



The Golden Apple

Reporting on the latest discord from Capitol Hill

In classic Greek mythology, a golden apple of discord inscribed "For the fairest" was awarded to Aphrodite, beginning a chain of events that led to the Trojan War. GrayRobinson's newsletter reports on the most recent issues, individuals, and discourse deemed fairest in Washington.

April 26, 2019

People think Washington gets quiet during Congressional recesses, but that's only half true: Capitol Hill gets quiet. The regulatory agencies stay busy.

Federal Reserve proposes a simpler, clearer framework for determining control

On Tuesday, the Federal Reserve Board [published a proposal](#) for a regulatory framework to replace years of public and private interpretations about whether investments in a banking organization constitute control. (Vice Chairman for Supervision Randal K. Quarles called this "a Delphic and hermetic process.") The proposed framework includes the factors and thresholds for making a control determination, including the company's total voting and non-voting equity investment in the bank; overlaps of directors, officers, and employees between the company and the bank; and the scope of business relationships between the company and the bank. The goals are to reduce complexity and burden, and to provide clarity to all stakeholders. The proposal is open for comment for 60 days after its publication in the Federal Register.

CFPB seeks comment on money transfer rules

Yesterday the Consumer Financial Protection Bureau issued a [Request for Information](#) (RFI) on its Remittance Rule, which governs the international money transfers made by companies on behalf of consumers. The rule generally requires service providers to disclose exact exchange rates, the amount of certain fees, and the amount to be delivered to recipients. The Bureau is specifically asking for comment on whether the rule covers the right group of transfer providers, and whether the rule should include

an exemption for small financial institutions that rarely make these transfers. They are also asking for comment on the expiration of a temporary exception that allows certain insured institutions to estimate the exchange rate and certain fees; by statute, this exception expires on July 21, 2020. The RFI is open for comment for 60 days after it appears in the Federal Register.

CFPB announces new policy for Civil Investigative Demands

This week the [Consumer Financial Protection Bureau announced](#) that its investigational subpoenas, known as Civil Investigative Demands (CIDs) will include additional information about which laws may have been violated, and which specific business activities fall under the Bureau's authority. The new policy responds to a 2017 Inspector General's report that called for updates to the Office of Enforcement's policies, and to public comments received last year, as well as to recent court decisions about notification of purpose.

FINRA creates Office of Financial Innovation

The Financial Industry Regulatory Association (FINRA) [announced Wednesday](#) that it is setting up an Office of Financial Innovation to coordinate issues related to fintech and other financial innovations by FINRA members. The new OFI will incorporate FINRA's existing Office of Emerging Regulatory Issues, and will provide outreach, training, research, and coordination to FINRA staff and stakeholders. FINRA Senior Director Haimera Workie will head the OFI; he previously served as Deputy Associate Director in the Division of Trading and Markets at the U.S. Securities and Exchange Commission.

OCC announces "Innovation Office Hours" in New York

The Office of the Comptroller of the Currency is [inviting interested parties to schedule one-on-one meetings](#) with OCC staff in New York on June 11 and 12 to discuss financial technology (fintech), new products or services, partnering with a bank or fintech company, or other matters related to responsible innovation in the federal banking system. To schedule one of these hour-long meetings, interested parties should [submit an Innovation Office Hours request](#) before May 3, and provide information about why they want to meet.

SEC publishes FinTech Forum agenda

The Securities and Exchange Commission (SEC) has [finalized the agenda](#) for its 2019 FinTech Forum, scheduled for May 31 at the SEC's Washington headquarters. Four

panels of industry practitioners and experts will discuss capital formation, trading and markets, investment management, and distributed ledger technology innovations, while senior SEC staff will moderate these panels and provide insights between sessions. Registration is open to the public on a first-come, first-served basis, and the forum will stream online via the SEC's website.

Mott named to SEC small business capital panel

Congratulations to our friend Catherine Mott, founder and President/CEO of BlueTree Capital Group, BlueTree Allied Angels, and the BlueTree Venture Fund, who has just been named one of the first members of the SEC's new [Small Business Capital Formation Advisory Committee](#). The Committee, created by the SEC Small Business Advocate Act of 2016, will advise the SEC on rules, regulations, and policy matters affecting small businesses, including smaller public companies. It will hold its first meeting in Washington on May 6.

