



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.

March 6, 2020

First, a coronavirus update

Congress can move fast when it wants to. The House and Senate approved \$8.3 billion in funding this week to support the federal government's response to the COVID-19 outbreak, and the President signed that bill today. The package includes \$826 million to support development and review of vaccines and treatments; \$300 million to purchase vaccines and treatments once they're approved; \$950 million for states and localities to respond; and \$3.1 billion for medical supplies, including expanding the [Strategic National Stockpile](#). Testing is a priority, as the CDC expanded its [criteria for testing](#) and Vice President Pence, who's heading the government's response, promised that more than a million test kits will be distributed around the country.

The SEC [announced Wednesday](#) that publicly traded companies affected by the outbreak will have an additional 45 days to file certain disclosure forms that would otherwise be due between March 1 and April 30. The federal banking agencies have [postponed the National Interagency Community Reinvestment Conference](#) scheduled for next week in Denver.

In our area, three cases have been identified in suburban Maryland, ten are being tested in southwest Virginia, and no cases have yet been reported in the District of Columbia. Four cases have been confirmed in Florida, and another 69 are waiting for test results. We'll repeat the advice you've already heard: wash your hands with soap for 20 seconds at a time after touching public surfaces, don't touch your face, and don't go to work if you feel sick.

Super Tuesday makes some things clearer

Jim Ellis gives us the details in his report at the end of this newsletter, but Tuesday was a big, busy day for voters and candidates in 14 states and American Samoa. Former Vice President Joe Biden won the majority of delegates in Alabama and Virginia, and was the top vote-getter in 10 states overall; Senator Bernie Sanders (I-VT) led the vote totals in California, Colorado, Utah, and Vermont. As this week ends, they're the last major candidates in the Democratic nomination race, though Rep. Tulsi Gabbard (D-HI) has not withdrawn her candidacy. The Republican primary for Alabama's Senate seat narrowed to two candidates — former Senator and Attorney General Jeff Sessions and former Auburn University football coach Tommy Tuberville — and former North Carolina state Senator Cal Cunningham emerged as the Democratic challenger to Senator Thom Tillis (R-NC).

Treasury plans 20-year bonds, continues to seek GSE reform

Secretary of the Treasury Steven T. Mnuchin's [appearance before the House Ways and Means Committee on Tuesday](#) was overshadowed not only by concerns about COVID-19 but also by the news that the Federal Reserve had cut interest rates by 50 basis points. Committee members asked more questions about the Administration's response to the outbreak and about the outbreak's potential effects on the economy than about the Administration's FY2021 budget proposal, but Secretary Mnuchin did say that the current interest rate environment made it attractive for Treasury to issue 20-year bonds, and Treasury will start to do so later this year. Members on both sides of the aisle challenged the Administration's proposal to eliminate the Community Development Block Grant program and other initiatives to support affordable housing; Mnuchin said that GSE reform is an important piece of a larger solution to the affordable housing crisis. He was open to the idea of expanding the Low Income Housing Tax Credit (LIHTC). Ways and Means Committee Chairman Richard Neal (D-MA) and Secretary Mnuchin agreed on the urgent need to invest in infrastructure, and Neal said infrastructure would be the best focus of a stimulus plan to respond to any economic effects of the COVID-19 outbreak.

House panel digs in to traffickers' financing methods

This week the House Financial Services Subcommittee on National Security, International Development, and Monetary Policy held the [first in what will be a series of hearings](#) on how traffickers exploit the financial system to support illegal trade in people, animals, drugs, and weapons. Policy experts and former law enforcement officials described how effective anti-money laundering laws and regulations have forced criminals and terrorist organizations to find creative ways of funding their activities, transferring funds among themselves, and converting illegal gains to ostensibly legitimate wealth. Angel Nguyen Swift, founder and director of STAT (Stand Together Against Trafficking), described the information-sharing efforts of a network of financial institutions, law enforcement agencies, technology firms, and nonprofit organizations. She noted that while the information financial companies provide law enforcement agencies is obviously valuable, it would be equally valuable for law enforcement agencies to share more information about targeted companies and activities with financial companies. Witnesses told the Subcommittee that cryptocurrencies are not yet a major medium for international criminal financial transactions; earlier in the week, the Treasury Department convened a [meeting of thought leaders and compliance experts](#) to discuss how best to prevent the misuse of digital currencies through supervision and regulation.

