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Washington Update

This Week in Congress

House – The House passed H.R. 2615, the **Gulf Islands National Seashore Land Exchange Act**; H.R. 5787, the **Strengthening Coastal Communities Act** and H.R. 6784, the **Manage our Wolves Act**.

Senate – The Senate passed S. 140, the **Coast Guard Reauthorization Act**; S. 3554 to **extend the effective date for the sunset for collateral requirements for Small Business Administration disaster loans**; S. 3321, the **Hidden Figures Congressional Gold Medal Act**; S. 2152, the **Amy, Vicky, and Andy Child Pornography Victim Assistance Act of 2018** and confirmed **Michelle Bowman** to be a member of the Board of Governors of the Federal Reserve System.

Next Week in Congress

House – The House is in recess until November 27.

Senate – The Senate is in recess until November 26.

TAX

Ways and Means Chairman Says Draft Technical Corrections Bill To Be Released Soon

Key Points:

- *House Ways and Means Committee Chairman Kevin Brady (R-TX) said committee members are reviewing a list of 70 to 80 technical corrections that could be addressed in the lame duck session.*
- *Ways and Means Democrats have expressed reluctance in pursuing the technical corrections right now and have suggested holding oversight hearings on the new tax law in which they would seek concessions.*

On Tuesday, House Ways and Means Committee Chairman Kevin Brady (R-TX) said the legislative language for between 70 and 80 "very technical and very minor" clarifications to the Tax Cuts and Jobs Act (TCJA) is near ready to be reviewed by House and Senate lawmakers. In particular, one proposed correction would fix a drafting error that excludes qualified improvement property from 100 percent bonus depreciation.

However, several House Ways and Means Committee Democrats have indicated that they had not seen the list of proposed technical corrections. Following the passage of the TCJA

Table of Contents

in December 2017, Democrats stated that technical corrections would require oversight hearings on the tax law in which they would seek concessions. Committee member John Larson (D-CT) said, "We still think that there ought to be hearings" adding, "Nobody's opposed to fixing the tax bill, but you want to make sure we're fixing everything the right way." Fellow Democrat Bill Pascrell (D-NJ) stated that he does not know what those technical corrections may be and that "we certainly don't want to blow a bigger hole in the deficit." In the opposite chamber, Senate Finance Committee member Tom Carper (D-DE) also downplayed the possibility of moving forward with technical corrections during the lame duck session.

House Ways and Means Committee Reviews Tax Extenders

Key Points:

- *House Ways and Means Committee members have reviewed a draft proposal for addressing the 34 temporary tax provisions known as tax extenders.*
- *Both Chairman Kevin Brady (R-TX) and Tax Policy Subcommittee Chairman Vern Buchanan (R-FL) have indicated that they would like to end wholesale the annual exercise of extending the provisions and rather phase out certain credits and make others permanent.*
- *Senate Finance Committee Chairman Orrin Hatch (R-UT) has had discussions with committee members to decide whether to address the extenders in a stand-alone package or in a year-end spending package.*

This week, House Ways and Means Committee members reviewed a draft proposal to "see whether there's an appetite" to end the annual exercise of addressing the temporary tax provisions known as tax extenders. Earlier this year, 34 tax provisions were retroactively renewed for one year in the Bipartisan Budget Act of 2018. Although Ways and Means Committee Chair Kevin Brady (R-TX) did not specify which extenders would be targeted in the proposal, he said; "With our new tax code, business as usual just doesn't make sense." It should be noted that both Brady and Tax Policy Subcommittee Chairman Vern Buchanan (R-FL) have said they would like to end wholesale the annual exercise of extending the provisions and rather phase out certain credits and make others permanent.

Senate Finance Committee Chairman Orrin Hatch (R-UT) has had continuous discussions with committee members "to find a path forward for tax extenders, IRS reform, and technical corrections" in recent days. He has also stated that he is still not sure what a legislative package will look like for the extenders and that it is up to leadership to decide. It is possible that the extenders could be offered in a stand-alone measure or brought together into a year-end spending package.

