

September 22, 2017

Washington Update

This Week in Congress

House – The House is in recess until September 25.

Senate – The Senate passed H.R. 2810, the “**National Defense Authorization Act**” (H.R. 2810); the “**EGO Act**” (S.188); the “**Financial Stability Oversight Council Insurance Member Continuity Act**” (H.R. 3110); and confirmed Noel J. Francisco to serve as Solicitor General.

Next Week in Congress

House – The House may consider the “**Increasing Opportunity and Success for Children and Parents through Evidence-Based Home Visiting Act**” (H.R. 2824) and the “**Control Unlawful Fugitive Felons Act of 2017**” (H.R. 2792).

Senate – The Senate will consider **William Emanuel** to be a Member of the National Labor Relations Board.

TAX

More Details on Tax Reform Outline Expected Next Week

Key Points:

- *Big Six tax writing group will release a framework next week.*
- *Republican House Ways and Means Committee members will hold a member retreat September 24 to 25; House Republican Conference to hold off-site retreat on tax reform on September 27.*
- *Senate Finance Committee Chairman Hatch echoes that the committee will not be a “rubber stamp.”*

The Big Six tax reform negotiators have said they will release an updated framework the week of September 25. It is expected that the release will be a high-level document with limited details provided on statutory rates and potential revenue raisers. It has been reported that members of the group are still working to

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come to an agreement on major items such as whether to allow immediate expensing as proposed by the House tax blueprint.

Senate Finance Chairman Orrin Hatch reiterated his view that the Big Six proposal will only be advisory. At a Senate Finance Committee hearing on business tax reform, Hatch said, “this committee will be the starting point for any tax reform legislation that is considered in the Senate.” He added that the drafting and reporting of a tax bill will follow regular order through the committee. Last week, Hatch warned that the Senate Finance Committee would not be “anyone’s rubber stamp.”

Republicans Ways and Means Committee members will hold a member retreat on Sept. 24-25 to discuss tax reform. Also on the agenda next week for House Republicans is a half-day retreat on tax reform set for Wednesday. According to a conference spokesman, the retreat will offer members the opportunity “to talk through our framework, ask questions, and offer feedback.” On Monday, President Trump will have dinner with leaders from 10 to 15 conservative grassroots groups to present details of his tax reform plan.

Budget Committee Senators Reach Agreement on Budget Resolution

Key Points:

- *Senator Corker and fellow Budget Committee member Toomey reach agreement on FY2018 budget resolution.*
- *Despite lack of details, agreement supposedly would allow for tax breaks of \$1.5 trillion over budget window.*

On Tuesday, Senator Bob Corker (R-TN) and fellow Budget Committee member Patrick Toomey (R-PA) announced that they had reached an agreement on a FY2018 budget resolution that would allow for tax cuts over a 10-year budget window. In a joint press release with Sen. Corker, Toomey said, “I am confident the budget agreement I have reached with Chairman Enzi and Senator Corker will give the Finance Committee the headroom needed to write a pro-growth tax plan that reforms the code.”

While the Senators did not disclose specific details of the agreement, both Senators said it would “allow for a tax reduction, as scored on a static basis, over a 10-year period.” It has been reported that the deal would allow for tax breaks of \$1.5 trillion over the budget window. The budget resolution is necessary if Republicans wish to pass the bill in the Senate with 51 votes, rather than 60.

Senate Finance Committee Holds Hearing On Business Tax Reform

Key Points:

- *Chairman Orrin Hatch reiterates support for corporate integration as compliment to rate reductions.*

Upcoming Dates

September 29: Treasury indicated this date is when Treasury will exhaust extraordinary measures for the U.S. debt limit

September 30: FY 2017 ends and FAA, CHIP, NFIP, and Perkins Loan authorizations expire

December 31, 2017: Title VII of FISA expires

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- *Hatch supports proposal that reduces burden on pass-through businesses.*
- *Senate Finance Committee will hold next tax hearing on Oct.3 focusing on international tax reform.*

Following on a hearing on individual tax reform, the Senate Finance Committee held a hearing this week on business tax reform. In his opening statement, Chairman Orrin Hatch (R-UT) said that he viewed his corporate integration proposal to allow businesses to deduct their dividends paid as “as a complement to a statutory corporate tax rate reduction, not a substitute.” Hatch also called for reducing “the burden on pass-through businesses” and an international tax system where “American business can compete in the global marketplace without facing significant disadvantages simply because they are headquartered in the United States.”

