

## Washington Update

January 10, 2025

### This Week In Washington

**Senate:** The Senate was in session.

**House:** The House passed the Laken Riley Act ([H.R.29](#)) and the Illegitimate Court Counteraction Act ([H.R.23](#))

**Biden Administration:** On January 6, President Biden [announced](#) action to protect the Atlantic and Pacific Coasts from offshore oil and gas drilling. The action aims to protect coastal communities, marine ecosystems, and local fishing, recreation, and tourism economies from oil spills and impacts of offshore drilling.

### Next Week In Washington

**Senate:** The Senate will reconvene on Monday, January 13 and will hold hearings to begin the confirmation process for President-elect Trump's cabinet. They are expected to consider the Laken Riley Act ([S.5](#)) ([H.R.29](#))

**House:** The House will reconvene on Monday, January 13.

## **TAX**

### **Multiple Tax Provisions Expire Entering Into 2025 With More Sunsetting by End of Year**

#### *Key Points:*

- *Multiple tax provisions, including those for biofuels and renewable energy projects, have expired going into 2025.*
- *In addition, key TCJA provisions including the current income tax rates and the qualified business income deduction are set to expire by the end of the year.*

Multiple tax provisions have expired entering into 2025. According to a [document](#) from the Joint Committee on Taxation, expiring federal tax provisions include the second-generation biofuel producer credit, excise taxes for alternative fuel and fuel mixtures, tax credits for sustainable aviation fuel, and income and excise tax credits for biodiesel fuels and fuel mixtures expired on December 31, 2024. In addition, projects focused on renewable power facilities must have started construction by the end of 2024 to be eligible for the renewable electricity production credit or investment credit. Likewise, projects focused on commercial solar, fiber optic solar lighting, qualified fuel cell and stationary microturbine power plants, small wind energy, and waste energy recovery must have started construction by the end of last year to be eligible for increased tax credits. Lastly, the safe harbor for the absence of a deductible for telehealth has expired.

Multiple additional tax provisions from the Tax Cuts and Jobs Act (TCJA) ([P.L. 115-97](#)) are also set to expire by the end of 2025, including the lowered personal income tax rates, the increased standard deduction, the \$10,000 cap on state and local tax deductions, the current child tax credit rate, the 20 percent deduction for qualified pass-through business income from sole proprietorships and S-corps, the increased alternative minimum tax exemption and phase-out limit, and the raised estate tax exemption level.

### **Treasury and IRS Issue Multiple Rules in Anticipation of Incoming Trump Administration**

#### *Key Points:*

- *In anticipation of the incoming Trump Administration, the Treasury Department and the IRS have issued multiple tax-related rules and regulations.*
- *Among these include final rules related to designating certain "basis shifting" transactions as "of interest," the 45Y Clean Energy Production Credit, and the 45W Qualified Commercial Clean Vehicle Credit.*

- *In addition, the IRS has proposed new rules focused on catch-up contributions as covered by the SECURE 2.0 Act.*

In anticipation of the incoming Trump Administration starting January 20, the Treasury Department and the Internal Revenue Service (IRS) have issued a series of regulatory actions. Among the top-level actions include a [final rule](#) to identify certain partnership related-party “basis shifting” transactions as “of interest.” In addition, the IRS and Treasury have [issued](#) final regulations for the 45Y Clean Energy Production and 48E Clean Electricity Investment credits. Treasury has also finalized [rules](#) originally proposed in August for the 48E(h) Clean Electricity Low-Income Communities Bonus Credit. The IRS has also finalized a [rule](#) entitled, “Classification of Digital Content Transactions and Cloud Transactions.” It also finalized [regulations](#) clarifying how taxes apply to gifts from U.S. expatriates and has [proposed](#) new regulations for the Section 45W Credit for Qualified Commercial Clean Vehicles enacted in the Inflation Reduction Act ([P.L. 117-169](#)).

On January 10, the IRS and Treasury announced additional proposed [regulations](#). According to a [press release](#), the rules address multiple SECURE 2.0 Act ([P.L. 117-328](#)) provisions “relating to catch-up contributions,” including requiring such contributions to be designated as after-tax Roth contributions if made by higher-income participants. On the same day, the IRS noted an unpublished [rule](#) on the Federal Register entitled, “Automatic Enrollment Requirements under Section 414A.” It has also issued a final [rule](#) entitled, “Certain Disregarded Payments and Dual Consolidated Losses.”