Senate Finance Committee Democrats Propose Retirement Changes

Key Points:

- *Senate Finance Committee Ranking Member Ron Wyden (D-OR) introduced the Encouraging Americans to Save Act that would replace the nonrefundable savers credit under section 25B with a refundable 50 percent government match for low- and middle-income taxpayer contributions.*
- *The bill would also reestablish the Obama-era myRA retirement savings program which was nixed by the Treasury in 2017 and criticized by Finance Committee Chairman Orrin Hatch (R-UT).*

The Encouraging Americans to Save Act, introduced November 15, by a group of Senate Finance Democrats, would replace the nonrefundable savers credit under section 25B with a refundable 50 percent government match for low- and middle-income taxpayer contributions of up to $1,000 per year made to 401(k)-type plans or IRAs. According to a section-by-section summary of the bill, the full 50 percent match would be offered to individuals earning up to $32,500 per year and couples earning up to $65,000 per year. The bill which was sponsored by Ranking Member Ron Wyden (D-OR) would also reestablish the Obama Administration's myRA retirement savings program, which was eliminated by the Treasury Department in 2017. Finance Committee Chair Orrin Hatch (R-UT) has in the past praised the program's end.

For more information about tax issues you may email or call Christopher Hatcher at 202-659-8201. Nick Karellas, Henry Homans, and Ryan Schnepp contributed to this section.

FINANCIAL SERVICES

Senate Confirms Michelle Bowman as Federal Reserve Board Governor

Key Point:

- *The Senate confirmed Michelle Bowman as a Governor of the Federal Reserve Board by a vote of 64-34.*

On November 15, the Senate confirmed Michelle Bowman to be a member of the Board of Governors of the Federal Reserve System for the unexpired term of fourteen years from February 1, 2006. The nomination was approved by a vote of 64-34. The Senate Banking Committee favorably reported Bowman's nomination on June 12, 2018 by a vote of 18-7. Bowman's confirmation fulfills a requirement in the Terrorism Risk Insurance Program Reauthorization Act of 2015 that the Federal Reserve Board include at least one member with community bank experience. With Bowman's confirmation five of the seven seats on the Federal Reserve Board are now filled.

Office of Financial Research Releases Annual Report

Key Point:

- *The report detailed various risks to the market. The report described cybersecurity as a key risk, while suggesting that digital assets are not a concern at this point, but are worth monitoring.*

On November 15, the Office of Financial Research (OFR) released its 2018 Annual Report to Congress. A press release issued by the OFR summarized the key findings of the report:

- Macroeconomic risks remain moderate. Although unemployment is exceptionally low, growth remains healthy, and inflation is close to the Federal Reserve's target, the OFR sees more risks to the outlook than in the previous year.
- Market risks remain high. Similar to last year, stock prices remain historically high, and bond prices are more vulnerable to price declines than in the previous year because of the possibility that interest rates could rise quickly.
- Credit risk is moderate. Nonfinancial corporate credit growth is robust, credit quality shows signs of weakening, and credit risk is rising with growth in leveraged lending. Consumer credit remains a lesser concern.

- Solvency and leverage risks remain low under most conditions. Large banks and insurers hold capital well above regulatory minimum requirements, but a few U.S. global systemically important banks could fall below those minimums under severely adverse conditions.
- Funding and liquidity conditions are generally good and continue to support corporate borrowing. For large banks, funding and liquidity risks appear low. Market liquidity risks also appear low, but can change rapidly.
- Contagion risks are moderate. Risks to the financial system from the largest U.S. banks remain low, although derivatives exposures are still a source of contagion risk throughout the financial system.
- Other risks bear watching. Cybersecurity remains a key risk. Digital assets, commonly known as cryptocurrencies, are not a concern at this point, but are worth monitoring because their use is rapidly growing and evolving.

The report also noted that the OFR is considering a proposed rule to collect data on cleared bilateral repurchase agreements, which are an important source of short-term funding in the financial system.