Hatch acknowledged the limitations on the deductibility of interest expense during the Q&A portion of the hearing. Troy Lewis of the American Institute of Certified Public Accountants said that taking away interest deductibility would place greater burden on small businesses and stated that tax law should not discourage the formation of small businesses. Hatch also expressed interest in the projections that state corporate-only expensing would achieve similar economic growth to that of a corporate tax rate of 20 percent. The Finance Committee will hold a subsequent hearing on international tax reform on October 3.

For more information about tax issues you may [email](#) or call Christopher Hatcher at 202-659-8201. Nick Karellas and Ryan Schnepf contributed to this section.

FINANCIAL SERVICES

Senate Passes FSOC Insurance Member Continuity Act

Key Point:

- *The Senate passed legislation to allow the FSOC independent member with insurance expertise to serve an additional 18 months beyond the expiration of their term.*

On September 19, the Senate passed the Financial Stability Oversight Council Insurance Member Continuity Act ([H.R.3110](#)) by unanimous consent. The House had passed the bill by a roll call vote of 407-1 on September 5, with Representative Louie Gohmert (R-TX) as the lone vote against the bill. The bill will now go to the President for his signature. It is unclear when the legislation might be signed. H.R. 3110 would allow the Financial Stability Oversight Council’s (FSOC) independent member with insurance expertise to serve an additional 18 month beyond the end of their term or until a replacement is confirmed.

Under current law the FSOC would be left with a vacancy until a replacement is confirmed. The term of Roy Woodall, the current FSOC independent member with insurance expertise, is set to expire on September 30; therefore, there is a need for the bill to be signed into law by this date. The President has yet to announce a nominee to replace Woodall.

SEC Chairman Clayton Releases Statement on Cybersecurity

Key Points:

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- *SEC Chairman Jay Clayton released a Statement in which he noted the importance of prioritizing cybersecurity.*
- *Chairman Clayton announced there was an intrusion in 2016 of the SEC's EDGAR filing system, which is being investigated for possibly providing the basis for illicit gains through trading.*

On September 20, Securities and Exchange Commission (SEC) Chairman Jay Clayton released a [Statement on Cybersecurity](#) which outlined the importance of cybersecurity given the data collected by the SEC and the entities they oversee. He noted the risks associated with cyberattacks including market disruptions, identity theft, loss of intellectual property, or denial of service. Chairman Clayton laid out some of the instances of cyberattacks seen by the SEC and some of the steps the agency has taken to protect the data they collect. He noted in August 2017, the SEC learned that an incident detected in 2016 involving the EDGAR system may have “provided the basis for illicit gain through trading.” He explained the vulnerability was “patched” as soon as it was detected but resulted in unauthorized access to nonpublic information. He noted that the Division of Enforcement has also investigated and filed cases against individuals for filing fake SEC filings on EDGAR in an effort to profit from market movements.

Clayton noted that the Office of Inspector General (OIG) in 2014 found that several SEC laptops which may have contained nonpublic information could not be located and also found instances where SEC staff used non-secure e-mail to transmit non-public information. He explained that the SEC has strengthened its internal controls and improved privacy and security training. Clayton stated

that the SEC employs an agency-wide cybersecurity detection, protection and prevention program which includes cybersecurity protocols and controls, network protections, system monitoring and detection processes, vendor risk management processes, and regular cybersecurity and privacy training for employees. He noted that cybersecurity is an “evolving landscape” and the SEC emphasizes cybersecurity management with senior management and commissioners.