## **House Ways and Means Appoints New Subcommittee Leadership**

### *Key Points:*

- *House Ways and Means Republicans have announced new subcommittee chairs for the 119<sup>th</sup> Congress. Notably, Representative Estes (R-OK) will now chair the Social Security Subcommittee.*
- *Ways and Means Democrats have also announced their subcommittee ranking members, with Representative Thompson (D-CA) continuing as the Tax Subcommittee Ranking Member and Representative Sanchez (D-CA) leading Democrats on the Trade Subcommittee.*

On January 8, House Ways and Means Republicans selected new leadership for its subcommittees. Although the majority of subcommittee leadership positions were unaltered, Representative Estes (R-KS) notably assumed the position of chairman of the Social Security Subcommittee following the departure of former Representative Ferguson

(R-GA). The following day, House Ways and Means Democrats announced the members that would serve as subcommittee ranking members, alongside the Democratic roster for each subcommittee. Representative Sanchez (D-CA) was selected to serve as Ranking Member of the Trade Subcommittee, while Representative Sewell (D-AL) will serve as Ranking Member of the Oversight Committee. Representative Thompson (D-CA) will continue to serve as Ranking Member of the Tax Subcommittee.

The roster alterations occur before the House Ways and Means Committee is expected to dive headlong into pursuing tax reform in the early 119<sup>th</sup> Congress. The House Ways and Means Committee is expected to hold a [hearing](#) on Tuesday, January 14 focused on the “need to make permanent the trump tax cuts for working families.”

### **Tuesday, January 14**

**TCJA Extension Hearing:** The House Ways and Means Committee will hold a hearing on Tuesday entitled, “Hearing on the Need to Make Permanent the Trump Tax Cuts for Working Families.” The hearing will be held in 1100 Longworth House Office building at 10:00 a.m., and [webcast](#) as well.

### **Thursday, January 16**

**Treasury Secretary Bessent Nomination Hearing:** The Senate Finance Committee will hold a confirmation hearing for Treasury Secretary nominee Scott Bessent on Thursday. The hearing will be held in 215 Dirksen Senate Office Building at 10:30 a.m., and [webcast](#) as well. Following the hearing, Bessent would likely be voted on by the Committee and, if approved, have his confirmation sent to the Senate floor.

*For more information about tax issues, you may [email](#) or call Christopher Hatcher at 202-659-8201. Noah Hawkins contributed to this section.*

## **FINANCIAL SERVICES**

### **Chairman Hill Announces Leadership for the House Financial Services Committee**

#### *Key Point:*

- *The Committee Vice Chair for Communications and the Committee Whip are new additions to the House Financial Services Committee Republicans for the 119<sup>th</sup> Congress.*

On January 9, House Financial Services Committee Chairman French Hill (R-AR) announced chairs of the six subcommittees of the committee. He also announced that Representative Bill Huizenga (R-MI) will serve as Vice Chairman, Representative Mike Haridopolos (R-FL) will be the Committee Whip, and Representative Mike Lawler (R-NY) will be the Vice Chair for Communications. The Subcommittee chairs are:

- **Subcommittee on Capital Markets:** Representative Ann Wagner (R-MO)
- **Subcommittee on Financial Institutions:** Representative Andy Barr (R-KY)
- **Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence:** Representative Bryan Steil (R-WI)
- **Subcommittee on National Security, Illicit Finance, and International Financial Institutions:** Representative Warren Davidson (R-OH)
- **Subcommittee on Oversight and Investigations:** Representative Dan Meuser (R-PA)
- **Subcommittee on Housing and Insurance:** Representative Mike Flood (R-NE)

Chairman French Hill (R-AR) stated, “This experienced leadership team will drive our policy agenda. Together, we will right-size the regulatory system for particularly community banks, create a regulatory framework for digital assets that will protect investors and consumers while keeping innovation in America, and ensure agencies are focused on their core statutory directed missions...”

Financial Services Committee Ranking Member Maxine Waters (D-CA) announced the Democratic members of the committee for this Congress. New members of the committee are: Representatives Cleo Fields (D-LA); Janelle Bynum (D-OR); and Sam Liccardo (D-CA).