Federal Reserve takes BSA/AML enforcement action against Sumitomo Mitsui

The Federal Reserve Board [issued an order this week](#) that requires the US branch of Sumitomo Mitsui Financial Group to address “deficiencies relating to the Branch's risk management and compliance” with anti-money laundering and Bank Secrecy Act requirements. Branch management agreed to submit an enhanced compliance program that includes a comprehensive BSA/AML risk assessment, appointment of a qualified compliance officer, and comprehensive independent testing. The branch must also submit a revised customer due diligence plan that assigns risk ratings to customers and ensures appropriate controls on foreign correspondent accounts.

Next Week in Washington

- April 30 at 10:00 a.m. House Financial Services Committee holds a hearing on [“Housing in America: Assessing the Infrastructure Needs of America's Housing Stock.”](#) 2128 Rayburn House Office Building.
- April 30 at 10:00 a.m. House Committee on Oversight and Reform holds a hearing on [the financial condition of the Postal Service](#). 2154 Rayburn House Office Building.
- April 30 at 10:00 a.m. Senate Committee on Banking, Housing, and Urban Affairs holds a hearing on [“Guidance, Supervisory Expectations, and the Rule of Law:](#)

[How do the Banking Agencies Regulate and Supervise Institutions?](#)" SD-538
Dirksen Senate Office Building.

- April 30 at 2:00 p.m. House Financial Services Subcommittee on Consumer Protection and Financial Institutions holds a hearing on "[Ending Debt Traps in the Payday and Small Dollar Credit Industry.](#)" 2128 Rayburn House Office Building.
- April 30 at 2:30 p.m. Senate Commerce Subcommittee on Security holds a hearing on "[Strengthening the Cybersecurity of the Internet of Things.](#)" SD-562 Dirksen Senate Office Building.
- May 1 at 10:00 a.m. House Financial Services Subcommittee on Oversight and Investigations holds a hearing on "[Examining Discrimination in the Automobile Loan and Insurance Industries.](#)" 2128 Rayburn House Office Building.
- May 1 at 10:00 a.m. House Committee on Agriculture hears testimony from CFTC Chairman J. Christopher Giancarlo on "[The State of the Commodity Futures Trading Commission.](#)" 1300 Longworth House Office Building.
- May 1 at 10:00 a.m. Senate Committee on Commerce, Science, and Transportation holds a hearing on "[Consumer Perspectives: Policy Principles for a Federal Data Privacy Framework.](#)" SD-G50 Dirksen Senate Office Building.
- May 1 at 2:00 p.m. House Financial Services Subcommittee on Diversity and Inclusion holds a hearing on "[Good for the Bottom Line: A Review of the Business Case for Diversity and Inclusion.](#)" 2128 Rayburn House Office Building.

The Ellis Insight

Jim Ellis reports on political news

President

Joe Biden: Former Vice President and ex-Delaware Senator Joe Biden made his long-awaited presidential announcement this week. Though Mr. Biden is normally found atop the national polling statistics, his edge has tightened during the past few weeks and now generally lapses into a tied realm with Sen. Bernie Sanders (I-VT). Opponents are ready to launch attacks against his long record in the Senate, so we can anticipate a very active period of months as the 20 candidates seriously begin to prepare for the Iowa Caucus on February 3rd.

Rep. Seth Moulton: Massachusetts Congressman Seth Moulton (D-Salem) also became an official Democratic presidential candidate and will clearly make neighboring New Hampshire, the site of the nation's first primary, the key launching site for his long-shot campaign.

Mr. Moulton is not forced to risk his congressional seat to run for President, since the Massachusetts federal primary is not until September, long after the state's voters choose their presidential nominee in early March. Should his presidential effort fail, which is likely, he will face credible Democratic primary opposition for re-nomination. State Rep. Lori Ehrlich (D-Swampscott) has already announced her intention to run.