Fed approves new capital rules for big banks

The Federal Reserve Board voted on Wednesday to approve a [new, simplified capital regime for large banks](#). The "stress capital buffer" (SCB) would combine banks' stress test results with their non-stress capital requirements, which the Fed believes will better align capital requirements with risk profiles. Under the new system, banks will need to meet only eight capital requirements, instead of the 13 standards previously required. The Fed projects that the new rule will raise aggregate tier 1 capital requirements by \$11 billion. Governor Lael Brainard was the sole vote against the new rules; although she supports the concept of integrating the stress-tested capital requirements into the non-stress capital rules, she said the new rule would give "a green light for large banks to reduce their capital buffers materially." The final rule approved Wednesday will take effect on October 1.

CFPB proposes whistleblower awards, creates guidance program, updates "responsible conduct" standards

The Consumer Financial Protection Bureau (CFPB) [announced three initiatives](#) today to encourage and help financial services companies fulfill their consumer service obligations. First, the Bureau is seeking [legislation to allow monetary awards to whistleblowers](#) who provide the Bureau with information that leads to successful enforcement actions,

especially in fair lending cases. Whistleblowers would receive a percentage of any monetary sanctions the Bureau collects. Under its own authority, the Bureau is creating an advisory opinion program that would allow companies and other stakeholders to request guidance on specific legal and regulatory obligations. The Bureau has also published a [new bulletin on “Responsible Business Conduct”](#) that encourages companies to self-assess, self-report, remediate, and cooperate with the Bureau in minimizing harm to consumers. The Bureau will consider those practices favorably when evaluating any company for violations.

SEC proposes changes to exempt offering framework

On Wednesday the Securities and Exchange Commission voted to seek comment on [rule changes that would “simplify, harmonize, and improve” elements of the framework for exempt offerings](#). The amendments would clarify how issuers can move from one exemption to another, and ultimately to a registered offering; increase the offering limits for crowdfunding, Regulation A, and Rule 504 offerings, and raise certain individual investment limits; set clear, consistent rules on communications with potential investors, including clarification that certain “demo day” activities do not fall under the prohibition on general solicitation; and harmonize disclosure and eligibility requirements and “bad actor” disqualification standards. The proposal will be open for comment for 60 days after its publication in the *Federal Register*.

Fed seeks comments on “living wills” for foreign banks

The Federal Reserve Board is asking for comment on [proposed changes to its guidance for resolution plans for large foreign banks](#) operating in the US. The proposed changes address the banks’ derivatives and trading activities, and their payment, clearing, and settlement activities. The guidance would apply only to the US operations of Barclays, Credit Suisse, and Deutsche Bank; the Fed announced today that it is moving UBS AG out of this group, as it has made a “substantial and sustained” reduction in risk from its US operations. The next set of “living wills” are due to the Fed by July 1, 2021.

FDIC offers buyouts to 20% of employees

This week the Federal Deposit Insurance Corporation (FDIC) offered “voluntary retirement and early separation opportunities” to approximately 20 percent of its workforce, in an effort to update the agency’s skills and expertise. A recent review found that 42 percent of FDIC employees are eligible for retirement within five years; that percentage rises to 60 for executives and 58 for managers. The FDIC hopes that offering voluntary early retirement will prevent sudden depletions of institutional knowledge. It does not plan to reduce its workforce, but will replace retiring managers and executives with lower-level examination and risk-related staff, including specialists in information technology, computer science, data management, and loan review. FDIC Chairman Jelena McWilliams said the buyouts are “part of a deliberate strategy to further reduce layers of management, acquire new skillsets, and allow the agency to proactively address succession planning.”