Clayton explained that the SEC has incorporated cybersecurity considerations in its disclosure and supervisory programs and has issued guidance to help public companies. He stated in November 2014 the SEC adopted Regulation Systems Compliance and Integrity (Regulation SCI) and Form SCI to strengthen the technology infrastructure of the U.S. securities markets, and the SEC coordinates on cybersecurity with the Department of the Treasury and other federal regulatory agencies and entities. Clayton stated the SEC “will continue to prioritize its efforts to promote effective cybersecurity practices within the Commission itself and with respect to the markets and market participants it oversees.”

UPCOMING EVENTS

September 26

SEC Oversight: The Senate Banking Committee will hold a hearing on oversight of the Securities and Exchange Commission (SEC). SEC Chairman Jay Clayton is scheduled to testify at the hearing.

September 27

Family Self-Sufficiency Program: The House Financial Services Committee's Subcommittee on Housing and Insurance will

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hold a hearing entitled “Overview of the Family Self-Sufficiency [FSS] Program.” HUD describes the [FSS](#) as “a program that enables HUD-assisted families to increase their earned income and reduce their dependency on welfare assistance and rental subsidies.”

September 28

Community Bank Advisory Council: The Consumer Financial Protection Bureau (CFPB) will hold a meeting of its Community Bank Advisory Council to discuss “Know Before You Owe: Overdraft” and financial empowerment initiatives.

North Korea Sanctions: The Senate Banking Committee will hold a hearing entitled “Evaluating Sanctions Enforcement and Policy Options on North Korea: Administration Perspectives.” The witnesses at the hearing will be the Honorable Sigal Mandelker, Under Secretary for Terrorism and Financial Crimes, U.S. Department of the Treasury; and Ms. Susan Thornton, Acting Assistant Secretary, Bureau of East Asian and Pacific Affairs, U.S. Department of State.

October 3

Wells Fargo: The Senate Banking Committee will hold a hearing entitled “Wells Fargo: One Year Later.” Wells Fargo CEO Timothy Sloan is scheduled to testify.

October 4

Equifax Breach: The Senate Banking Committee is scheduled to hold a hearing entitled “An Examination of the Equifax Cybersecurity Breach.” Equifax CEO Richard Smith will testify at the hearing.

October 12

Investor Advisory Committee: The SEC will hold a meeting of its Investor Advisory Committee (IAC). The agenda for the meeting includes: (1) Discussion Regarding Blockchain and Other Distributed Ledger Technology and Implications for Securities Markets; (2) Overview of Law School Clinic Advocacy Efforts on Behalf of Retail Investors; and (3) Discussion Regarding Electronic Delivery of Information to Retail Investors (which may include a Recommendation of the Investor as Purchaser Subcommittee).

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.

ENERGY & ENVIRONMENT

Upcoming Hearings and Events

September 26

Electric Grid and Technology: The House Energy and Commerce Committee’s Energy Subcommittee will hold a [hearing](#) titled “Powering America: Technology’s Role in Empowering Consumers.”

Department of Energy Nominations: The Senate Energy and Natural Resources Committee will hold a hearing on the following nominations: Bruce Walker to be Assistant Secretary of Energy for Electricity Delivery and Energy Reliability; and Steven Winberg to be an Assistant Secretary of Energy for Fossil Energy.

September 27

Nominations: The Senate Commerce Committee will hold a [hearing](#) on nominations, including: Rear Admiral (Ret.) Timothy Gallaudet to be Assistant Secretary of

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Commerce for Oceans and Atmosphere; and Howard Elliott, to be Administrator of the Pipeline and Hazardous Materials Safety Administration.

Forest Management and Wildfires: The Senate Environment and Public Works Committee will hold a [hearing](#) on “Forest Management to Mitigate Wildfires: Legislative Solutions”.