Change Poll: A new Change Research poll, with a large national sample (4/12-15; 2,519 likely Democratic primary voters) finds former Vice President Joe Biden's national lead dropping to one percentage point, 21-20%, over Vermont Sen. Bernie Sanders. Now, closely in the third place according to this data, is South Bend (IN) Mayor Pete Buttigieg, who pulls support from 17% of the polling sample.

Ipsos-Reuters Poll: Contrasting with the Change Poll results, the new national Ipsos-Reuters poll (4/17-23; 4,018 adults; 1,449 self-identified Democrats and 788 self-identified Independents from an online panel) brings former Vice President Joe Biden some good news.

According to the results, Mr. Biden has re-established a significant lead, topping Sen. Bernie Sanders (I-VT) 24-15%, with South Bend (IN) Mayor Pete Buttigieg placing third at 7% support. Sen. Kamala Harris (D-CA) and former Rep. Beto O'Rourke (D-TX) follow closely with each registering 6% preference. The poll's methodology is questionable, meaning the results are plagued with a large error factor.

New York Schedules: New York Democratic state party chairman Jay Jacobs, in consultation with Republican state party chairman Ed Cox, announced that the New York presidential primary will be held on April 28, 2020. Strategically, the Democratic leaders wanted their state to have more influence over the presidential campaign, so they chose the April date instead of waiting for the regular election New York primary, which is likely to be scheduled less than 60 days later on June 23rd.

The New York delegation will consist of 224 first ballot voting eligible delegates, making it the largest state to vote after March 17th.

Senate

Alabama: State Senate President Del Marsh (R-Anniston) said this week that he will not enter the contested 2020 Senate Republican primary for the chance of opposing Sen. Doug Jones (D). As has been the case in several other statewide races, Sen. Marsh sends out signals that he may run only to back away well before the candidate filing deadline.

Currently in the GOP race are Rep. Bradley Byrne (R-Mobile), state Auditor Jim Zeigler, and former University of Auburn football coach Tommy Tuberville, along with two minor candidates. Converting the Alabama Senate seat is critical to boosting Republicans' odds of holding their Senate majority.

Kansas: Former Kansas US Attorney Barry Grissom (D), who served in that position for six years of the Obama Administration, said he plans to announce his US Senate campaign on July 1st. Former one-term Rep. Nancy Boyda (D-Topeka), who was

defeated for re-election in 2008, also says she is considering entering the Senate race. Sen. Pat Roberts (R) is retiring after four terms.

New Mexico: Despite US Rep. Ben Ray Lujan (D-Nambe/Santa Fe) securing key endorsements such as his latest from the Democratic Senatorial Campaign Committee, New Mexico Secretary of State Maggie Toulouse Oliver (D) announced that she will run for the party nomination in hopes of succeeding retiring Sen. Tom Udall (D).

In November, Ms. Oliver was re-elected to a four-year term with a 58-37% margin. Therefore, she will not have to risk her current position to run for the Senate. Rep. Lujan is favored for the nomination and the general election. So far, the only Republican to declare for the race is Gavin Clarkson, the college professor who Ms. Oliver defeated in November.

Tennessee: Triton Research, polling for the Tennessee Star news site (4/13-16; 1,003 TN likely Republican primary voters), finds that former Gov. Bill Haslam is not quite a lock for the open Republican nomination as many believe. No Republican, including Mr. Haslam, has yet announced their candidacy.

According to Triton, while President Trump boasts an 88% positive rating among Republicans with Sen. Marsha Blackburn (R) at 76% and new Gov. Bill Lee (R) at 73.5%, Mr. Haslam only polls 49% favorability. And, in a hypothetical pairing with freshman Rep. Mark Green (R-Clarksville), the former two-term state chief executive would lead only 39-30%. Sen. Lamar Alexander (R) is retiring.

Texas: Former Army helicopter pilot M.J. Hegar (D), who held veteran Rep. John Carter (R-Round Rock) to a 51-48% re-election victory in November will now challenge Sen. John Cornyn (R). The move could also signal that Rep. Joaquin Castro (D-San Antonio), who was sounding like a Senate candidate earlier in the year, will not run.