Next Week in Washington

March 10 at 10:00 a.m. House Financial Services Committee holds a hearing on [“Holding Wells Fargo Accountable: CEO Perspectives on Next Steps for the Bank that Broke America’s Trust.”](#)

March 10 at 10:00 a.m. Senate Judiciary Subcommittee on Antitrust, Competition Policy and Consumer Rights holds a hearing on [“Competition in Digital Technology Markets: Examining Self-Preferencing by Digital Platforms.”](#)

March 10 at 10:00 a.m. Senate Banking Committee holds a hearing on [“The Consumer Financial Protection Bureau’s Semi-Annual Report to Congress.”](#)

March 10 at 11:30 a.m. House Small Business Committee holds a hearing on "[The Impact of Coronavirus on Small Businesses.](#)"

March 10 at 2:00 p.m. House Homeland Security Subcommittee on Emergency Preparedness, Response, & Recovery holds a hearing on "[Community Perspectives on Coronavirus Preparedness and Response.](#)"

March 11 at 10:00 a.m. House Appropriations Subcommittee on State, Foreign Operations, and Related Programs holds a hearing on [the Department of the Treasury's Budget Request for FY2021](#). Secretary of the Treasury Steven Mnuchin will be the only witness.

March 11 at 10:00 a.m. House Financial Services Committee holds a hearing on "[Holding Wells Fargo Accountable: Examining the Role of the Board of Directors in the Bank's Egregious Pattern of Consumer Abuses.](#)"

March 11 at 2:00 p.m. Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies holds a hearing on proposed budget estimates and justifications for FY2021 for the Department of Housing and Urban Development.

March 12 at 10:00 a.m. Senate Small Business and Entrepreneurship Committee holds a hearing on "[The Coronavirus and America's Small Business Supply Chain.](#)"

The Ellis Insight

Jim Ellis reports on political news

President

Super Tuesday Result: Former Vice President Joe Biden won the lion's share of Super Tuesday's big delegate prize last night and took a major step toward winning the Democratic presidential nomination. Sen. Bernie Sanders (I-VT) recorded a disappointing performance, placing first in only four states when polling suggested he might do so in nine. Mr. Biden topped the field in ten states, but scored majority support in only two, Alabama and Virginia.

According to an unofficial national delegate extrapolation from The Green Papers online elections site, Mr. Biden has approximately 677 delegates after Super Tuesday voting, with Sen. Sanders holding 604. The Biden total, if these numbers prove true, represents 46.6% of the available delegates, suggesting he is well on his way to capturing a majority victory on the first ballot at the Democratic National Convention. We can expect further change in these delegate numbers when the final California numbers eventually become known.

The presidential campaign moves onto the March 10th voting, where individuals in six states, Idaho, Michigan, Mississippi, Missouri, North Dakota, and Washington, will next cast their ballots. Michigan, with 125 first ballot delegates, is the state where the candidates have the most to gain next Tuesday. On March 17th, the Arizona, Florida, Illinois, and Ohio primaries will take place. At that point, we should know if Mr. Biden will be able to clinch his first ballot victory.

South Carolina: Former Vice President Joe Biden came through as needed on Saturday night in the South Carolina primary, revived his faltering campaign, and catapulted himself back into the front runner position. His 48-20-11-8-7-3% over Sen. Bernie Sanders (I-VT), billionaire Tom Steyer, ex-South Bend Mayor Pete Buttigieg, and Sens. Elizabeth Warren (D-MA) and Amy Klobuchar (D-SC), sent a parade of candidates marching through the exits.

Candidates Withdraw: Former New York City Mayor Michael Bloomberg, after a poor Super Tuesday performance, ended his campaign and endorsed former Vice President Joe Biden. Mr. Bloomberg ends with 73 pledged first ballot delegates, just missing the qualification level in several big states that would have given him substantially more. He garnered over 14% of the statewide popular vote in both California (14.1%) and Texas (14.2%). To receive at-large delegates, a candidate must reach the 15% threshold.