For more information about energy and environment issues you may [email](#) or call Frank Vlossak at 202-659-8201. Updates on energy and environment issues are also available on [twitter](#).

DEFENSE

Senate Passes NDAA

Key Points:

- *Senate agrees to more than 100 amendments and passes annual defense authorization package, setting up negotiations with House*
- *Topline funding authorized busts through FY 2018 defense funding cap*

On September 18, the Senate passed the “National Defense Authorization Act for Fiscal Year 2018” (NDAA) ([H.R. 2810](#)) by an 89-8 vote after invoking cloture on the package by a 90-7 vote. More than 100 amendments were added to the modified base text offered by Senate Armed Services Committee Chairman John McCain (R-AZ) and Ranking Member Jack Reed (D-RI). Now, the Senate and House Armed Services Committees will negotiate a compromise NDAA, which is usually one of the last bills enacted in any calendar year. However, the Senate’s NDAA authorizes funding for defense programs at a level higher

than both the Trump Administration’s budget request and the spending cap for FY 2018.

In the August [cost estimate](#) for the “National Defense Authorization Act for Fiscal Year 2018” ([S. 1519](#)), the Congressional Budget Office (CBO) explained that “S. 1519 would authorize appropriations totaling an estimated \$693 billion for the military functions of the Department of Defense (DOD), for certain activities of the Department of Energy, and for other purposes.” The CBO added that “[i]f the total amount authorized for 2018 was appropriated, \$632.1 billion would count against that year’s defense cap set in the Budget Control Act (BCA), as amended; \$0.2 billion would count against the nondefense cap for 2018; and \$60.2 billion designated for overseas contingency operations would not be constrained by caps.” The cap for defense appropriations for FY 2018 is \$549 billion.

More U.S. Troops Ordered To Afghanistan

Key Points:

- *The Secretary of Defense signals that he has signed orders to send as many as 4,000 more soldiers to Afghanistan as a report alleging that U.S. efforts to train and assist Afghan forces have fallen short of expectations*
- *The Trump Administration may allow for more drone strikes*

This week, Secretary of Defense James Mattis confirmed that the Department of Defense will deploy more than an additional 3,000 troops to Afghanistan following President Donald Trump’s August 21 speech laying out his Administration’s policy on operations in the region. Trump articulated a more muscular approach than the Obama Administration but opted to commit far fewer troops than

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President Barack Obama did at a similar point in his first term. Also, there are reports that the Trump White House is considering removing the limits on drone strikes imposed by the Obama Administration.

In his remarks to media, Mattis asserted that “[i]t’s exactly over 3,000 somewhat...[a]nd frankly, I haven’t signed the last of the orders right now as we look at specific, small elements that are going.” He added that “[w]hen you go into Afghanistan and you are carrying a gun, you are going into a combat zone.” Mattis said “[b]y and large, this is to enable the Afghan force to fight more effectively. It is more advisers...[i]t is more enablers — fire support, for example.”

It is unclear when these troops will arrive and not entirely clear whether they will assist in the current advise and assist mission most foreign troops are undertaking. A smaller number of U.S. troops are conducting counterterrorism operations. Currently, there are roughly 11,000 U.S. troops and 6,000 more soldiers, mostly from North Atlantic Treaty Organization (NATO) nations in country committed to Resolute Support Mission.

Regarding possible changes to current U.S. policy on when and how to use drones to strike targets, the Trump Administration is considering an expansion in terms of targets and geography paired with pushing decisions about when to fire further down the command chain according to media reports. The Obama Administration, led by Obama, implemented a more formalized process controlled by the Administration as to when and where the Pentagon and Central Intelligence Agency (CIA) would fire missiles at targets. However, the proposed policy changes being

contemplated inside the White House now would allow for targeting and killing targets that are not top commanders and the decision to fire missiles would not need the same high level review needed under the previous Administration.