Senate Judiciary Examines Large Financial Company Bankruptcy

Key Point:

- *Witnesses suggest Chapter 14 would serve as a complement to Title II Orderly Liquidation Authority and codifies the best portions of Chapter 11 bankruptcy.*

On November 13, the Senate Judiciary Committee held a hearing entitled "Big Bank Bankruptcy: 10 Years After Lehman Brothers." Chairman Chuck Grassley (R-IA) noted ten years ago Lehman filed for bankruptcy and marked the height of the financial crisis. He suggested the bankruptcy system supposedly was not prepared to deal with large bankruptcies. He noted the proposal to create a new Chapter 14 within the United States Bankruptcy Code. He suggested a more consistent approach is needed to minimize the impacts of a big bank failure and keep the taxpayers off the hook. Senator Chris Coons (D-DE) expressed interest in the proposed Chapter 14. However, he expressed concern that passage of enhanced bankruptcy might be the first step in repealing the Dodd-Frank Act (DFA), suggesting that would be a dangerous step back.

Senator Chris Coons (D-DE) asked whether Chapter 14 is a complement to Title II. Donald Bernstein (Davis Polk & Wardwell LLP) stated it is a complement, and while there is no perfect resolution regime, having "two arrows in the quiver" is exceedingly important. Professor Mark Roe (Harvard Law School) stated Title II is a complement to Chapter 14 as it is not clear that Chapter 14 can work without Title II. Stephen Hessler (Kirkland & Ellis LLP) agreed that it is a complement. He noted the threat of a Title II resolution significantly enhances the chance that Chapter 14 will be used. He suggested Chapter 14 takes the best mechanisms of Chapter 11. When asked the benefits of bankruptcy for large institutions, Hessler stated the key to Chapter 14 is the single point of entry. Senator Coons asked whether the availability of Chapter 14 would incent banks to take on riskier activities. Bernstein stated it incents bank boards to ensure banks are behaving because they will no longer think there is a federal backstop.

House and Senate Receive Testimony on Federal Reserve Supervision

Key Points:

- *House Financial Services Chairman Jeb Hensarling (R-TX) suggested the Federal Reserve's recent tailoring proposals are a welcome sign of progress but do not represent success.*
- *Vice Chairman of Supervision Randal Quarles stated the intent of the tailoring proposal is to create a framework for all banks for when enhanced prudential standards apply.*

On November 14 and November 15, the House Financial Services Committee and the Senate Banking Committee held hearings to receive the Semi-Annual Testimony on the Federal Reserve's Supervision and Regulation of the Financial System.

Chairman Jeb Hensarling (R-TX) suggested the Dodd-Frank Act (DFA) dramatically increased the Federal Reserve's powers beyond its traditional monetary policy responsibilities. He welcomed the Federal Reserve's proposed changes to the supervisory requirements for some financial institutions, but he suggested they do not yet represent success. Hensarling noted the Vice Chairman previously expressed his support for a comprehensive evaluation and improvement of the post-crisis regulatory regime, guided by the principles of efficiency, transparency, and simplicity of regulation. He stated while he is pleased to see the Federal Reserve's willingness to better tailor, perform cost-benefit analyses, implement prudential regulatory risk adjustments, and propose amendments to the Volcker Rule, each of these should be viewed simply as first steps. Ranking Member Maxine Waters (D-CA) expressed concern over the efforts to weaken capital standards and "roll back" protections in the DFA. She explained capital standards are an effective means of preventing bank failures, and she expressed concern over proposals to reduce capital and liquidity requirements put forth by the Federal Reserve this year.

Chairman Mike Crapo (R-ID), stated the Federal Reserve's proposals to revise the application of enhanced prudential standards across four categories of firms to reflect each category's varying risks are a step in the right direction. Crapo noted the proposal incorporates a number of very positive changes to the current framework for regional banks, including: relief from advanced approaches capital requirements; a reduced liquidity coverage ratio; and changes to the frequency of supervisory and company-run stress testing and, some cases, the disclosure of the results. Despite this positive step, he suggested the agencies have left a number of items unaddressed, including: the treatment of foreign banking organizations (FBOs); additional details on stress testing, including the Federal Reserve's Comprehensive Capital Analysis and Review (CCAR); and resolution planning. Ranking Member Sherrod Brown (D-OH) noted the Federal Reserve's responsibility is to ensure that the economy works for average Americans. Brown suggested the Federal Reserve failed in its mission ten years ago which is why immediately after the crash, Congress put in place rules to strengthen taxpayer protections from big bank risk and to protect consumers from predatory practices. Brown stated despite record bank profits, with legislation enacted earlier this year, and the actions of this Administration, they are witnessing "the dismantling of these protections for American workers."