Former South Bend Mayor Pete Buttigieg, who actually led the delegate count coming from both Iowa and New Hampshire, also exited the presidential campaign. In a speech to supporters yesterday back in Indiana, Mr. Buttigieg said, as the Associated Press reported, that "...we must recognize that at this point in the race, the best way to keep the faith with those goals and ideals is to step aside and help bring our party and country together."

Minnesota Sen. Amy Klobuchar announced that she, too, suspended her presidential campaign on the eve of the major Super Tuesday voting. In her exiting remarks the Senator endorsed former Vice President Joe Biden.

Though billionaire candidate Tom Steyer finished third in South Carolina, his 11.3% of the popular vote was short of qualifying for delegate apportionment, meaning he had failed to get on the board after four presidential nomination events. Through the end of January, Mr. Steyer had spent over \$253,000,000 on his race, with only \$3.5 million coming from people other than himself.

Sen. Elizabeth Warren (D-MA) also made official her decision to suspend her campaign activities. The Senator says she will take some time to decide whether or not to endorse one of her competitors.

Senate

Alabama: As expected, former US Attorney General and Alabama Senator Jeff Sessions qualified for the March 31st run-off election, but only finished second, one point behind retired Auburn University head football coach Tommy Tuberville. The secondary race winner faces Sen. Doug Jones (D) in the general election. Rep. Bradley Byrne (R-Mobile), who posted almost 27% of the vote, finished four points away from run-off position and is eliminated from further competition.

Massachusetts: Suffolk University, polling for the Boston Globe newspaper, surveyed the Massachusetts Democratic electorate (2/26-3/1; 500 MA likely Democratic primary voters) and again found Sen. Ed Markey in difficult position against Rep. Joseph P. Kennedy III (D-Newton) for the upcoming Senate Democratic primary scheduled for September 1st. The results project Rep. Kennedy topping the veteran Massachusetts politician who was first elected to the state House of Representatives in 1972 and has been in public office ever since, 42-36%.

Montana: For months, Gov. Steve Bullock (D) repeatedly stated he has no interest in running for the Senate, but apparently his position has changed. Gov. Bullock launched an ill-fated presidential campaign, and since its collapse Democratic officials including

Senate Minority Leader Chuck Schumer (D-NY) have been attempting to recruit him to oppose first-term Sen. Steve Daines (R). Numerous media outlets are reporting that Bullock will announce his Senate bid on Monday, the deadline for candidate filing in Montana.

New Hampshire: The University of New Hampshire released one of their Granite State polls, this time testing Sen. Jeanne Shaheen (D-NH) as she prepares to seek a third term. According to the UNH data (2/19-25; 611 NH adults; 576 likely NH general election voters), Sen. Shaheen's closest potential Republican opponent is retired General Don Bolduc, but even he is far behind. The UNH Senate ballot test shows Sen. Shaheen easily outpacing Gen. Bolduc, 49-30%.

Much time remains even before candidate filing, let alone the primary election. The New Hampshire candidate declaration period will end June 12th for their September 8th primary election.

North Carolina: As expected, former state Senator Cal Cunningham easily captured the Democratic Senatorial nomination on Super Tuesday from the Tar Heel State. He topped state Sen. Erica Smith (D-Gaston), 57-35%, to advance into the general election against first term Senator Thom Tillis (R) in what will now be a long regular voting cycle. The Tillis-Cunningham race promises to be one of the top national US Senate races in November. This will be one of the key places that determines whether Republicans or Democrats will control the Senate in the next Congress.

Oklahoma: When veteran Oklahoma Sen. Jim Inhofe (R) indicated that he would announce his future political plans in early March, most observers believed the 85-year old lawmaker would be announcing his retirement. Instead, it he declared late this week that he will seek re-election.

Mr. Inhofe was first elected to the Senate in a 1994 special election. He previously served four terms in the US House, as Mayor of Tulsa, and in the Oklahoma Senate and House. Except for a four-year break in service, Mr. Inhofe has been in elective office since 1967.