This week, a report was released that casts doubt on the U.S.’ efforts to train and equip Afghan forces so that they will be able to secure the country without foreign assistance. In the “[Reconstructing the Afghan National Defense and Security Forces: Lessons From the U.S. Experience in Afghanistan](#),” Special Inspector General for Afghanistan Reconstruction John Sopko claimed that “the U.S. government was not properly prepared from the outset to help build an Afghan army and police force that was capable of protecting Afghanistan from internal and external threats and preventing the country from becoming a terrorist safe haven.” He added that “[w]e found the U.S. government lacked a comprehensive approach to security sector assistance (SSA) and a coordinating body to successfully implement the whole-of-government programs necessary to develop a capable and self-sustaining Afghan National Defense and Security Forces (ANDSF).” Sopko asserted that “[u]ltimately, the United States designed a force that was not able to provide nationwide security, especially as that force faced a larger threat than anticipated after the drawdown of coalition military forces.”

Upcoming Hearings and Events

September 26

JCS Chairman Renomination: The Senate Armed Services Committee will consider the renomination of Chairman of the Joint Chiefs

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of Staff General James Dunford Jr to serve another term as Chairman.

Security Assistance: The Senate Foreign Relations Committee will hold a [hearing](#) titled “Managing Security Assistance to Support Foreign Policy.”

September 27

Threats to the U.S.: The Senate Homeland Security & Governmental Affairs Committee will hold a [hearing](#) titled “Threats to the Homeland.”

Afghanistan and Pakistan: The House Foreign Affairs Committee’s Middle East and North Africa and Asia and the Pacific Subcommittees will hold a [joint hearing](#) titled “The President’s FY 2018 Budget Request for Afghanistan and Pakistan.”

Tactical Network Modernization: The House Armed Services Committee’s Tactical Air and Land Forces Subcommittee will hold a hearing titled “The Army’s Tactical Network Modernization Strategy.”

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

HEALTH

Senate Plans Vote on Graham-Cassidy Amendment Next Week

Key Points:

- *Senate Majority Leader Mitch McConnell (R-KY) has said he intends to bring the amendment to floor next week for a vote.*

- *It is unclear if Republicans will have enough votes before reconciliation instructions expire on September 30.*

Senate Majority Leader Mitch McConnell (R-KY) announced his intent to hold a vote next week on the Graham-Cassidy amendment, the Republicans’ latest attempt to repeal and replace the Affordable Care Act (ACA). Republicans have till September 30 to vote using reconciliation instructions which require only a simple majority for passage.

The Congressional Budget Office (CBO) is not expected to release a score of the bill till early next week. CBO has already said this score will not include analysis of coverage or the effect on premiums which will take more time to analyze.

Senators Lindsey Graham (R-SC) and Bill Cassidy (R-LA) have been working with President Trump and Vice President Pence to drum up support for the legislation. President Trump has cautioned Senate Republicans that those who vote against the bill will be known as “the Republican who saved ObamaCare.” Senator Rand Paul (R-KY) has already stated he is against the measure because it does not go far enough to repeal the ACA.

Senators John McCain (R-AZ), Lisa Murkowski (R-AK), and Susan Collins (R-ME) all voted against the previous attempt to repeal the ACA in July. McCain has expressed concern this new amendment still does not satisfy the requirements for regular order as no hearings have been held or opportunity to amend.

Murkowski and Collins have not said how they will vote. Collins expressed her disappointment

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the bipartisan effort for market stabilization has been scrapped in favor of Graham-Cassidy.

Several governors, including Alaska and Nevada, have come out against the Graham-Cassidy amendment. Other governors have expressed support, most notably Arizona. It has also been opposed by several industry groups including doctors, hospitals, and insurers and state Medicaid directors.

Upcoming Hearings and Meetings

September 25

Repeal and Replace: The Senate Finance Committee will hold a hearing on the “Graham-Cassidy-Heller-Johnson Proposal.”

Opioids: The National Press club will hold a discussion on “Mental Health and the Opioid Crisis” for credentialed members of the press.