Several Members of both Committees raised questions about the Federal Reserve's recent proposals related to improving stress test transparency. Quarles stated that there will be transparency about the models used to evaluate performance of bank portfolios; they will be more granular about what they will release, and they will be more transparent with each iteration of the stress tests. When asked whether this will be like "providing the answers to the tests ahead of time" Quarles stated that due process requires the Federal Reserve to be fully transparent. He suggested they are attempting to strike the right balance between more transparency so people understand the process and safety and soundness. When asked about harmonizing the Volcker rule so that the Federal Reserve is the lead authority, Quarles stated that such an action would require interagency action or legislation. He noted the work under way to simplify the Volcker rule is proceeding well.

Members raised concerns over the Federal Reserve's October proposals to tailor regulations. Quarles stated the intent of the proposal is to create a framework for all banks for when enhanced prudential standards apply. He suggested it is important generally that the nature and character of the regulations match the nature and character of the firms regulated. When concerns were raised about the proposal impacting liquidity, Quarles stated this proposal would have the effect of reducing overall liquidity by 2 to 2.5 percent. Representative Carolyn Maloney (D-NY) noted the Federal Reserve has proposed to give relief to Category III banks by allowing them to have less liquidity. She asked what evidence there is that Category III banks are holding too much liquidity and how they concluded that a regulation not fully implemented is too burdensome. Quarles stated they do not want to impact the resiliency of the system including overall liquidity. He stated tailoring applies across the gambit and EGRRCPA requires tailoring.

Representative Ted Budd (R-NC) asked about the Federal Reserve's oversight of insurance and the International Association of Insurance Supervisors (IAIS) development of an international capital standard. He noted IAIS has made statements about their desire to use this process to alter the U.S. state-based system of insurance and he asked about the Federal Reserve's opposition to this. Quarles stated the Federal Reserve has been working closely with state regulators on a "team USA" approach. He noted the Federal Reserve would not be able to commit to any agreement that would change the state-based system of insurance regulation.

SEC Holds Roundtable on Proxy Process

Key Point:

- *The roundtable examined whether regulatory or legislative changes are needed to improve the proxy voting process.*

On November 15, the Securities and Exchange Commission (SEC) held a roundtable to discuss the proxy process. The event included panels on: (1) Proxy Voting Mechanics and Technology; (2) Shareholder Proposals: Exploring Effective Shareholder Engagement; and (3) Proxy Advisory Firms: The Current and Future Landscape.

Chairman Jay Clayton emphasized the need to review market issues in a transparent manner. He stated that the capital markets system, built on state and corporate laws as well as federal regulations, is one of America's greatest strengths. He said this system has effectively addressed the principal problems in pooling capital while fostering investor participation and nimble flows of capital and labor. He added that transparency and clarity of law are also key issues in the system. He stressed that changes to the system should be made for the benefit of Main Street investors.

Bill Hinman, Director, SEC Division of Corporation Finance, noted the SEC is currently seeking written comment on the proxy process. He stressed that private market solutions are faster, more flexible, and provide better long-term solutions for markets, and therefore the SEC seeks consensus before crafting regulations. He stated that obtaining a shareholder vote is a simple concept but is difficult in execution due to the presence third party intermediaries. He contended that the current proxy process works fairly well but acknowledged there are legitimate concerns. He said that both over-voting and under-voting remain a problem and he expressed concern about the process for distributing proxy materials. Hinman expressed optimism that new ideas like blockchain technology can deliver solutions for Main Street investors. He expressed interest in how innovation and technology can provide a path forward. He questioned whether a majority vote that does not meet the submission threshold is the same problem today as it was when previous guidance was released. He questioned whether shareholders are given ample time to respond and whether proxy advisers are making recommendations on faulty evidence or data. He expressed interest in hearing about the bipartisan "Corporate Governance Fairness Act" that six Senators spoke about the previous day.

