimler AG, BMW AG, Ford, and Tesla are subject to a 40 percent tariff when entering China.

The U.S. has proposed additional tariffs on \$16 billion of Chinese goods. These will be subject to industry comment at a public hearing [on July 24](#). China has indicated it too has a list of \$16

billion worth of U.S. goods that it is ready to hit with tariffs. President Trump has threatened China with a 10 percent tariff on \$400 billion of Chinese goods if Beijing continues to retaliate.

EU Predicts \$300 Billion in Retaliatory Tariffs if U.S. Imposes Auto Tariffs

Key Points:

- The EU conducted an analysis of potential impacts of the U.S. imposing tariffs on automobiles and auto parts and suggested \$294 billion of U.S. exports could be subject to retaliatory tariffs.

In comments on the Commerce Department's Section 232 investigation into the national security implications of automobile and auto part imports, the EU predicted that "an additional import tariff of 25 percent, applied to automobiles and automotive parts, would in first instance have a negative impact on U.S. [gross domestic product] in the order of \$13-14 billion, and the current account balance of the US would be not affected positively." The report went on to state that "based on the experience of the steel and aluminum Section 232 investigations," it is possible "that up to \$294 billion of U.S. exports, i.e. the scope of products under the current investigation, (equal to 19 percent of U.S. total exports in 2017) could be subject to countermeasures across sectors of the US economy. These would further amplify the negative effect on GDP." The Commerce Department has not yet released its findings from the investigation.

For more information on trade issues you may [email](#) or call Christopher Hatcher at 202-659-8201. Riyad Carey contributed to this section.

This Week in Congress was written by Ryan Schnepf.