## **Moolenaar, Barr Introduce Bill to Restrict U.S. Investment to China**

### *Key Points:*

- *The bill builds on work conducted by the Committee including the economic report entitled, “Reset, Prevent, Build: A Strategy to Win America’s Economic Competition with the CCP” and two investigations regarding American financial institutions fueling the Chinese military.*
- *House Republican leadership were hoping to include legislation to restrict U.S. investments in China in the continuing resolution (CR) government funding bill enacted late last year.*

On December 24, House Select Committee on the Chinese Communist Party Chairman John Moolenaar (R-MI) and Representative Andy Barr (R-KY) introduced legislation entitled the Comprehensive Outbound Investment National Security (COINS) Act ([H.R. 1](#)). The bill

creates sets a framework to prevent U.S. investments in certain companies related to the Chinese military, technological development, and human rights abuses.

Chairman John Moolenaar (R-MI) stated, “For the last two years, the Select Committee has articulated a clear red line: America must stop the channeling of billions of dollars to Chinese companies blacklisted by the U.S. government for helping the CCP’s human rights abuses, strengthening its military, and developing the next generation of national security threats from China.” The bill has not yet been reintroduced in the new 119<sup>th</sup> Congress.

## **FHFA and Treasury Announce Amendments to the Preferred Stock Purchase Agreements**

### *Key Points:*

- *FHFA and Treasury agreed to delete provisions of the PSPAs that were previously suspended pursuant to a September 2021 Letter Agreement.*
- *There will be an opportunity for public input on termination options and potential impacts. The request for information (RFI) will be released at a later date.*

On January 2, the Federal Housing Finance Agency (FHFA) and the U.S. Department of the Treasury [announced](#) amendments to the Preferred Stock Purchase Agreements (PSPAs). The amendments include technical changes applicable to Freddie Mac and Fannie Mae financial reporting and updating references to the Enterprise Regulatory Capital Framework. In addition, the amendments restore Treasury consent rights prior to termination of a conservatorship and also provide that prior to releasing the GSEs from conservatorship, “FHFA will issue a public request for information outlining in detail one or more specific options for the termination of conservatorship and seek input on potential impacts of each option on the housing market and on the GSEs.” The amendments noted the end of conservatorships should be based on the financial condition of Freddie Mac or Fannie Mae and the potential impacts the termination of conservatorship could have on the housing market. The release explains that the amendments do not impact the GSEs’ capital retention or dividend payments under the senior preferred shares.

FHFA Director Sandra Thompson stated, “Today’s announcement will reassure stakeholders that the Enterprises’ eventual release from conservatorship will follow a methodical process intended to minimize disruption to the housing and financial markets.”

## Fed Vice Chair Michael Barr Announces Resignation

### Key Point:

- *Federal Reserve Vice Chair Barr's resignation will become effective on February 28, 2025, or earlier should a successor be confirmed prior to this date.*

On January 6, Vice Chair for Supervision for the Federal Reserve Board, Michael Barr, [announced](#) his resignation. Barr has served as the Vice Chair for Supervision since July 2022. In his position, Vice Chair Barr was responsible for the supervision and regulation of financial firms within the Federal Reserve's jurisdiction, and he led efforts on rulemaking initiatives including the Basel III endgame capital proposal.

## CFTC Chairman Behnam Announces Departure

### Key Points:

- *Chairman Behnam's resignation will become effective on February 7, 2025.*
- *Chairman Behnam served the CFTC for seven years both as a commissioner and then Chairman.*

On January 7, Commodity Futures Trading Commission (CFTC) Chairman, Rostin Behnam, [announced](#) his resignation. In his announcement Chairman Behnam highlighted the work done by the CFTC including making "deliberate and intentional decisions to ensure continued strength." He emphasized he would work closely with President-elect Trump's transition team to ensure a smooth and seamless transition of power. President Trump has not yet announced his intention to nominate a new CFTC chairman.

## CFPB Finalizes rule to Remove Medical debt from Credit Reports

### Key Points:

- *The final rule will become effective 60 days following publication in the Federal Register.*
- *The final rule builds on a report published by the CFPB in 2022 on the negative effects of the inclusion of medical debt on credit reports.*

On January 8, the Consumer Financial Protection Bureau (CFPB) [finalized a rule](#) that CFPB says would remove about \$49 billion in medical debt from credit reports. The final rule prevents lenders from considering medical information and bans medical bills on credit reports. CFPB's research found that medical debt is not an accurate predictor of if an individual will repay loans on time, leading to impacts on credit availability. In its [press release](#), the CFPB noted it expects 22,000 affordable mortgage approvals each year for

Americans and those whose medical debts are removed could see an average increase of 20 point of their credit scores.