Commissioner Kara Stein, in a statement, noted it has been eight years since the SEC took public comments on the proxy system. She stressed that the laws and rules that govern a shareholder's relationship with the company they own are central to providing investors a valuable voice. She said the current proxy regime is "arcane" because of the way proxy materials are distributed. She added that intermediaries, like broker-dealers, add another layer of complexity. She said these and other third parties create a "tangled web" of cottage industries that have not provided transparency to shareholders. She expressed interest in how technology can be used to aid proxy mechanics, specifically related to the use of distributed ledger technology. She expressed interest in the market's response to SEC staff guidance on the proxy process and whether this guidance is true to the SEC's rules. She questioned the role of proxy advisers in the overall proxy process. She acknowledged the bipartisan Senate bill and explained that it would require the SEC to regulate proxy advisers under the Investment Advisers Act.

Commissioner Robert Jackson said there is broad agreement that the investor vote process needs to be fixed. He expressed particular interest in the third panel and said there is a bipartisan and clear path forward to address proxy advisers.

Commissioner Hester Peirce said that principal-agent problems arise in all of the issues being discussed in this roundtable. She identified the goal of the proxy process as giving shareholders a voice. She said there is a principal-agent problem that shareholders are funds, and that managers of these funds are also agents of the funds. She said there is an additional "manufactured" principal-agent problem because one shareholder often acts on behalf of multiple other shareholders. She advocated for putting rules in places to prevent the "idiosyncratic" preferences of one shareholder from having undue influence.

Commissioner Elad Roisman encouraged participants to continue the dialogue on this issue through the SEC's comment file. He stressed the need for data on this issue, rather than just opinion. He said proxy advisors can provide valuable research to asset managers which it would be too costly for them to create themselves. He suggested that it would make sense to create a rebuttal period to address errors in reports.

Upcoming Hearings and Events

<u>November 20</u>

FDIC Open Meeting: The Federal Deposit Insurance Corporation (FDIC) will hold an open meeting to consider one item: Notice of Proposed Rulemaking on Proposed Changes to Applicability Thresholds for Regulatory Capital Requirements and Liquidity Requirements.

<u>November 29</u>

Money Laundering: The Senate Banking Committee will hold a hearing entitled "Combating Money Laundering and Other Forms of Illicit Finance: Regulator and Law Enforcement Perspectives on Reform." The witnesses at the hearing will be Kenneth Blanco, Director, Financial Crimes Enforcement Network (FinCEN), U.S. Department of Treasury; Steven D'Antuono, Section Chief, Financial Crimes Section, Federal Bureau of Investigation (FBI); and Grovetta Gardineer, Senior Deputy Comptroller for Compliance and Community Affairs, Office of the Comptroller of the Currency.

<u>December 4</u>

Market Risk Advisory Committee: The Commodity Futures Trading Commission (CFTC) will hold a meeting of its Market Risk Advisory Committee (MRAC). The agenda for the meeting includes panels on: (1) the current state of clearinghouse risk management and governance and what lies ahead; (2) the management of non-default losses by clearinghouses in recovery and resolution; (3) recent reports and discussion papers on central clearing by global standard setting bodies; and (4) the oversight of third-party service providers/vendor risk management.

<u>December 5</u>

Federal Reserve: The Joint Economic Committee will hold a hearing to receive testimony from Federal Reserve Board Chairman Jerome Powell.

Fannie Mae and Freddie Mac: The Senate Banking Committee will hold a hearing entitled "Oversight of Pilot Programs at Fannie Mae and Freddie Mac." The witnesses at the hearing will be Sandra Thompson, Deputy Director, Division of Housing Mission and Goals, Federal Housing Finance Agency; Hugh Frater, Interim Chief Executive Officer, Fannie Mae; and Donald Layton, Chief Executive Officer, Freddie Mac.

<u>December 6</u>

Municipal Securities: The SEC will hold an event entitled "The Road Ahead: Municipal Securities Disclosure in an Evolving Market." The event will include panels on: (1) Financial Distress and Municipal Securities Disclosure; (2) Lessons from Municipal Securities Disclosure Enforcement Actions; (3) Recent Developments in Disclosure Technology; and (4) What's Next for Disclosure?.

<u>December 12</u>

SEC Government-Business Forum: The SEC will hold its annual Government-Business Forum on Small Business Capital Formation at the Ohio State University Max M. Fisher College of Business.

