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Washington Update

This Week In Congress

Senate – The Senate voted 52-47 but fell short of the 60 votes needed to invoke cloture on the Republican "skinny" coronavirus response package. The Senate confirmed five nominees to serve as U.S. District Court Judges.

House – The House met in pro forma session.

Next Week In Congress

Senate – The Senate will continue its consideration of judicial nominations, with eight on its schedule. Senate, House, and Administration leaders are expected to continue negotiations on a Continuing Resolution (CR) to extend government funding beyond the current September 30 expiration date.

House – The House is scheduled to vote on the Equity and Inclusion Enforcement Act (H.R. 2574), the Strength in Diversity Act (H.R. 2639), and the Pregnant Workers Fairness Act (H.R. 2694). The House may also consider the Ensuring Children and Child Care Workers Are Safe Act (H.R. 7909) and the 21st Century Community Learning Centers Coronavirus Relief Act. (H.R. 8162).

TAX

Senate Republicans Introduce Targeted COVID-19 Package, 52 Vote for It, Short of 60 Needed for Bill to Progress

Key Points:

- *Senate Republicans released a targeted COVID-19 relief package earlier this week.*
- *On a procedural motion, the proposal received 52 votes, but not the 60 needed to move forward. No Senate Democrats voted in favor of the legislation.*
- *The next step could be additional negotiations, now that Republicans have generally unified position, but the outlook on the next COVID package is decidedly unclear.*

As announced earlier this week by Senate Majority Leader McConnell (R-KY), Senate Republicans released a targeted COVID package which included:

- an additional $300 per week in federal unemployment benefits,
- liability protection,
- a second round of the Paycheck Protection Program (PPP) and reforms to the eligibility and related rules,

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- additional measures on health care and COVID response,
- additional funds and tax provisions for the nation's schools, and
- an enhanced charitable tax measure first enacted in the CARES Act.

On tax, the proposal would increase the $300 above-the-line deduction for 2020, enacted first in the CARES Act. The provision increases the amount to $600 for individuals and $1,200 for those filing a joint return.

The bill would allow parents of K-12 students at public, private, or religious schools to use 529 plan funds for expenses students may need to deal with the current circumstances that are not provided by the school, like books, online materials, and licensed tutoring. It would also allow parents who homeschool to use 529 plan funds for educational expenses. The bill would also create a tax credit in support of contributions to support charter schools and other educational options.

The Senate voted 52-47 Thursday on a procedural motion on the targeted Senate Republican COVID bill. All but one of the 53 Republicans voted in favor of the motion, achieving a goal of Republicans to have a unified position on a package and allowing vulnerable Republican Senators to vote for something concrete. However, the motion fell short of the 60 votes needed to move the bill forward.

As such, Thursday's vote may trigger more negotiations, but the targeted COVID package will not move forward at this time. The exact path of and prognosis for a potential COVID package remains at best unclear at this point.

Former Vice President Biden Proposes to Target Companies Seeking to Offshore with Tax Increases, Induce Reshoring with Incentives

Key Point:

- *Earlier this week the Biden campaign released new details on a tax proposal designed to target American companies seeking to offshore parts of their business.*
- *Coupled with measures to incentivize reshoring and expanding in the U.S., as well as enhanced Buy American policies, former Vice President Biden set out both penalties and incentives in the policy area.*

Earlier this week, the Biden campaign added details of a supply chain proposal, a tax increase which is designed to curb the departure of American companies seeking to utilize low cost labor overseas. According to the Biden campaign this proposal would levy an additional 10% surtax on income earned overseas by American corporations. Combined with Biden's proposal to increase the corporate tax rate to 28%, corporations would end up paying 30.8% on applicable profits.

During a campaign stop in Michigan, Vice President Biden referenced the proposal saying "I'm not looking to punish American businesses, but there's a better way." Biden also said he would implement anti-inversion regulations and end deductions and write-offs for costs incurred in sending production overseas if the same work could be done domestically by American workers. Some economists have expressed skepticism that the proposal would reach its intended goal of bolstering U.S. manufacturing. Kyle Pomerleau, a fellow at the American Enterprise Institute, said in a tweet that increased taxes on foreign profits would affect an asset's owner more than the asset's location.

