



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.

July 12, 2019

Some wisdom from those who left us this week:

"The budget should be balanced, the treasury should be refilled, the public debt should be reduced, and the arrogance of public officials should be controlled."

- Ross Perot, 1930-2019

"Forget goals. Value the process."

- Jim Bouton, 1939-2019

"Let the other guys do the crybaby stuff. Go for the laughs."

- Rip Torn, 1931-2019

Rest in peace, gentlemen.

Powell reports a solid economy, suggests rates may fall

At hearings before the [House Financial Services Committee](#) and [Senate Banking Committee](#) this week, Federal Reserve Board Chairman Powell hinted strongly that the Federal Open Market Committee may vote to lower rates at its next meeting. Persistent uncertainty about trade, slow global growth, recent reports of declining business confidence, and an inflation rate that remains below 2% are all factors that may encourage committee members to pursue a more accommodating policy, Powell said. At 3.7%, the current unemployment rate is lower than the Fed had thought it might go, and pulling in people who had been out of the workforce — but wages are not rising as much or as quickly as expected, and Powell said they don't understand the reasons for that.

Regulators aren't ready for Libra

Facebook's digital currency proposal was a topic of discussion at both the House and Senate Fed hearings, where members grilled Chairman Powell on how Libra and Calibra, the proposed wallet, would be regulated and supervised. Bank of England Governor Mark Carney has already said that Libra would be systemically important, and Powell said that international regulators will discuss how to approach the proposal at a G-7 meeting next week. The Federal Reserve has created a working group to consider Libra's regulatory framework, as has the Financial Stability Oversight Council. Powell said that this needs to be a patient process, "not a sprint to implementation," and he does not believe Libra can go forward unless and until Facebook can address concerns about systemic risk, money laundering, privacy, consumer protection, and more. The idea that this could be accomplished in 12 months is unrealistic, he said.

House panel debates ESG disclosure requirements

Do investors need more information about companies' environmental, social, and governance policies? If they do, should the SEC require those disclosures, and if those disclosures are required, what should they include? The House Financial Services Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets heard testimony on these issues at a [hearing on Wednesday](#), which discussed five different bills that would require different or additional disclosures from public companies. Witnesses representing CalPERS and private investment advisers said it would be useful for this information to be presented in a uniform way that allows comparisons within sectors; former SEC Commissioner Paul Atkins said additional requirements would be an unreasonable burden that would further discourage companies from going public.

Facial recognition offers benefits in limited use, House panel hears

Representatives of the U.S. Customs and Border Patrol, the Transportation Security Administration, and the U.S. Secret Service [appeared before the House Committee on Homeland Security](#) this week to talk about how the agencies are using facial recognition algorithms to verify ID and track foreign visitors' entries and exits. While concerns remain about lower accuracy rates for women and people of color, Dr. Charles Romine of the National Institute of Standards and Technology (NIST) told the panel that the best algorithms have an accuracy rate of up to 99.7%, and that the very best results come from combining

both automated programs and human experts. NIST has been testing the accuracy of the programs used by CBT and TSA, and will release its findings sometime this fall.

Mnuchin asks Congress to raise the debt ceiling before summer recess

Secretary of the Treasury Steven Mnuchin sent a letter to Speaker of the House Nancy Pelosi (D-CA) today to ask that Congress act to increase the debt ceiling before it leaves Washington on July 26. Mnuchin warned that updated projections suggest the federal government may run out of money as early as the first week of September; Congress's summer recess is scheduled to run from July 29 to September 9. In testimony before the House and Senate this week, Federal Reserve Board Chairman Jerome Powell said the consequences of failing to raise the debt ceiling were almost unimaginable, and that the Fed could not protect the economy from the consequences.