December 13

Investor Advisory Committee: The SEC will hold a meeting of its Investor Advisory Committee. The agenda for the meeting includes a discussion regarding disclosures on human capital (which may include a recommendation from the Investor as Owner Subcommittee); a discussion regarding disclosures on sustainability and environmental, social, and governance (ESG) topics; a discussion regarding unpaid arbitration awards; subcommittee reports; and a nonpublic administrative work session during lunch.

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.

HEALTH

FDA Proposes New Step to Curb Youth Tobacco Use

Key Points:

- *The Food and Drug Administration (FDA) and the Centers for Disease Control and Prevention announced the 2018 National Youth Tobacco Survey which found a dramatic increase in the number of youth who use e-cigarettes.*
- *FDA Commissioner Scott Gottlieb announced new initiatives to make it more difficult for youth to have access to flavored cigarettes, to address the use of menthol in products, and limit the use of flavors in cigars.*

On November 15, the Food and Drug Administration (FDA) and the Centers for Disease Control and Prevention released data from the 2018 National Youth Tobacco Survey. The data shows from 2017 to 2018, there was a 78 percent increase in e-cigarette use among high school students and a 48 percent increase among middle school students. More than a quarter of high school students use e-cigarettes regularly and more than two-thirds use flavored e-cigarettes.

This new data has prompted FDA Commissioner Scott Gottlieb to take new action to curb youth use of e-cigarettes. He asserted he "will not allow a generation of children to become addicted to nicotine through e-cigarettes…We'll take what action is necessary to stop these trends from continuing." Department of Health and Human Services (HHS) Secretary Alex Azar agreed, saying "this new data shows that America faced an epidemic of youth e-cigarette use…HHS's work will continue to balance the need to prevent youth e-cigarettes with ensuring they are available as an off-ramp for adults who are trying to quit combustible cigarettes."

Gottlieb directed the FDA's Center for Tobacco Products (CTP) to reexamine the 2017 compliance policy which extended dates by which manufacturers of deemed tobacco products that were already on the market as of August 8, 2016 were expected to submit premarket applications to the FDA for review. CTP is directed to review the policy as it applies to deemed e-cigarette products that are flavored other than tobacco, mint, and menthol flavors. The aim is to protect kids by having all flavored e-cigarette products sold in age-restricted, in-person locations or online with heightened age verification.

Gottlieb explained the data shows the mint and menthol flavors are more popular with adults. He noted any new approaches must consider the availability of these flavors will be important to adult smokers transitioning away from cigarettes. He also stressed the intent is not to create a situation where menthol-flavored combustible products have features that make them more attractive than the non-combustible options.

Gottlieb expressed concern about the availability of menthol-flavored cigarettes and called for addressing the impact of menthol cigarettes on public health. The data shows 54 percent of youth smokers age 12-17 use menthol cigarettes, and use is even higher among African American youth with seven out of 10 selecting menthol cigarettes. He stated the FDA will advance a proposed rule which will seek to ban menthol in combustible tobacco products. He also proposed a policy to ban flavors in cigars.

Read an explanation of the new policies here.

CMS Announces New Opportunity to Expand Mental Health Treatment

- *Key Points:*
- *The Centers for Medicare and Medicaid Services sent a letter to State Medicaid Directors outlining opportunities to design innovative delivery systems for adults and children for mental health care.*
- *It includes a new opportunity for authority to pay for short-term residential treatment in an institution of mental disease.*

On November 13, the Centers for Medicare and Medicaid Services (CMS) sent a letter to State Medicaid Directors which outline existing and new opportunities to design delivery systems for adults with serious mental illness (SMI) and children with serious emotional disturbance. Approximately 10.4 million adults in the U.S. have a SMI but only 65 percent received mental health services according to 2016 data. Department of Health and Human Services Secretary Alex Azar stressed "more treatment options for serious mental illness are needed, and that includes more inpatient and residential options."

In the letter, CMS describes a new opportunity to participate in a demonstration project under Section 1115. Under the demonstration, states will be able to receive federal financial participation (FFP) for services furnished to Medicaid beneficiaries during short term states for acute care in psychiatric hospitals or residential treatment settings that qualify as an institutional of mental disease (IMD). States could also receive FFP for Medicaid coverable services provided to treat any co-occurring substance use disorders or physical health conditions.