A new "Made in America" tax credit to complement the proposed tax surcharge was also announced by the Biden campaign. The incentive would offer a 10 percent advanceable credit to companies making investments in domestic manufacturing by revitalizing closed facilities, retooling existing facilities for new purposes, reshoring production to the United States, creating new manufacturing jobs, or increasing wages for manufacturing workers. Vice President Biden also offered details on increasing GILTI minimum taxes to 21%, limiting other exclusions from GILTI and other changes to U.S. international taxes enacted in the TCJA.

Finally, the proposal includes enhanced Buy American policies which would promote federal procurement of U.S.-made products and seek to ensure critical goods are made in the United States.

For more information about tax issues you may email or call Christopher Hatcher at 202-659-8201. Josh Hansma contributed to this section.

FINANCIAL SERVICES

CFTC Releases Report on Climate Risk

Key Points:

- *The report asserts that climate change poses a major risk to the stability of the U.S. financial system and the economy. It urges regulators to recognize the severity of the risks posed by climate change and to take action in response.*
- *CFTC Commissioner Rostin Benham urged regulators and stakeholders to work to build a more climate-resilient financial system.*

On September 9, the Climate-Related Market Risk Subcommittee of the Commodity Futures Trading Commission's (CFTC) Market Risk Advisory Committee (MRAC) today released a report entitled "Managing Climate Risk in the U.S. Financial System." The Subcommittee approved the report by a vote of 34-0. The report includes a number of recommendations for the CFTC as well as for other federal and state financial regulators. The recommendations covered areas such as clarifying regulations on fiduciary duty relating to using climate related factors in investment decisions, corporate and municipal securities issuer disclosures including Fannie Mae and Freddie Mac, systemic risk oversight, accounting standards, among other areas.

The executive summary of the report states:

> **Climate change poses a major risk to the stability of the U.S. financial system and to its ability to sustain the American economy.** Climate change is already impacting or is anticipated to impact nearly every facet of the economy, including infrastructure, agriculture, residential and commercial property, as well as human health and labor productivity. Over time, if significant action is not taken to check rising global average temperatures, climate change impacts could impair the productive capacity of the economy and undermine its ability to generate employment, income, and opportunity. Even under optimistic emissions reduction scenarios, the United States, along with countries around the world, will have to continue to cope with some measure of climate change-related impacts.

> **The central message of this report is that U.S. financial regulators must recognize that climate change poses serious emerging risks to the U.S. financial system, and they should move urgently and decisively to measure, understand, and address these risks.** Achieving this goal calls for strengthening regulators' capabilities, expertise, and data and tools to better monitor, analyze, and quantify climate risks. It calls for working closely with the private sector to ensure that financial institutions and market participants do the same. And it calls for policy and regulatory choices that are flexible, open-ended, and adaptable to new information about climate change and its risks, based on close and iterative dialogue with the private sector.
>
> **At the same time, the financial community should not simply be reactive—it should provide solutions.** Regulators should recognize that the financial system can itself be a catalyst for investments that accelerate economic resilience and the transition to a net-zero emissions economy. Financial innovations, in the form of new financial products, services, and technologies, can help the U.S. economy better manage climate risk and help channel more capital into technologies essential for the transition.

In a press release, CFTC Commissioner and MRAC Sponsor Rostin Benham stated "with this report in hand, policymakers, regulators, and stakeholders can begin the process of taking thoughtful and intentional steps toward building a climate-resilient financial system that prepares our country for the decades to come.