CFPB Director Rohit Chopra said, “The CFPB’s final rule will close a special carveout that has allowed debt collectors to abuse the credit reporting system to coerce people into paying medical bills they may not even owe.”

Senate Banking, Housing, and Urban Affairs Chairman Tim Scott (R-SC) stated, “Medical debt is a serious challenge for many Americans, but the CFPB’s final rule will do nothing to address the underlying issues. Instead, the rule will reduce access to credit and important health care services while putting lenders and medical providers at risk.”

## **Upcoming Meetings and Events**

### **January 16**

**Treasury:** The Senate Finance Committee will [hold](#) a nomination hearing to consider the nomination of Scott Bessent for the position of Secretary of the U.S. Department of the Treasury .

**HUD:** The Senate Banking, Housing, and Urban Affairs Committee will [hold](#) a nomination hearing to consider the nomination of Eric Turner for the position of Secretary of the U.S. Department of Housing and Urban Affairs.

*For more information about financial services issues you may email [Joel Oswald](#) or [Mahlet Makonnen](#). Ashley Kinder contributed to this section.*

## **ENERGY & ENVIRONMENT**

### **Biden Administration Bars Offshore Oil and Gas Leasing in Atlantic, Pacific, and Other Areas**

On January 6, the White House announced an action to prohibit offshore oil and gas leasing through two Presidential Memoranda. As described by a White House [Fact Sheet](#), the action would:

- Utilize presidential “authority under Section 12(a) of the Outer Continental Shelf Lands Act”;
- Cover “all U.S. Outer Continental Shelf areas off the East and West coasts, the eastern Gulf of Mexico, and additional portions of the Northern Bering Sea in Alaska”; and
- Bar “all future oil and natural gas leasing in the areas withdrawn.”

In a radio interview held the morning of the offshore leasing ban announcement, President-Elect Donald Trump promised to “unban it immediately”.

Capitol Hill reaction to the leasing ban divided along party lines. In [statement](#), House Energy and Commerce Committee Ranking Member Frank Pallone (D-NJ) called the ban “a commonsense win for everyone who relies on clean, thriving oceans.” He also emphasized that “protecting coastal waters from oil drilling safeguards our fishing and tourism economy and critically-endangered North Atlantic right whales.”

In a [statement](#), House Natural Resources Committee Chairman Bruce Westerman (R-AR) promised to “use every tool, including reconciliation, to restore and unleash these revenues, fueling conservation, coastal resilience, and energy independence, and ensuring America—not OPEC, Russia or China—leads the world.” In a [letter](#) sent on Friday to the President and Secretary of the Interior Deb Haaland, Westerman characterized the action on offshore areas as “a willful act of sabotage”. He called for the production of documents by the Biden Administration regarding the process behind the withdrawal of the areas from future offshore oil and natural gas leasing.

## Upcoming Hearings and Events

### January 14

**Secretary of the Interior Nomination:** The Senate Energy and Natural Resources Committee will hold a [hearing](#) on the nomination of Governor Doug Burgum (R-ND) to be the Secretary of the Interior. President-Elect Trump also announced his intent to designate Burgum to lead the new National Energy Council.

### January 15

**Secretary of Energy Nomination:** The Senate Energy and Natural Resources Committee will hold a [hearing](#) on the nomination of Chris Wright to be Secretary of Energy.

### January 16

**EPA Administrator Nomination:** The Senate Environment and Public Works Committee will hold a [hearing](#) on the nomination of Lee Zeldin to be Administrator of the Environmental Protection Agency (EPA).

**FERC Meeting:** The Federal Energy Regulatory Commission (FERC) will hold its monthly [open meeting](#). The [agenda](#) includes: “Agency Administrative Matters”; and “Customer Matters, Reliability, Security and Market Operations”.

**Pipeline Safety and LNG Siting Reviews:** The Pipeline and Hazardous Materials Safety Administration (PHMSA) will hold a [meeting](#) of its Liquid Pipeline Advisory Committee (LPAC) and Gas Pipeline Advisory Committee (GPAC). The meeting will discuss the “Periodic Standards Update II” Notice of Proposed Rulemaking (NPRM) and the “Cost Recovery for Siting Reviews for LNG Facilities” NPRM.