States will be expected to commit to taking steps to improve community-based mental health care including improving connections to community-based care following stays in acute settings, ensuring a continuum of care is available to address chronic mental health care needs, provide an array of crisis stabilization services, and engage beneficiaries in treatment as soon as possible. States will also be expected to report detailed information on actions taken to reach the milestones and goals of the demonstration along with data and performance measures.

Read the letter here.

Upcoming Hearings and Meetings

November 27

Drug Shortages: The Food and Drug Administration will hold a meeting on "Identifying the Root Causes of Drug Shortages and Finding Enduring Solutions."

Medicare: The American Enterprise Institutes for hold a discussion on "The new Medicare physician payment regulation: What does it mean for physicians and patients?"

Alzheimer's: The Hill will hold a discussion on "Preparing for a Treatment: Alzheimer's Diagnosis and Care."

November 28

Costs: The Senate Health, Education, Labor and Pensions Committee will hold a hearing on "Reducing Health Care Costs: Improving Affordability Through Innovation."

Rebates: The Alliance for Health Policy will hold a discussion on "Understanding the Role of Rebates in Prescription Drug Pricing."

For more information about healthcare issues you may email or call Nicole Ruzinski Bertsch or George Olsen at 202-659-8201.

TRADE

U.S., China Resume Trade Dialogue

Key Points:

- *The U.S. and China have reengaged in trade discussions in anticipation of a meeting between President Trump and President Xi Jinping at the G20 summit later this month.*
- *The Office of the U.S. Trade Representative (USTR) refuted a report that USTR Robert Lighthizer told executives future 301 tariffs were paused.*

With President Trump and President Xi Jinping set to meet later this month, White House economic adviser Larry Kudlow confirmed the U.S. and China have resumed trade talks "at all levels." Chinese Vice Premier Liu He will reportedly travel to the U.S. to meet with Treasury Secretary Steve Mnuchin prior to the G20 summit. Both Kudlow and Secretary Mnuchin have been proponents of reaching a deal with China.

Meanwhile, Vice President Mike Pence said in an interview with the *Washington Post* that President Trump is open to a deal with China if President Xi agrees to massive economic, military, and political changes. Vice President Pence stated the G20 meeting is China's best chance to avoid a cold war with the U.S. Commerce Secretary Wilbur Ross said the meeting is "going to be big picture, but if it goes well, it'll set the framework for going forward… We certainly won't have a full formal deal by January. Impossible."

White House trade adviser Peter Navarro last week accused "globalist billionaires" of "putting a full-court press on the White House in advance of the G20 in Argentina… The mission of these unregistered foreign agents -- that's what they are, unregistered foreign agents -- is to pressure this president into some kind of deal." Navarro, a China hawk on par with USTR Lighthizer, went on to say, "You're in good hands with Donald J. Trump and Robert E. Lighthizer. You're not in good hands when the negotiations get outside of those two people." Kudlow refuted these remarks and argued Navarro "did the president a great disservice." These conflicting statements underline the tension in the Administration between China hawks (USTR Lighthizer and Navarro) and those who are more open to a deal (Secretary Mnuchin and Kudlow).

Automakers Testify on USMCA Rules of Origin

Key Points:

- *Automakers believe the new rules of origin are stringent but "workable."*
- *Representatives stressed the importance of resolving the Section 232 steel and aluminum tariffs.*

Auto industry representatives appeared before the U.S. International Trade Commission (ITC)

Thursday and provided their thoughts on the new U.S.-Mexico-Canada Agreement (USMCA) automobile rules of origin. Numerous representatives, including American Automotive Policy Council President Matt Blunt, argued the Administration must resolve the Section 232 tariffs for USMCA to reach its full potential. Representatives expressed concern about the complexity of the new labor value content provisions, largely because of their complexity. The representatives also requested the Administration communicate with stakeholders as the rules of origin are finalized.

Upcoming Hearings and Events

November 19

Effects of Tariffs and Trade Policy on Alabama: Senate Homeland Security and Governmental Affairs Committee (Chairman Ron Johnson, R-Wis.) field hearing on "Examining the Effects of Tariffs and Trade Policy on Alabama Manufacturing and Agriculture."

For more information about tax 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 Schnepp.