Federal Reserve Releases Update on its Emergency Lending Programs

Key Point:

- *The Federal Reserve released data showing that the Main Street Lending Program has lent $1.2 billion across 118 loans.*

On September 8, the Federal Reserve Board released a report entitled "Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board under Section 13(3) of the Federal Reserve Act." The report provides updates on the emergency facilities set up by the Federal Reserve to address the economic fall impact stemming from the pandemic: the Primary Dealer Credit Facility (PDCF), the Money Market Mutual Fund Liquidity Facility (MMLF), the Commercial Paper Funding Facility (CPFF), the Primary Market Corporate Credit Facility (PMCCF), the Secondary Market Corporate Credit Facility (SMCCF), the Term Asset-Backed Securities Loan Facility (TALF), the Municipal Liquidity Facility (MLF), the Paycheck Protection Program Liquidity Facility (PPPLF), the Main Street New Loan Facility (MSNLF), the Main Street Expanded Loan Facility (MSELF), the Main Street Priority Loan Facility (MSPLF), the Nonprofit Organization New Loan Facility (NONLF), and the Nonprofit Organization Expanded Loan Facility (NOELF).

The report notes that as of September 7, the total amount outstanding under the five programs that make up the Main Street Lending Program was $1,072,475,936. Additional data released by the Federal Reserve showed that the Main Street Lending Program has lent $1.2 billion across 118 loans, with an average interest rate of 3.91%.

Additionally, on September 4, the Federal Reserve Bank of Boston announced that the Main Street Lending Program is now fully operational for loans to non-profit organizations.

Senate Banking Committee Holds Hearing on Federal Reserve Emergency Facilities

Key Points:

- *The Committee discussed potential improvements to Federal Reserve emergency facilities, particularly the Main Street Lending Program.*
- *Witnesses urged that the Main Street Lending Program be modified to encourage greater participation by mid-sized businesses.*

On September 9, the Senate Banking Committee held a hearing entitled "The Status of the Federal Reserve Emergency Lending Facilities." Chairman Mike Crapo (R-ID) noted that Title IV of the CARES Act provided a $500 billion infusion into the Exchange Stabilization Fund to support Federal Reserve emergency facilities, and about $250 billion of this funding is still remaining. He said witnesses would provide recommendations on how to improve the Main Street Lending Program (MSLP) and the Municipal Liquidity Facility (MLF). He noted that he was also interested in how to help the commerce real estate (CRE) market. He said he has urged the Treasury and the Federal Reserve to address CRE through the MSLP or a separate facility. He expressed interest in how to best use the remaining Title IV funds.

Ranking Member Sherrod Brown (D-OH) said the pandemic has highlighted inequalities in the U.S. economy. He stressed the need to do more to help workers. He said corporations have run ads saying they are dedicated to essential workers, but have not followed up on them with higher wages or safer workplaces. He said the President's failure to get the pandemic under control is keeping millions of people out of the economy. He said President Trump has allowed the virus to "rage out of control," noting that the U.S. has 4 percent of the world's population but 22 percent of the COVID-19 deaths. Brown criticized Republicans for allowing the $600/week enhanced unemployment benefits in the CARES Act to expire and refusing to pass additional response legislation. He argued that none of the Federal Reserve's emergency lending programs are actually helping workers.

Hal Scott (Committee on Capital Markets Regulation) said the Committee on Capital Markets Regulation believes small and medium-sized businesses will need support for several years to recover from the pandemic. He noted that Committee on Capital Markets Regulation is recommending that MSLP be restructured to take on more risk by requiring that the Federal Reserve make 100 percent of each loan rather than the current 95 percent. He said these loans should be at below market rates and have longer terms. Scott suggested that MSLP loans should be available on a first come, first served basis, but should not be available to businesses that can obtain market rate loans. He said the Committee on Capital Markets Regulation has recommended that Congress enact Chairman Crapo's amendment to clarify that Congress's intent was for the Treasury Department to take credit risk. He stated that if this is not possible, the Committee should send a bipartisan letter to Secretary Mnuchin clarifying that this was the intent of Congress.