Federal banking agencies simplify regulatory capital rules

The Federal Deposit Insurance Corporation, Federal Reserve Board, and Office of the Comptroller of the Currency issued [a final rule](#) on Tuesday that simplifies regulatory capital requirements for banking organizations that do not use the "advanced approaches" capital framework; these are generally banks with less than \$250 billion in assets and less than \$10 billion in foreign exposure. The final rule simplifies the capital treatment of mortgage servicing assets, certain deferred tax assets, investments in capital instruments of unconsolidated financial institutions, minority interests. Those provisions take effect on April 1, 2020. The rule also makes it easier for bank holding companies and savings and loan holding companies to redeem common stock; those provisions take effect on October 1, 2019.

Agencies finalize community bank exemption from Volcker Rule, Quarles says more changes to come by year-end

Also on Tuesday, the federal banking agencies, the Commodity Futures Trading Commission, and the Securities and Exchange Commission adopted [a final rule](#) that excludes community banks from the so-called Volcker Rule, which prohibits and/or restricts proprietary trading and certain other interests in hedge funds and private equity funds. This exemption was part of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), and the rule takes effect immediately upon publication in the Federal

Register. Separately, Federal Reserve Vice Chairman for Supervision Randal Quarles said Thursday that the Fed plans to issue a new version of the Volcker Rule in the fourth quarter of 2019.

House approves seven bipartisan financial services bills

On Tuesday, the House of Representatives overwhelmingly approved seven bills covering a range of issues, from financial literacy to whistleblower protection:

- [H.Res. 456](#), which affirms support for state securities regulators and calls on the SEC to work with them
- [H.R. 1988](#), the Protect Affordable Mortgages for Veterans Act of 2019, which would revise loan seasoning requirements for refinanced VA housing loan
- [H.R. 2162](#), the Housing Financial Literacy Act of 2019, which would provide a 25 basis point discount on mortgage insurance premiums for first-time FHA homebuyers who complete a financial literacy program
- [H.R. 2409](#), the Expanding Access to Capital for Rural Job Creators Act, which would require the SEC to identify and report on the unique challenges faced by rural small businesses in securing capital
- [H.R. 2515](#), the Whistleblower Protection Reform Act of 2019, which would expand the definition of “whistleblower” for purposes of securities law violation
- [H.R. 2919](#), the Improving Investment Research for Small and Emerging Issuers Act, which would require the SEC to report on investment research regarding small issuers
- [H.R. 3050](#), the Expanding Investment in Small Businesses Act of 2019, which would require the SEC to report on the limitation on shares of an individual company that a diversified investment company may own, and the effects of that limitation on capital formation.

House Financial Services Committee marks up ten more bills

A marathon markup yesterday produced [another ten bills](#) for consideration on the House floor, including two bills ([H.R. 1018](#) and [H.R. 3279](#)) that would require companies to report the diversity of their leadership; two bills addressing the shortage of real estate appraisers and giving consumers more information about appraisal fees ([H.R. 2852](#) and [H.R. 3619](#)); and a bill to permanently authorize the USDA's Multifamily Housing and Revitalization (MPR) program ([H.R. 3642](#)). The Committee also approved four different bills related to credit reporting: [H.R. 3614](#), which would restrict the use of credit checks in employment decisions; [H.R. 3618](#), which would give consumers free access to their credit scores; [H.R. 3622](#), which would limit

the reporting time for adverse information on credit reports to four years; and [H.R. 3642](#), which would create a new right to appeal credit reporting decisions.

Confirmations, Nominations, Departures

- Secretary of Labor Alex Acosta has [resigned that office](#), effective July 19.
- The Securities and Exchange Commission named [Sagar Teotia as its Chief Accountant](#), a role he had been serving on an acting basis. Teotia was appointed the SEC's Deputy Chief Accountant in 2017.
- Bob Ryan, Special Advisor to the Director of the Federal Housing Finance Agency (FHFA) since 2014, [leaves the agency today](#).