Texas: Non-profit organization executive Cristina Tzintzun Ramirez, who came within 1.3 percentage points of qualifying for the May 26th run-off election, conceded two days after the Super Tuesday vote to state Sen. Royce West (D-Dallas). Now, he and M.J. Hegar (D) advance to the secondary vote, the winner of that race to then challenge Sen. John Cornyn (R). The Senator, seeking his fourth term, will begin the general election cycle as a clear favorite for re-election.

House

Alabama Primaries: The two contested open US House seats will advance to Republican runoffs with the winners becoming prohibitive favorites in the general election. Moving to the March 31st runoff elections are Mobile County Commissioner Jerry Carl and former state Sen. Bill Hightower in the 1st District, and businessman Jeff Coleman and former state Rep. Barry Moore in the Montgomery anchored 2nd District.

California: According to the California Secretary of State, more than 780,000 ballots

throughout the state's 58 counties remain to be counted with more coming into election offices. Under California election law, voters may postmark their ballots on Election Day and be counted when they reach the intended office within three days of the vote. This election's deadline is close of business today, March 6th. Therefore, it is probable that more than one million ballots will comprise the universe when the post-election counting period begins.

At this point, 32 of the state's 53 congressional races do not officially have their two general election qualifiers. Under the California system, the top two candidates advance to the general election irrespective of political party affiliation or percentage of the vote obtained. We can expect the post-election counting process to take days, and likely several weeks before all of the totals become official.

NY-14: New York City Councilman Fernando Cabrera announced this week that he is ending his Democratic primary congressional bid against noted freshman Rep. Alexandria Ocasio-Cortez (D-Bronx) and will instead run for Bronx Borough president. Upon his exit, however, Mr. Cabrera endorsed another Democratic opponent to the Congresswoman, former CNBC News anchor Michelle Caruso-Cabrera, who is attacking Ms. Ocasio-Cortez from her right. Narrowing the field will help a strong challenger, but it is highly likely that the freshman House member will be nominated for a second term.

North Carolina Primaries: The two open seats were basically decided on Super Tuesday. With Reps. George Holding (R-Raleigh) and Mark Walker (R-Greensboro) departing their now heavily Democratic districts because of the court-ordered redistricting ruling, former state Representative and 2016 US Senate candidate Deborah Ross and University of North Carolina at Greensboro Trustee Kathy Manning will easily win their respective general elections and join the next Congress in January.

Texas Primaries: Rep. Kay Granger (R-Ft. Worth) was re-nominated on Super Tuesday with a hard fought 58-42% victory over former Colleyville City Councilman Chris Putnam. The Congresswoman will now have an easy run for a 13th term in the safely Republican seat.

Rep. Henry Cuellar (D-Laredo) was declared the winner over attorney Jessica Cisneros in the 28th CD, but the result was close, a 51.8 – 48.2% edge. Rep. Cuellar will now have an easy time in the general election and will win a ninth term in November from the safely Democratic South Texas seat.

Former congressional aide and ex-National Security Council official Austin Pfluger won outright the 11th District open Republican primary impressively over a multitude of candidates. He will easily win the general election from the Midland anchored district, one of the safest Republican seats in the country.

Run-offs are the order of the day in the rest of the contested races for one party or the other. Former Congressman Pete Sessions (R) did secure a run-off position in his new district, the Waco anchored 17th CD. He placed first but awaits the identity of his May 26th run-off opponent as the second position is too close to call. His likely opponent will be Renee Swann (R), endorsed by outgoing Congressman Bill Flores (R-Bryan/College

Station), who is almost a percentage point ahead of businessman George Hindman, but it is still not certain that she will advance.

Governor

North Carolina: Super Tuesday produced gubernatorial nominees in the Tar Heel State. Gov. Roy Cooper (D) was virtually unopposed for re-nomination, and Lt. Gov. Dan Forest was an easy winner on the Republican side. The two will now square off in what should be a hotly contested 2020 general election. Gov. Cooper will be favored for a second term, but North Carolina will be one of the hottest political states in the country from the top of the ticket to the bottom so this is a competitive contest.

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