Jeffrey D. DeBoer (The Real Estate Roundtable) stated that the goal of the MSLP was to provide capital to mid-sized businesses, but it is not lending as it is too risk averse to respond to rapidly developing conditions. He stated that problems with the MSLP could be addressed administratively and without additional legislation. He argued that 100 percent of the loans should be through the Federal Reserve rather than 95 percent, while the loans should be serviced by banks to maturity. He said banks should be compensated by the bond holders, which in this case would be the Treasury Department. He stressed the need to address the inappropriate leverage limits and unworkable underwriting rules. DeBoer urged Congress to provide additional rental assistance to residential and business tenants. He said the tax code should support healthy workplaces, Congress should facilitate debt workouts, and expressed a need to provide reasonable liability protection against unnecessary lawsuits. He also called on Congress to create a federal pandemic risk insurance program. He acknowledged the size and complexity of these recommendations, but contended they are necessary for economic recovery.

House Financial Services Panel Holds Hearing on Holding Regulators Accountable for Diversity and Inclusion

Key Point:

- *The Subcommittee received testimony from the directors of the OMWI for the OCC, Federal Reserve, FDIC, NCUA, Treasury Department, FDIC, NCUA, SEC, FHFA, and CFPB.*

On September 8, 2020, the House Financial Services Committee's Subcommittee on Diversity and Inclusion held a hearing entitled "Holding Financial Regulators Accountable for Diversity and Inclusion: Perspectives from the Offices of Minority and Women Inclusion." The Subcommittee received testimony from the directors of the Office of Minority and Women Inclusion (OMWI) at the Office of the Comptroller of the Currency (OCC), the Federal Reserve System, the Federal Reserve Bank of New York (FRBNY), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Treasury Department, the Securities and Exchange Commission (SEC), the Federal Housing Finance Agency (FHFA), and the Consumer Financial Protection Bureau (CFPB).

Chairwoman Joyce Beatty (D-OH) expressed hope this hearing would be able to highlight past OMWI successes in diversity and inclusion. She touted successes of Democratic members of Congress to enhance diversity and inclusion in the financial sector based on provisions set forth in the Dodd-Frank Act. She expressed concern this pandemic has disproportionately affected low income communities of color. She stressed diversity and inclusion is a "business imperative," and will help to close the racial wealth gap in America. She expressed concern there is a serious lack of diversity and inclusion in the upper levels of financial regulatory agencies. She noted Federal Reserve Chairman Jerome Powell acknowledged how racism harms communities of color. She added this Committee has charged big banks with releasing information on diversity and inclusion efforts being undertaken at their respective institutions.

Ranking Member Ann Wagner (R-MO) stated companies with diverse workforces offer increasing innovative solutions as well as compete more efficiently than companies with less diversity. She stressed federal agencies will realize benefits from creating a diverse workforce. She urged these agencies to ensure office environments are inclusive for people of all genders and races. She urged companies to adjust culture to promote the development of diverse talent through plans of specific action. She noted these changes should be made from the top down and high-level employees should set examples for those they manage. She noted the private sector has developed a set of best practices to recruit and retain a diverse workforce which the public sector should learn from. She stressed the practices such as mentorship, employee resource groups, and flexible work hours would assist the private sector in fostering diversity.

House Financial Services Committee Holds Hearing on Financial Aid for State and Local Governments

Key Point:

- *Chairwoman Maxine Waters (D-CA) criticized Republicans for blocking legislation which would have provided financial support to states struggling with lost revenues as a result of the pandemic.*

On September 10, the House Financial Services Committee held a hearing entitled "The Need for Financial Aid to America's States and Territories During the Pandemic: Supporting First Responders, Assisting Schools in Their Efforts to Safely Educate, and Preventing Mass Layoffs." The Committee heard testimony from New Mexico Governor Michelle Lujan Grisham (D), Minnesota Governor Tim Walz (D), Kansas Governor Laura Kelly (D), Guam Governor Lou Leon Guerrero (D), and American Action Forum President Douglas Holtz-Eakin.

Chairwoman Maxine Waters (D-CA) stated the coronavirus pandemic crisis continues to cause harm across the nation. She noted the unemployment rate for black, Hispanic, and Asian workers is still above 10 percent and Congress must provide financial relief to the nation's states and territories. She shared frustration that the Minority did not invite any Republican governors to the hearing. She highlighted states which have stepped up to purchase personal protective equipment (PPE) and test kits, tackle remote learning for at-risk students, and approve unanticipated expenditures despite steep declines in tax revenue. She noted budget cuts are not the solution to budget shortfalls and additional financial support is necessary. She said the National Governor's Association (NGA) has called on Congress to provide more COVID-19 relief, but Republicans have declined to advance the Heroes Act (H.R. 6800) even though it would clarify Treasury requirements to prevent misuse of relief funds, extend unemployment benefits, and provide funding to states and localities.