Coming Up in Washington

- July 16 at 10:00 a.m. Senate Committee on Banking, Housing, and Urban Affairs holds a hearing on "[Examining Facebook's Proposed Digital Currency and Data Privacy Considerations](#)."
- July 17 at 9:30 a.m. Senate Banking Subcommittee on Economic Policy holds a hearing on "[Economic Mobility: Is the American Dream in Crisis?](#)"
- July 17 at 10:00 a.m. House Financial Services Committee holds a hearing on "[Examining Facebook's Proposed Cryptocurrency and its Impact on Consumers, Investors, and the American Financial System](#)."
- July 17 at 2:30 p.m. Senate Homeland Security Subcommittee on Federal Spending Oversight and Emergency Management holds a hearing on "[Federally Incurred Cost of Regulatory Changes and How Such Changes are Made](#)."
- July 18 at 9:00 a.m. House Judiciary Committee holds a hearing on "[Counterfeits and Cluttering: Emerging Threats to the Integrity of the Trademark System and the Impact on American Consumers and Businesses](#)."
- July 18 at 10:00 a.m. Senate Banking Committee holds a hearing on "[Export Control Reform Implementation: Outside Perspectives](#)."
- July 18 at 12:30 p.m. The Securities and Exchange Commission holds a [roundtable on the impact of short-termism](#) on capital markets, and whether or how reporting requirements should be changed to address this. Members of the public are invited to submit their views in writing. The roundtable will stream live at SEC.gov.

The Ellis Insight

Jim Ellis reports on political news

President

Emerson Poll: The new Emerson College small-sample national poll of registered Democratic voters (7/6-8; 481 US Democratic voters) projects that former Vice President Joe Biden has again established a sizable lead over the rest of the Democratic presidential field. According to Emerson, Mr. Biden captures 30% support with Sens. Bernie Sanders (I-VT), Kamala Harris (D-CA), and Elizabeth Warren (D-MA) all tied for second place with 15% preference. South Bend Mayor Pete Buttigieg drops to 5% with all others registering 4% and below.

National Polls: Two more national Democratic primary surveys are confirming that former Vice President Joe Biden is coming back to the pack and yielding what appears to be a budding four-way race. YouGov (6/30-7/2; 631 US likely voters) and Ipsos-Reuters (6/28-7/2; 1,172 US registered voters) both find Mr. Biden dropping to the low or mid-twenties, with some combination of Sens. Bernie Sanders (I-VT), Kamala Harris (D-CA), and Elizabeth Warren (D-MA) closely trailing.

Ex-Sen. Mike Gravel: Without having any influence on the national campaign since joining, 89-year-old ex-Alaska Sen. Mike Gravel withdrew from the Democratic presidential contest. Originally, Mr. Gravel said he was only running to expose "American imperialism," but when he failed to qualify for the debate stage his quest appeared hopeless. The field now reduces to 24 candidates, but it's unlikely that Miramar (FL) Mayor Wayne Messam and ex-Rep. Joe Sestak (D-PA) will see any greater success than Mr. Gravel.

NBC/Wall St. Journal Poll: The brand new NBC/Wall St. Journal poll is out (7/7-9; 800 US voters; 400 US likely Democratic primary voters), and former Vice President Joe Biden is maintaining his lead over the rest of the field with Sen. Elizabeth Warren (D-MA) now relatively close behind. According to the results, Mr. Biden leads 26-19-13-13-7-2% over Warren, Sens. Kamala Harris (D-CA) and Bernie Sanders (I-VT), South Bend Mayor Pete Buttigieg, and businessman Andrew Yang.

Businessman Tom Steyer: Billionaire Tom Steyer, who was thought to be preparing his own presidential run but announced he would not enter the race at the beginning of the year, changed his mind and is now in the race. With virtually unlimited personal resources, Steyer could become competitive, but he may be too late to earn a podium in the presidential debates for at least two more sessions.