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

## **HEALTH**

### **Senate Finance Chairman Mike Crapo Outlines Health Priorities for the 119<sup>th</sup> Congress**

#### *Key Points:*

- *Chairman Crapo's priorities include PBM reform, long-term payment stability for doctors, and rural health care access.*
- *The Senate Finance Committee will hold HHS Secretary nominee Robert F. Kennedy Jr.'s nomination hearing in the coming weeks.*

Following his confirmation to serve as Chairman of the Senate Finance Committee, Chairman Crapo [outlined](#) the Committee’s priority health care issues in the 119<sup>th</sup> Congress, which includes pharmacy benefit manager (PBM) reform, increasing access to care in rural settings, “shoring up” telehealth capabilities, and expanding mental health resources.

Chairman Crapo stated PBM reform efforts “will focus on modernizing Medicare’s prescription drug benefits, driving down patient costs at the pharmacy counter and netting billions in savings for taxpayers.” He said the Committee will also work to address chronic conditions and diseases and improve primary care in Medicare and Medicaid.

Additionally, Chairman Crapo said the Committee will conduct oversight into the impacts of the drug pricing policies enacted in the Inflation Reduction Act on innovation and patient access. He said the Committee will work to mitigate the negative impacts of the law on patients, innovators, and taxpayers.

The Committee has not yet announced the date for the confirmation hearing on Robert F. Kennedy Jr.'s nomination to serve as Secretary of the Department of Health and Human Services (HHS).

## **FDA Guidance for AI-Enabled Medical Device Changes**

### *Key Points:*

- *FDA provides guidance for AI-enabled medical devices through PCCP plans*
- *The Trump Administration would be responsible for finalizing the rule*

In December, the Food and Drug Administration (FDA) published [guidance](#) regarding the approval of AI-enabled medical device changes and how they will make the process of approval easier for manufacturers.

The FDA acknowledged it will have to reapprove new changes to the devices as new data arises from the devices being used. Manufacturers may submit predetermined change control plans (PCCP) or obtain approval for changes once the product is released. Additionally, the guidance provides further information on how the FDA would oversee AI platforms.

The guidance gives the FDA flexibility, allowing them to not have to review products for minor changes. Yet, many manufacturers have discussed challenges with the creation of PCCP because it assumes the product will evolve.

Because the guidance was released in December, it will be up to the upcoming Trump Administration to finalize it. However, it is unclear whether the administration will move forward.

## **Upcoming Hearings**

### **January 15**

*Improving Wellness for Seniors:* The Senate Special Committee on Aging will hold a [hearing](#) entitled, "Improving Wellness Among Seniors: Setting a Standard for the American Dream."

*For more information about health care issues you may [email](#) Laura Simmons. Aubrie Chastain contributed to this section.*

## **CYBERSECURITY, PRIVACY, AND ARTIFICIAL INTELLIGENCE**

### **FCC Chair Proposes Rule to Kickstart Auction to Fully Fund 'Rip and Replace'**

#### *Key Points:*

- *This week, FCC Chairwoman Rosenworcel released a Notice of Proposed Rulemaking that would allow the agency to move forward with a spectrum auction to fully fund the 'Rip and Replace' program.*
- *Specifically, the proposal would update certain bidding rules to grant licenses for spectrum within the FCC's inventory in the AWS-3 spectrum bands.*

On January 6<sup>th</sup>, Federal Communications Commission (FCC) Chairwoman Jessica Rosenworcel [released](#) a Notice of Proposed Rulemaking that would allow the agency to move forward with a spectrum auction to fully fund the Secure and Trusted Communications Networks Reimbursement Program, or 'Rip and Replace.' This week's action comes just weeks after passage of the Fiscal Year 2025 National Defense Authorization Act (FY25 NDAA), which authorized the FCC to borrow up to \$3.08 billion from the Treasury Department to fully fund the program. The agency will repay the loan with the proceeds from the spectrum auction.

Specifically, the proposed rule would update "the service-specific competitive bidding rules to grant licenses for spectrum in the FCC's inventory in the AWS-3 spectrum bands" ([FCC Press Release](#)). If adopted, it would initiate the first spectrum auction since the agency's general authority lapsed in March 2023, and it would fully fund the removal, replacement, and disposal of insecure Chinese-made Huawei and ZTE equipment and services from U.S. networks.