Ranking Member Patrick McHenry (R-NC) stated the Committee is prioritizing Democrat goals and has not invited enough Republican governors to testify. He noted the topic does not fall under the jurisdiction of the Financial Services Committee. He suggested a reasonable compromise to support workers and small businesses while improving the health care response and testing regime to get Americans back to work and back in school. He said state-level struggles are not a result of poor funding. He noted the best way to support local economies is through supporting local businesses. He said Democrat partisanship prevents small businesses from accessing critical support.

Upcoming Hearings and Meetings

September 14

FHFA Re-proposed Capital Rule: The Federal Housing Finance Agency (FHFA) will host a listening session on affordable housing access related to the re-proposed capital rule for Fannie Mae and Freddie Mac.

September 15

FDIC Board Meeting: The Federal Deposit Insurance Corporation (FDIC) will hold a board meeting to consider its Deposit Insurance Fund (DIF) Restoration Plan.

<u>September 16</u>

SEC Open Meeting: The SEC will hold an open meeting to consider whether to "modernize and enhance the efficiency of the shareholder-proposal process for the benefit of all shareholders by adopting amendments to certain procedural requirements for the submission of shareholder proposals and the provision relating to resubmitted proposals under Rule 14a-8."

Asset Management Advisory Committee: The SEC's Asset Management Advisory Committee (AMAC) will hold a virtual meeting featuring two discussions related to: (1) the Environmental, Social, and Governance (ESG) Subcommittee and Private Investments Subcommittee; and (2) improving diversity and inclusion. The meeting will also include a follow up conversation on COVID-19 matters discussed in AMAC's May 24th meeting.

FHFA: The House Financial Services Committee will hold a hearing entitled "Prioritizing Fannie's and Freddie's Capital over America's Homeowners and Renters? A Review of the Federal Housing Finance Agency's Response to the COVID-19 Pandemic."

<u>September 17</u>

Insider Trading: The House Financial Services Committee will hold a hearing entitled "Insider Trading and Stock Option Grants: An Examination of Corporate Integrity in the COVID-19 Pandemic." The hearing is expected to at least partially focus on the SEC's investigation into possible insider trading related to Kodak's announcement that it would repurpose its manufacturing capacity to produce generic pharmaceuticals.

Congressional Oversight Commission: The Congressional Oversight Commission will hold a hearing to examine the Municipal Liquidity Facility established by the Federal Reserve pursuant to the CARES Act.

<u>September 22</u>

Treasury and the Fed: The House Financial Services Committee will hold a hearing entitled "Oversight of the Treasury Department's and Federal Reserve's Pandemic Response."

OCC Committee Meeting: The Office of the Comptroller of the Currency's (OCC) Mutual Savings Association Advisory Committee (MSAAC) will host a virtual meting to "advise the OCC on regulatory or other changes the OCC may make to ensure the continued health and viability of mutual savings associations."

<u>September 24</u>

Investor Advisory Committee: The SEC's Investor Advisory Committee (IAC) will hold a virtual meeting featuring two panel discussions: (1) a discussion regarding self-directed individual retirement accounts; and (2) a discussion regarding minority community investor inclusion.

Lab CFTC: The Commodity Futures Trading Commission's (CFTC) LabCFTC will hold the first segment of "Empower Innovation 2020, "a three-part series of interactive virtual events designed to facilitate a dialogue among innovators, regulators, market participants, and the public around cutting-edge fintech innovation."

CFIUS: The House Financial Services Committee will hold a hearing entitled "An Examination of the Administration's Implementation of Statutory Reforms to the Committee on Foreign Investment in the United States."

Agricultural Advisory Committee: The CFTC will hold a meeting of its Agricultural Advisory Committee.