September 26

Health Care Delivery: Politico will host a discussion on “The Doctor-Patient (and Government) Relationship.”

Fee Schedule: The Brookings Institution will hold a conference on “The Medicare Physicians Fee Schedule (PFS) and Alternative Payment Models.”

September 27

Seniors: Politico will hold a discussion on “Aging in America.”

Innovation: The Congressional Biomedical Research Caucus will hold a briefing on “Elephants, Dogs, and Cancer: Update on Genetic Risk for Childhood Cancer and What We can Do About It.”

Opioids: The President’s Commission on Combating Drug Addiction and the Opioid Crisis will hold a public meeting.

Opioids: The Education Development Center and the National Action Alliance for Suicide Prevention will hold a discussion on “From Pain to Promise - Addressing Opioids and Suicide in Communities Across America.”

September 28

Mental Health: New America will hold a discussion on “The Future of Mental Health Technology.”

Payment Reform: The American Enterprise Institute will hold a discussion on “Unbundling and Rebundling Health Benefits: Innovative Rethinking of Health Care Delivery and Competition.”

For more information about healthcare issues you may [email](mailto:nicole@williamsandjensen.com) or call Nicole Ruzinski Bertsch or George Olsen at 202-659-8201.

TRANSPORTATION

FAA Extension Needs To Pass Next Week

Key Points:

- *Facing an expiration of funding and authority at the end of next week, Congress is likely to pass a short-term extension of six months or less*
- *Sticking points for a longer reauthorization include privatizing ATC operations and co-pilot training hours*

With the September 30, 2017 expiration of Federal Aviation Administration’s (FAA), Congress will almost certainly pass an

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extension next week, giving the House and Senate more time to reach agreement on a reauthorization. Yet, neither chamber has considered their reauthorizations: the “21st Century Aviation Innovation, Reform, and Reauthorization Act (AIRRACT)” ([H.R. 2997](#)) and the “Federal Aviation Administration Reauthorization Act of 2017” ([S. 1405](#)).

House Transportation and Infrastructure Committee Chairman Bill Shuster (R-PA) continues to advocate for his proposal to privatize the FAA’s air traffic control (ATC) operations, and House Republican Leadership and the White House allegedly are trying to persuade the House Appropriations Committee regarding the spin-off because it would remove this portion of the FAA from their jurisdiction. But of what may be of greater importance, some Republican House Members have said they would vote against an FAA extension because it would give Shuster more time to get the ATC privatization included in a reauthorization. Moreover, House Democrats have insisted on nothing more than a six-month extension.

In the Senate, the inclusion of language that would allow the FAA to relax the 1500 hour in-flight training requirement for co-pilots for regional airlines was met with threats to block the bill from coming to the Senate floor. During the markup, Senate Commerce, Science, and Transportation Committee Chairman John Thune (R-SD) folded the provisions into a larger amendment despite the articulated misgivings of some Committee Democrats. Thereafter, Senate Minority leader Chuck Schumer (D-NY) vowed to block the bill if the language were not removed.

Upcoming Hearings and Events

September 26

Aviation Security: The House Homeland Security Committee’s Transportation and Protective Security Subcommittee may hold a hearing titled “Raising the Standard: DHS’s Efforts to Improve Aviation Security Around the Globe.”

21st Century Infrastructure: The House Transportation & Infrastructure Committee’s Water Resources and Environment Subcommittee will hold a [hearing](#) titled “Building a 21st Century Infrastructure for America: Water Stakeholders’ Perspectives.”

September 27

21st Century Infrastructure: The House Transportation & Infrastructure Committee’s Highways and Transit Subcommittee will hold a [hearing](#) titled “Building a 21st Century Infrastructure for America: Highways and Transit Stakeholders’ Perspectives.”