The urgency of the FCC proposal responds to the wide-reaching hack of several telecom providers by the Chinese cyberespionage group "Salt Typhoon," as well as other recent incidents highlighting vulnerability of U.S. systems. In a public statement released alongside the proposed rule, Chairwoman Rosenworcel stated "We are all acutely aware of the risk posed by Chinese hackers and intelligence services to our privacy, economy, and security. Today's proposal is a critical step toward finally filling the shortfall in the Rip and Replace program. I am confident that the FCC's world-leading and award-winning auction team will meet this important moment."

## White House Launches U.S. Cyber Trust Mark for Consumer Devices

### Key Points:

- *On January 7<sup>th</sup>, the White House officially launched the U.S. Cyber Trust Mark program for Internet of Things devices to inform consumers that their technology products meet a set of government-vetted cybersecurity standards. Companies will soon be able to submit their products for laboratory testing and earn the label, and consumers can expect to find it on their products later this year.*
- *Last month, the FCC announced the selection of UL Solutions as the Lead Administrator for the program, as well as 10 additional entities that will serve as Cybersecurity Label Administrators (CLAs) for the Cyber Trust Mark initiative.*

This week, the White House [launched](#) the U.S. Cyber Trust Mark, a cybersecurity labeling program for Internet of Things (IoT) devices to inform consumers that their technology products meet a set of government-vetted cybersecurity standards. Tuesday's announcement concludes the program's 18-month development process during which the Federal Communications Commission (FCC) authorized the program, adopted final rules, and trademarked the shield emblem that will be applied to consumer devices that meet the cyber requirements.

The program, which has been widely anticipated since the Biden Administration began signaling its release last year, will "educate American consumers and give them an easy way to assess the cybersecurity of [their] products." It will also incentivize major electronics, appliances, and consumer product manufactures to produce devices with greater cyber protections. To earn the Cyber Trust Mark, companies will need to "test products against established cybersecurity criteria from the U.S. National Institute of Standards and Technology (NIST) via compliance testing by accredited labs" ([White House Press Release](#)).

Last month, the FCC [announced](#) the selection of UL Solutions, a laboratories corporation, to serve as both the Lead Administrator and as a Cybersecurity Label Administrator (CLA) for the program. The agency also [tapped](#) 10 additional entities to serve as program CLAs, which are tasked with managing the program and use of the Cyber Trust Mark. The White House indicates that companies will soon be able to submit their products for testing, and consumers can expect to find the Cyber Trust Mark on their products later this year.

## Commerce's Bureau of Industry and Security Adds to Entity List

### Key Points:

- *This week, the Department of Commerce's Bureau of Industry and Security amended the Export Administration Regulations (EAR) by adding 13 new companies and organizations to the Entity List. The new additions are listed under the locations of Burma, China, and Pakistan.*

On January 6<sup>th</sup>, the U.S. Department of Commerce's Bureau of Industry and Security (BIS) released a [rule](#) amending the Export Administration Regulations (EAR) by revising its "Entity List," which is a list of foreign companies that are subject to export restrictions and licensing requirements resulting from actions contrary to the national security and/or foreign policy interests of the U.S. In this week's revisions, BIS added 13 new entities to the list under the locations of Burma, China, and Pakistan, including the following:

- Telecom International Myanmar Company Limited (Burma)
- Chengdu RML Technology Co., Ltd. (China)
- Chengdu Yaguang Electronics Co., Ltd. (China)
- Hefei Starwave Communication Technology Co., Ltd. (China)
- Yaguang Technology Group Co., Ltd. (China)
- Chinese Academy of Sciences Changchun Institute of Optics, Fine Mechanics, and Physics (China)
- Ji Hua Laboratory (China)
- Nanjing Simite Optical Instruments Co., Ltd. (China)
- Peng Cheng Laboratory (China)
- Shanghai Institute of Optics and Fine Mechanics (China)
- Suzhou Ultrananano Precision Optoelectronics Technology Co., Ltd. (China)
- Wuhu Kewei Zhaofu Electronics Co., Ltd. (China)
- Emerging Future Solutions Private Limited (Pakistan)

## CISA Releases New Sector Specific Goals for IT and Product Design

### Key Points:

- *This week, CISA announced a set of new voluntary cybersecurity performance goals for the IT and product design sectors. The guidance is aligned with the agency's Secure by Design principles, which emphasize the importance of building software with security as a core priority.*

On January 7<sup>th</sup>, the Cybersecurity and Infrastructure Security Agency (CISA) [announced](#) a set of new voluntary cybersecurity performance goals for the information technology (IT) and product design sectors, which outline measures that businesses and critical infrastructure owners can take to protect against cyber threats. Specifically, the [IT Sector-Specific Goals \(SSGs\)](#) “are aligned to Secure by Design principles and will help to protect the sector from cyber incidents, identify and address vulnerabilities prior to product release, improve incident response, and significantly improve software security” ([CISA Press Release](#)).