September 29
Fintech: The House Financial Services Committee will hold a hearing entitled "License to Bank: Examining the Legal Framework Governing Who Can Lend and Process Payments in the Fintech Age."

For more information about financial services issues you may email Joel Oswald or Alex Barcham.

ENERGY AND ENVIRONMENT

Upcoming Hearing and Events

September 16
Clean Energy and Economic Recovery: The House Energy and Commerce Committee's Environment and Climate Change Subcommittee will hold a hearing titled "Building a 100 Percent Clean Economy: Opportunities for an Equitable, Low-Carbon Recovery."

FERC Nominations: The Senate Energy and Natural Resources Committee will hold a hearing on the nominations of: Allison Clements, to be a Member of the Federal Energy Regulatory Commission (FERC) for a term expiring June 30, 2024; and Mark C. Christie, to be a Member of the FERC for a term expiring June 30, 2025.

Public Lands Legislation: The Senate Energy and Natural Resources Committee's Subcommittee on Public Lands, Forests, and Mining will hold a hearing on pending legislation.

September 17
FERC Meeting: The Federal Energy Regulatory Commission (FERC) will hold its monthly open meeting. The agenda includes: "Customer Matters, Reliability, Security and Market Operations"; and "Recent Changes in Commission Rehearing Practice".

September 21-25
Clean Energy Week: A group of energy organizations and associations will host the annual "National Clean Energy Week", a virtual public policy forum. The event will examine "the world's most pressing challenges in nuclear, solar, wind, wave, hydropower, geothermal, natural gas, biomass, carbon capture, storage, and waste-to-energy technologies." Participants will "hear directly from Republican and Democratic policymakers and top speakers in clean energy investment and innovation."

September 22
Appliance Standards: The Department of Energy's Appliance Standards and Rulemaking Federal Advisory Committee (ASRAC) will hold a meeting via webinar. The meeting will include a discussion

and prioritization of topic areas on which ASRAC can assist the Appliance and Equipment Standards Program."

September 29

Oil and Gas Benchmark Prices: The Energy Forum will hold a panel discussion on "Changes in Key Oil and Gas Benchmark Prices". The event will "convene representatives from exchange operators, CME Group and Intercontinental Exchange, and provider of price information and market analysis, Argus Media, to discuss development of new benchmarks as well as efforts to facilitate price discovery on new patterns of exports and trade."

September 30

Carbon Pricing: The Federal Energy Regulatory Commission (FERC) will hold a technical conference on "Carbon Pricing in Organized Wholesale Electricity Markets". The conference is expected to "discuss considerations related to state adoption of mechanisms to price carbon dioxide emissions, commonly referred to as carbon pricing, in regions with Commission-jurisdictional organized wholesale electricity markets." The agenda includes: "Legal Considerations for State-Adopted Carbon Pricing and RTO/ISO Markets"; "Considerations for Market Design"; and "Overview of Carbon Pricing Mechanisms and Interactions with RTO/ISO Markets".

October 4-5

State Energy Officials: The National Association of State Energy Officials (NASEO) will hold its annual meeting. The agenda for the two-day virtual event includes: "Lessons of Federal Stimulus Past, Present, and Future"; "Planning for Great Results: How States are Attracting Resources to Pair Economic Development with Community Resilience, Transportation Transformation, and Electricity Optimization"; "COVID-19 Impacts on the American Economy"; "State of Play: Congressional Energy Policy, Appropriations, and Stimulus Actions"; and "Energy Systems Going Clean, Distributed, and Integrated".

October 7

Winter Energy Outlook: The Energy Information Administration (EIA) and the National Association of State Energy Officials (NASEO) will hold the annual 2020-2021 Winter Outlook Webinar. The event "will address global oil supply uncertainty, and the effects of projected winter weather on the demand for heating and key transportation fuels…[and] include a presentation on EIA's Winter Fuels Outlook, as well as presentations from well-known industry representatives and energy experts who will provide their views on factors that will affect energy markets this winter in the United States and globally."