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

TECHNOLOGY

Langevin Introduces Data Security Bill

Key Points:

- *The first post-Equifax data security and breach notification bill is introduced*
- *However, the bill is more aggressive than the bills considered mainstream in the last Congress*

This week, the first data security and breach notification introduced after the Equifax breach was unveiled by Representative Jim Langevin (D-RI). The “Personal Data

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Notification and Protection Act” ([H.R. 3806](#)) would implement a federal data security and notification standard overseen by the Federal Trade Commission (FTC). To date, the only other data security and breach notification bill introduced in the 115th Congress has been House Judiciary Committee Ranking Member John Conyers’ (D-MI) “Cyber Privacy Fortification Act of 2017” ([H.R. 135](#)). Nonetheless, if Congress does enact a data security or breach notification bill, it is unlikely that either Langevin’s or Conyers’ bills are the chosen legislation.

In his [press release](#), Langevin explained that “[t]he bill requires that companies notify affected individuals within 30 days of the discovery of a breach of sensitive personal information and requires the FTC to help coordinate breach notification.” He added that “[n]otification of the type of information stolen would need to be provided by mail, telephone or, in certain cases, email.”

The bill would allow the FTC to use its authority to impose civil penalties through either a civil action in U.S. District Court or an administrative proceeding for up to \$40,000 per violation. While state attorneys general could bring actions for up to \$1,000 per violation capped at \$1,000,000, the bill would preempt state laws. Additionally, entities subject to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and its regulations would be exempt from FTC authority. However, unlike a number of data security bills from the last Congress, financial services entities would be made subject to FTC authority.

MGT Act Folded Into Senate NDAA

Key Points:

- *The Senate passes a bill to help federal agencies update their IT, setting up the possibility of enactment*
- *However, thus far appropriators have not shown an inclination to fund the effort*

As part of the “National Defense Authorization Act for Fiscal Year 2018” (NDAA) ([H.R. 2810](#)), the “[Modernizing Government Technology Act of 2017](#)” (MGT Act) was passed by the Senate, setting up negotiations between the House and Senate on a final bill given that the House passed its bill ([H.R. 2227](#)) by voice vote in May. The package would create working capital funds inside 24 agencies and a larger trans-government fund in the Department of the Treasury administered by the General Services Administration (GSA) aiming to replace older federal information technology (IT) with modern hardware and services. However, both bills would authorize only \$250 million for FY 2018 and 2019, and thus far appropriators have shown little appetite for appropriating those funds. Notably, the “Make America Secure and Prosperous Appropriations Act, 2018” ([H.R. 3354](#)) did not include the \$228 million requested by the Trump Administration to seed the working capital funds as part of its “Technology Modernization Fund (TMF).”

In a [press release](#), Senators Tom Udall (D-NM) and Jerry Moran (R-KS) explained that “[t]he MGT Act would establish IT working capital funds at 24 federal government agencies and allow them to use savings obtained through streamlining IT systems, replacing legacy products and transitioning to cloud computing for up to three years for further modernization efforts.” They asserted that “[t]he bill also sets up a separate centralized modernization fund within the Department of the Treasury for the

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head of GSA to administer across the federal government in consultation with a federal IT expert board.”

Upcoming Hearings and Events

September 26

FTC Stakeholders: The Senate Commerce, Science & Transportation Committee’s Consumer Protection, Product Safety, Insurance, and Data Security Subcommittee will hold a [hearing](#) titled “FTC Stakeholder Perspectives: Reform Proposals to Improve Fairness, Innovation, and Consumer Welfare.”

September 27

IoT: House Oversight & Government Reform Committee’s Health Care, Benefits, and Administrative Rules Subcommittee will hold a hearing titled “Cybersecurity of the Internet of Things.”

October 3

Equifax Breach: The House Energy and Commerce Committee’s Digital Commerce and Consumer Protection Subcommittee may hold a hearing on the Equifax breach with testimony from Equifax CEO Richard Smith.

October 4

Equifax Breach: The Senate Banking, Housing & Urban Affairs Committee will hold a [hearing](#) titled “An Examination of the Equifax Cybersecurity Breach” with testimony from Equifax CEO Richard Smith.