Rep. Eric Swalwell: California Congressman Eric Swalwell, when seeing other Democrats beginning to line up for his congressional seat and realizing he would not be qualifying for future debates, ended his presidential campaign yesterday. He was a minor factor and his exit will not fundamentally change the race. Mr. Swalwell will now double-back in an attempt to save his House seat in a March 3rd Democratic primary that will likely be contested.

Senate

Georgia: Former Columbus Mayor Teresa Tomlinson, who appears to be the leading Democratic candidate to face first-term Sen. David Perdue (R), has drawn opposition

from her ideological left. Clarkston Mayor Ted Terry (D), who campaigns as an unabashed liberal, announced that he, too, will run for the Senate next year. Clarkston is a city of only 7,900 people and lies just outside the eastern 285 loop that stretches around Atlanta.

Kansas: Former Kansas Secretary of State and 2018 failed Republican gubernatorial nominee Kris Kobach announced that he will run for the open Kansas Senate seat next year. The move will intensify efforts to convince US Secretary of State Mike Pompeo to return to his home state to run.

Mr. Kobach was accused of running a lackluster and poor campaign for Governor that allowed then-state Sen. Laura Kelly (D) to win a 48-43% statewide victory. He was also criticized for his handling of the Presidential Advisory Commission on Election Integrity, where Mr. Kobach was the top administrative member, which disbanded without registering any significant accomplishments.

Also in the GOP race are Kansas Turnpike Authority chairman David Lindstrom, a former professional football player for the Kansas City Chiefs, and state Treasurer Jake LaTurner. Two Democrats also took action toward becoming US Senate candidates. Former US Attorney Barry Grissom announced his candidacy, while former US Rep. Nancy Boyda (D) filed a committee with the FEC but says she has not yet made a final decision to run. Sen. Pat Roberts (R) is retiring.

Kentucky: Retired Marine Corps fighter pilot Amy McGrath (D), who raised and spent over \$8 million in a losing 48-51% effort against 6th District US Rep. Andy Barr (R-Lexington) last November, announced yesterday that she will now challenge Senate Majority Leader Mitch McConnell (R-KY).

Ms. McGrath ran as a strong liberal in the congressional race and proved she was an able fundraiser. But, the whole of Kentucky is more conservative than the 6th District meaning she will likely have a more difficult time in this election, especially with President Trump setting the tone at the top of the state ballot. Still, this will become a competitive race, but the veteran Senator must again be favored for re-election.

North Carolina: Former state Sen. Cal Cunningham's status as Sen. Thom Tillis' (R) top Democratic challenger was further strengthened yesterday. Ex-state Sen. Eric Mansfield (D) formally ended his Senatorial campaign and Mecklenburg County Commissioner Trevor Fuller (D) reported only having \$1,000 cash-on-hand in his campaign account.

Tennessee: After months of stringing Tennessee politicians along, former two-term Gov. Bill Haslam yesterday announced that he would not run for the state's open Senate seat next year. Perhaps more surprisingly, the man thought to be entering the race if Haslam did not, freshman Rep. Mark Green (R-Clarksville), also said that he will not run for the Senate, choosing to seek re-election in his safe Republican western Tennessee House district.

Virginia: Former Virginia Congressman Scott Taylor (R), who lost his Virginia Beach anchored congressional district after one term, announced yesterday that he will challenge Sen. Mark Warner (D) next year. Acknowledging that he will be an underdog in

the race against Sen. Warner, Mr. Taylor is nonetheless moving forward with his campaign. As Virginia continues to move left, Sen. Warner is viewed as a solid favorite for re-election even though he barely escaped (49.1 – 48.3%) a surprise finish opposite Republican Ed Gillespie in 2014.

Wyoming: The Tarrance Group released their late June poll of the budding Wyoming open Senate race (6/22-24; 502 WY likely Republican primary voters). In a hypothetical Republican primary contest between Rep. Liz Cheney (R-Wilson/Jackson Hole) and ex-US Rep. Cynthia Lummis, the current at-large Congresswoman would lead the former at-large Congresswoman and state Treasurer, 56-34%. While Ms. Cheney has not yet indicated that she will run for the Senate, Ms. Lummis officially announced her campaign effort late this week.