Gas Pipeline Regulatory Reform: The Pipeline and Hazardous Materials Safety Administration's (PHMSA) Gas Pipeline Advisory Committee (GPAC) will hold a meeting to discuss Notice of Proposed Rulemaking titled "Gas Pipeline Regulatory Reform".

November 11

Future of Decarbonization Efforts: The Energy Forum will hold an event titled "The Green Real Deal: A Fireside Chat With Former U.S. Secretary of Energy Ernest Moniz".

For more information about energy and environment issues you may email or call Frank Vlossak at 202-659-8201. Updates on energy and environment issues are also available on twitter.

HEALTH

Senate HELP Holds Hearing on COVID Vaccine Development

Key Points:
- *On Wednesday, the Senate HELP Committee held a hearing with the U.S. Surgeon General and Director of the National Institutes of Health (NIH).*
- *Witnesses assured the Committee that vaccine development is adhering to safety and efficacy protocols.*
- *Senators also questioned witnesses on the timeline for development, initiatives to improve vaccine confidence, and efforts to provide a COVID vaccine without cost-sharing.*

On September 9, the Senate Health, Education, Labor and Pensions (HELP) Committee held a hearing entitled "Vaccines Saving Lives, Ensuring Confidence, and Protecting Public Health." Topics discussed in the hearing included: (1) Safety and Efficacy Protocols; (2) Vaccine Storage; (3) Influenza/Childhood Vaccinations; (4) Vaccine Confidence/Hesitancy; (5) Vaccine Costs; (6) Approval Timeline; (7) Industry Partnerships; (8) Multi-Dose Vaccines; (9) Distribution; (10) Vaccine Mandates; (11) Clinical Trial Participation; (12) Monoclonal Antibodies; (13) Testing; (14) International Engagement; (15) Future Pandemic Response; and (6) Future Committee Hearings.

Chairman Lamar Alexander (R-TN) began the hearing by highlighting the historic role that vaccines have played in effectively eradicating diseases such as polio and smallpox. He acknowledged many Americans are concerned that COVID vaccine development will "cut corners" but he instead attributed the record timeline on which development is proceeding to the parallel manufacturing approach being taken under Operation Warp Speed. Ranking Member Patty Murray (D-WA) expressed concern that President Trump is exerting political pressure on the Food and Drug Administration (FDA) to approve a vaccine, and she recommended that the agency issue official guidance and standards for independent reviews of phase III clinical trial data.

Senators' questions focused largely on the importance of maintaining safety and efficacy standards in vaccine development to instill public confidence in a vaccine. Director Collins noted phase III clinical trial data is first subject to an independent review by the Data and Safety Monitoring Board (DSMB) before being assessed by FDA for possible approval. Collins also highlighted a letter sent by executives of the companies involved in Operation Warp Speed as evidence that vaccine developers are committed to upholding safety and efficacy in their development. Surgeon General Jerome Adams recognized the issue of vaccine hesitancy, and he said the Administration is working with community leaders and physicians to promote vaccine safety information. He encouraged Americans to seek out influenza vaccines and expressed confidence that physicians' offices are safe places to receive childhood vaccinations. Adams also committed that he and his children would receive a COVID vaccine when it becomes available. Both witnesses assured the Committee that development has not been subject to political pressure and that approval determinations will be made on the basis of science.

On development, NIH Director Francis Collins explained Operation Warp speed is sponsoring six candidates which are taking three different approaches to developing a COVID vaccine. He identified the common factor in development as an attempt to initiative an immune response against the spike protein of SARS-CoV-2. Director Collins also clarified that none of the six candidates were using the historical method of injecting an inactivated version of the virus. In response to a question from Senator Bill Cassidy (R-LA), Director Collins said monoclonal antibodies also hold potential value as a passive vaccine. He expressed a preference for a single dose vaccine while recognizing that the first available vaccine may require multiple doses.