Ms. Hegar raised \$5.12 million for the congressional campaign and should be able to attract large sums for the Senate race. Earlier, when speculation was rampant that Rep. Castro would run, Ms. Hegar said his presence in the Democratic primary would not dissuade her from launching her own effort. Sen. Cornyn is certainly favored for re-election, especially since he was the top incumbent fundraiser in the first quarter with \$7.8 million raised, but Ms. Hegar will provide credible competition.

House

CA-39: Republican former Assemblywoman Young Kim, who lost a 52-48% race to freshman Rep. Gil Cisneros (D-Yorba Linda) after leading at the end of election night counting, looks to be gearing up for a second attempt. Ms. Kim, while not confirming she will run, just filed a new congressional campaign committee with the Federal Election Commission. The move allows her to begin raising money but does not fully mean she will become a candidate. All signs, however, suggest that a rematch is likely.

IL-6: Former Lt. Gov. Evelyn Sanguinetti (R), who left office when Gov. Bruce Rauner (R) was defeated in November, said she will enter the 6th District Republican primary next year with the hope of challenging freshman Rep. Sean Casten (D-Downers Grove). With defeated former Congressman Peter Roskam (R) not making any moves to seek a re-match, Ms. Sanguinetti could well be the Republicans' top recruitment choice.

IL-14: Businessman and former Notre Dame football player Ted Gradel joined the forming 14th District Republican candidate field to challenge freshman Rep. Lauren Underwood (D-Naperville). The new Congresswoman defeated Rep. Randy Hultgren (R) in 2018 to convert this long-held GOP seat to the Democratic column.

Mr. Gradel joins state Senator and frequent candidate Jim Oberweis, software company executive Matt Quigley, human resources corporate executive Danny Malouf, and Army veteran Anthony Catella in the GOP field of candidates. The voting history here suggests that this will be battleground district next year.

NY-15: State Assemblyman Michael Blake (D-Bronx), a former Obama White House aide, filed a congressional committee with the Federal Election Committee, which is the first step toward becoming an official candidate. If he moves forward, he will join New York City Councilmen Ritchie Torres and Ruben Diaz, Sr. as candidates, along with Bronx River Community Center Director Tomas Ramos, financial advisor Chivona Renee Newsome, and non-profit organization executive Jonathan Ortiz in the Democratic primary.

Since NY-15 is literally the safest Democratic seat in the nation – President Trump received 4.9% of the vote here in 2016 - the eventual party nominee will replace retiring Rep. Jose Serrano (D-Bronx) in November.

OK-5: One of the biggest 2018 upsets occurred in Oklahoma City, where upstart Democrat Kendra Horn unseated two-term Republican Congressman Steve Russell (R). Since OK-5 is one of the more reliable Republican districts that switched to the Democrats last year, we can expect this seat will be a top tier GOP conversion target for the entire election cycle. Late this week, state Senator Stephanie Bice (R-Oklahoma City) announced that she will challenge Rep. Horn. Ms. Bice chairs the Senate Finance Committee, so it is clear that she is an accomplished legislator who should be able to run a credible challenge campaign.

Governor

Approvals: The Morning Consult organization published its new quarterly approval indexes for the nation's 50 Governors, and the top eleven with the most positive ratings (from 73% to 54%) are all Republicans. The most positively rated Democrat, also with 54% approval, is Delaware's John Carney.

As has been the case for quite some time, Govs. Charlie Baker (R-MA) and Larry Hogan (R-MD) continue to record the highest gubernatorial positive ratings at 73 and 71%, respectively. New Englanders appear pleased with their Governors because

three of the five best-rated state chief executives are located among the six New England states. In addition to Gov. Baker, New Hampshire's Chris Sununu (64% positive) and Vermont's Phil Scott (59% favorable) land in the top five.

But, the news is not all good, and especially so for Kentucky Gov. Matt Bevin (R), who faces a tough re-election campaign this year. His 33:52% favorable to unfavorable ratio is the worst in the nation. Not far behind is Connecticut newcomer Ned Lamont (D), who posts a 33:38% positive to negative ratio. Rhode Island's Gina Raimondo (D) and Oregon's Kate Brown (D) are the other two where the negative rating exceeds the positive.

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