House

CA-16: Fresno City Councilmember Esmeralda Soria (D) confirmed yesterday that she is considering launching a Democratic primary challenge against veteran Rep. Jim Costa (D-Fresno). Though Mr. Costa has been in the House since 2005 and represented the Fresno area in the state legislature since 1978, he has had a few close calls in general elections. Rep. Costa is clearly to the right of Ms. Soria, so a proposed race between the two should be interesting. The California primary is scheduled for March 3rd.

CA-50: Retired former US Rep. Darrell Issa (R) confirms rampant speculation that he is considering again becoming a congressional candidate, this time in indicted Rep. Duncan Hunter's (R-Alpine) district. The inland 50th CD is adjacent to the coastal 49th District that Mr. Issa represented for nine terms before not seeking re-election in 2018. Several Republicans and '18 Democratic nominee Ammar Campa-Najjar are making moves in anticipation that a special election will occur early next year once Rep. Hunter's legal situation is resolved in September.

FL-7: Republican businesswoman and human trafficking activist Jan Edwards has already ended her challenge to sophomore Rep. Stephanie Murphy (D-Winter Park). The 7th District is marginal but became more Democratic once the state Supreme Court implemented a mid-decade redistricting procedure. Four candidates remain in the Republican field, but none appear to be major candidates. At this point, Rep. Murphy is a clear favorite for re-election.

IN-5: In a signal that the Democrats are going to make a play for Indiana's open 5th Congressional District now that Rep. Susan Brooks (R-Carmel) has announced that she won't seek re-election, the party leaders have successfully recruited a candidate. Late this week, former state Representative and Lt. Governor nominee Christina Hale confirmed that she will run for the open metro Indianapolis US House seat. She will have opposition in the Democratic primary, but Ms. Hale should be able to command sufficient resources to conduct a credible campaign even though she will be a general election underdog.

MA-6: Rep. Seth Moulton (D-Salem) is running for President, but there is a budding congressional primary awaiting him should he return to enter the September Massachusetts Democratic primary. Salem City Councilmember Lisa Peterson announced that she is entering the primary, becoming the third Democrat to do so. Already in the race are Salem State University Trustee Jamie Belsito and businessman Nathaniel Mulcahy.

MD-4: Attorney and Bronze Star winner Sheila Bryant, a Marine Corps veteran, announced that she will oppose Rep. Anthony Brown (D-Bowie) in next year's April 28th Democratic primary.

Ms. Bryant begins by attacking Rep. Brown for what she claims is his weak opposition to President Trump and wanting to use the House district as a stepping stone for a 2022 gubernatorial run. In 2014, Mr. Brown lost to current Gov. Larry Hogan (R) in the statewide race. He then was elected to the House two years later. The Congressman is favored for re-nomination, but, in today's politics, all primary challenges must be taken seriously at least in the early phase.

NC-3: Greenville area state Representative Greg Murphy scored a 60-40% victory over physician Joan Perry Tuesday night in North Carolina's 3rd District Republican run-off election. Mr. Murphy now advances to the September 10th special general election where he will face Democratic former Greenville Mayor Allen Thomas. Mr. Thomas won his party's nomination outright in the April 30th primary. The 3rd District is vacant due to the February passing of veteran US Rep. Walter Jones, Jr. (R-Farmville).

Governor

North Carolina: As has been expected for weeks, Republican Lt. Gov. Dan Forest announced that he will challenge Gov. Roy Cooper (D) next year. With no major announced opponent to Forest for the nomination, it is possible that next year's general election pairing is all but set.

North Carolina will again be a hotbed of political activity. It will be a tight battleground state in the presidential contest, Sen. Thom Tillis (R) will be in a close battle for re-election, and early polling suggests that the Governor's race between the two aforementioned candidates will also become highly competitive.

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