The new voluntary guidance emphasizes the importance of building software with security as a core priority, and it provides software and product developers across critical infrastructure sectors with “minimum foundational practices upon which they should focus their efforts.” The goals, which are split between software development and product design, include the following:

- Separating all software development environments using controls such as network segmentation and access controls;
- Logging and monitoring access;
- Enforcing phishing resistant multi-factor authentication and software security requirements;
- Securing credentials;
- Conducting network monitoring with real-time alerts;
- Establishing a supply chain risk management program;
- Minimizing default passwords and vulnerabilities;
- Enabling cyber incident evidence collection; and more.

In a public statement released alongside the guidance, CISA Director Jen Easterly said “The IT SSGs help critical infrastructure sectors significantly strengthen cybersecurity in the design and development of software and hardware. We encourage organizations to review and implement the goals which will benefit and protect the supply chain including consumers.” Easterly also touted significant industry collaboration in the development of the SSGs.

## **Upcoming Hearings and Meetings**

### **January 13**

**How Tech Innovation Can Support Accessibility:** The Business Council for International Understanding [holds](#) a discussion on "how innovation and technology should support

accessibility, from education to entertainment, and opportunities for collaboration in providing better user experiences, improving employee engagement, and increasing trust."

## **January 14**

**Mobile Satellite and Space Science Services:** Federal Communications Commission [holds](#) a virtual meeting of the 2027 World Radiocommunication Conference Advisory Committee's Informal Working Group 4 to discuss mobile satellite and space science services.

**Threats to Emerging Tech Firms:** The Intelligence and National Security Alliance [holds](#) a virtual discussion, beginning at 1 p.m., on issues such as growing nation-state threats to Western emerging tech firms, including malign investment, supply chain, and insider threats, Secure Innovation Guidance issued by National Counterintelligence and Security Center and Five Eyes Intelligence Partnership, ongoing threats from China and Russia to critical infrastructure and NCSC, and counterintelligence outreach to the Defense Industrial Base.

**Commerce's Role in Protecting Critical Technology:** The Center for Strategic and International Studies [holds](#) a discussion on "Reflecting on the Commerce Department's Role in Protecting Critical Technology," focusing on semiconductor export controls on China and efforts to curb China's use of critical technologies as part of its military modernization.

## **January 15**

**National Security and Public Safety in Telecommunications:** The Federal Communications Commission holds an open meeting to discuss the agency's work on expanding connectivity and access to modern communications, making communications more just for users, improving national security and public safety, and shaping the future of communications.

**Infrastructure Security in the Cyber Age:** FDD's Center on Cyber and Technology Innovation hosts a fireside chat with CISA Director Jen Easterly on protecting critical infrastructure in the cyber age. The conversation will be moderated by RADM (Ret.) Mark Montgomery, CCTI senior director and former executive director of the congressionally mandated Cyberspace Solarium Commission. RSVP via [email](#).

**Meeting DOD's Innovation Challenge:** The Center for Strategic and International Studies [holds](#) a virtual discussion, beginning at 1 p.m., on "Meeting DOD's Innovation Challenge: Adapting and Scaling Cutting-Edge Technology to Enhance Modernization."

## January 16

**Combatting Deepfakes and Misinformation:** The Federal Communications Bar Association [holds](#) a virtual discussion, beginning at 2 p.m., on "AI Enters the Messaging Space: Government and Private Sector Approaches to Combating Deepfakes and Misinformation."

## January 23

**Privacy Policy in the New Administration:** The Program on Economics & Privacy [holds](#) at 12:00 PM a virtual webinar, *Privacy Policy in the New Administration*, hosted by the Law & Economics Center at George Mason University Antonin Scalia Law School. Panelists will provide a discussion on some of the important developments under the Biden administration, and what to expect in this area from the new Trump administration.