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

TRADE

Third Round of NAFTA Negotiations to Continue this Weekend

Key Point:

- *NAFTA negotiators have set low expectations for the upcoming third round of negotiations. Parties expect to save more controversial chapters for later rounds, instead start with areas of agreement.*

The third round of talks to renegotiate NAFTA will begin Saturday, September 23 and last until Wednesday, September 27 in Ottawa, Canada. This latest series of talks follows three weeks after the previous round held in Mexico City. All sides have expressed hopes for a rapid conclusion to the negotiations, although doubts remain whether an agreement can be reached by self-imposed December deadline. Ahead of the upcoming Canada round, U.S. Trade Representative [Robert Lighthizer](#) said, “We’re moving at warp speed, but we don’t know whether we’re going to get to a conclusion, that’s the problem. We’re running very quickly somewhere.”

The third round is expected to continue to focus on areas of agreement, leaving the toughest issues for later rounds of negotiations. When asked about expectations for the Ottawa talks, Canadian Foreign Minister Chrystia Freeland said, “We are focusing for a start on identifying the areas where we have some agreement. I think the situation is as it was when we left Mexico City” at the last round three weeks ago. Following the second round of talks, Lighthizer said that over two dozen chapters had been tabled. Official negotiation has not yet begun on rules of origin, labor standards, or wage levels. It has been reported that the Trump administration wants to eliminate or significantly change the chapter on

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a dispute settlement mechanism or investor-state dispute settlement (ISDS).

USTR Lighthizer has declined to comment on a sunset proposal that could result in the termination of the deal in five years unless the three parties decide to renew it. Last week, Commerce Secretary Wilbur Ross confirmed the Trump administration intended to push such a proposal during negotiations.

A fourth round of talks will be held in the Washington, DC area in the first half of October.

South Korea Requests Second Negotiating Session; Lighthizer sets October 4 date

Key Points:

- USTR Lighthizer announced second special session of the Joint Committee under the U.S.-Korea Free Trade Agreement will be held in Washington on October 4.
- Bipartisan group of lawmakers write President Trump urging U.S. remain in agreement.

South Korean Trade Minister Kim Hyun-chong met with U.S. Trade Representative Robert Lighthizer on Wednesday to discuss the Korean-U.S. (KORUS) trade agreement. Following the meeting, Kim requested a second special session of the agreement's joint committee, writing "it is necessary to hold a meeting as soon as possible." On Thursday, President Trump met with South Korean president Moon Jae-in on the sidelines of the United Nations. Trump criticized the trade agreement but said "...our real focus will be on the military and our relationship with South Korea, which is excellent."

Today, USTR Lighthizer announced that the second round of talks would resume in Washington on October 4. Trump threatened to withdraw from the agreement three weeks ago, one day before North Korea conducted its most powerful nuclear test. Also today, a bipartisan group of lawmakers led by Ways and Means Trade Subcommittee Chairman Dave Reichert (R-WA) wrote President Trump, urging him to remain in the agreement.

U.S. and EU Sign Covered Agreement on Insurance Regulation Expected to be Signed Today

Key Point:

- The 'covered agreement' addresses three key areas of insurance oversight, which includes reinsurance, group supervision, and also the exchange of insurance information between supervisors.

The United States and European Union have scheduled a ceremony for today, September 22 for the signing of a bilateral agreement on prudential insurance and reinsurance measures. Both sides announced their intention to sign the agreement, also known as a covered agreement, in July. In a joint statement, they said the agreement conveys "benefits to EU and U.S. insurers and reinsurers operating across the Atlantic by offering them regulatory certainty, while maintaining consumer protections."

The agreement addresses three areas of prudential insurance oversight: (1) reinsurance; (2) group supervision; and (3) the exchange of insurance information between supervisors. In addition to eliminating collateral and local presence requirements, the group supervision

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means insurers would be supervised by their home jurisdiction.

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

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