*For more information about cybersecurity issues you may email [Mahlet Makonnen](#) or [Frank Vlossak](#). Gray Eisler contributed to this section.*

## TRADE

### **China Adds 28 Companies to Export Control List for Dual-Use Items as Biden Administration Is Expected to Further Restrict AI Chip Exports**

#### *Key Points:*

- *China has added 28 companies to an export control list tied to dual-use items.*
- *In addition, it has placed 10 companies with ties to Taiwan arms sales on a list that would ban them from doing business in China.*
- *Although unconfirmed, the Biden Administration is reportedly seeking to further restrict AI chip exports to foreign adversaries.*

On January 2, China announced it would place an additional 28 companies to an export control list, citing national security concerns. In turn, the Chinese Ministry of Commerce has banned the exportation of dual-use items to the listed companies. It also placed 10 companies, all of whom have ties to arms sales to Taiwan, on an additional list that would prohibit them from conducting any business in the PRC. Impacted companies include American defense manufacturers like Raytheon, Boeing, and Lockheed Martin.

The developments follow a series of export controls imposed by both the U.S. and China; in early December the Commerce Department [expanded](#) its Entity List to include an additional 140 companies tied to semiconductors it claimed were “acting at the behest of Beijing to further the PRC’s advanced chip goals which pose a risk to ... national security.” That same day, China announced it would ban exports of gallium, germanium, and antimony to the U.S.

The Biden Administration may also impose additional export controls in the coming days, with a proposal that would allow foreign allies to essentially maintain full access while limiting access for foreign adversaries. Countries not classified as either would also be able to gain increased access after agreeing to U.S. human rights and security standards.

### **USTR Initiates Section 301 Investigation of Chinese Semiconductor Policies**

#### *Key Points:*

- *USTR has initiated a Section 301 investigation of China’s semiconductor policies.*
- *In a formal notice, the office alleges that China’s policies seek to ensure its dominance in the global semiconductor industry.*
- *The investigation will focus on legacy chips and their integration into critical industries.*

On December 23, 2024, U.S. Trade Representative (USTR) Tai [announced](#) the start of an investigation into China’s acts, policies, and practices targeting the semiconductor industry. Citing concerns that China is attempting to “dominate” the global semiconductor industry through non-market and anti-competitive means, USTR will conduct an investigation through Section 301 of the Trade Act of 1974 to determine if such actions are unreasonable or discriminate against, burden, or restrict U.S. commerce. If so, the office may then determine appropriate actions in response.

The formal [notice](#) from USTR alleges that the Chinese Communist Party (CCP) has manipulated state and private enterprises to bolster the nation’s role in the global semiconductor industry. In addition, the notice states that evidence indicates China has used preferential regulatory actions, market access restrictions, “wage-suppressing labor practices,” and forced technology transfers to benefit their domestic semiconductor manufacturers. In response, the Chinese Embassy to the U.S. has maintained that any claims of Chinese semiconductor manufacturing undermining U.S. industry and workers were unfounded. In turn, they have alleged that the investigation seeks to disrupt China’s semiconductor industry.

The investigation will focus on the PRC's manufacturing of legacy semiconductors and how Chinese legacy chips are tied to critical industries like defense, automobiles, medical devices, and power generation, among others. It will also provide an initial assessment of whether China's acts related to silicon carbide substrate production and other wafers used as inputs in semiconductor fabrication harm or discriminate against American commerce. USTR will also analyze the dependencies and vulnerabilities created by the overconcentration of semiconductor production in China and how it may harm domestic chipmakers.

The investigation comes after the Bureau of Industry and Security imposed export controls and restrictions on certain semiconductors in early December. A corresponding formal [notice](#) from the Commerce Department suggested that semiconductors were a critical element of the CCP's goal of having a world-class military by 2049. In addition, it states that China was trying to create an "independent and controllable" semiconductor ecosystem "with a related detriment to the technology leadership of the United States and its allies."

## **Representatives Adrian Smith and Linda Sanchez to Serve as House Ways and Means Trade Subcommittee Leadership**

### *Key Points:*

- *House Ways and Means Republicans have announced new subcommittee chairs for the 119<sup>th</sup> Congress. Representative Adrian Smith (R-NE) will continue as Chair of the Trade Subcommittee.*
- *In addition, Representative Linda Sanchez (D-CA) will lead Democrats on the Trade Subcommittee.*

On January 8, House Ways and Means Republicans selected new subcommittee leadership for the 119<sup>th</sup> Congress. While Representative Adrian Smith (R-NE) will resume his position as Chair of the Trade Subcommittee, House Ways and Means Democrats [announced](#) the following day that Representative Linda Sanchez (D-CA) would serve as the Subcommittee's Ranking Member.

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