Senators also questioned witnesses on an accurate timeline for vaccine development. Director Collins expressed optimism that at least one candidate could be available by the end of the year. He said that by the time 150 cases of COVID-19 are present in a clinical trial population, a determination can be made as to whether a candidate is 50 percent effective. Surgeon General Adams echoed these remarks, pointing to the high number (30,000) of participants in phase III trials as the reason for optimism on a faster efficacy signal. Both witnesses acknowledged the importance of enrolling a diverse population in clinical trials to ensure accurate results across demographics.

Senator Bernie Sanders (I-VT) pressed witnesses to commit to making a COVID vaccine available at no cost. Surgeon General Adams said he had been told by Administration officials earlier in the day that every federal tool will be used to remove barriers to people receiving a vaccine. Director Collins noted contracts in Operation Warp Speed allow the federal government to purchase millions of doses of a vaccine that could be distributed to providers at no charge. He added similar purchasing agreements exist for vials, syringes, and personal protective equipment (PPE) needed to administer a vaccine.

For more information about healthcare issues you may email or call Nicole Ruzinski Bertsch or George Olsen at 202-659-8201. Thomas McGrath contributed to this section.

TRADE

U.K.'s Proposed Actions on Brexit May Adversely Affect U.S.-U.K. Trade Negotiations

Key Points:

- *United Kingdom (U.K.) Prime Minister Boris Johnson and the U.K.'s Conservative government released a controversial Internal Market Bill on Wednesday that would transfer regulatory powers over some sectors from the EU back to various levels of U.K. government.*
- *Speaker of the House Nancy Pelosi (D-CA) ruled out a bilateral trade deal if the U.K. breaks its Brexit agreement with the EU over the Irish border.*

United Kingdom (U.K.) Prime Minister Boris Johnson and the U.K.'s Conservative government released a controversial Internal Market Bill on Wednesday that would transfer regulatory powers over some sectors from the EU back to various levels of U.K. government. The proposal runs counter to a prior withdrawal agreement that the U.K. had reached with the European Union (EU) on Brexit and would break a protocol protecting the Good Friday Peace Agreement of 1998 between Northern Ireland, which remains a part of the U.K., and the Republic of Ireland. The proposed legislation would allow the U.K.

to unilaterally define which goods traveling from Great Britain to Northern Ireland should be subject to tariffs, which is a decision that should be made by the U.K.-EU Joint Committee.

On Wednesday, Speaker of the House Nancy Pelosi (D-CA) ruled out a bilateral U.S. trade deal if the U.K. breaks its Brexit agreement with the EU over the Irish border. House Ways and Means Chairman Richard Neal (D-MA) urged the U.K. to uphold the terms of the agreement, particularly with respect to the treatment of Northern Ireland.

Critics of the U.K.'s proposed action warn that the decision could also hinder efforts by the U.K. and other democratic governments to pressure China to protect democracy in Hong Kong and increase pressure for another referendum on Scottish independence from Britain.

On Friday, the U.K. announced a new Comprehensive Economic Partnership Agreement with Japan which represents one of the first bilateral trade deals by the U.K. post-Brexit decision.

U.S., EU Still Far from Agreement on Digital Tax

Key Points:

- *U.S. and European Union (EU) negotiators are still far from an agreement on some basic aspects of the proposed digital tax, according to the Organisation for Economic Co-operation and Development's (OECD) blueprints for tax.*
- *U.S. and EU negotiators must determine the scope and tax rates of the digital tax before the end of the year or face the prospect of a trade war.*

U.S. and European Union (EU) negotiators are still far from an agreement on some basic aspects of the proposed digital tax, according to the Organisation for Economic Co-operation and Development's (OECD) blueprints for tax.

EU finance ministers are determined to ensure the digital tax applies to U.S. tech giants and want them to start paying the taxes in 2021. U.S. negotiators are arguing that the tax should only apply to digital companies and will only consider a tax that U.S. tech firms would pay voluntarily. U.S. and EU negotiators must determine the scope and tax rates of the digital tax before the end of the year or face the prospect of a trade war.

The OECD's plans for a global digital tax consists of two pillars. The first pillar seeks to ensure big digital and multinational companies are taxed in the places where they generate profit. The second pillar aims to set a global minimum corporate tax rate. The first pillar is the most contentious, with U.S. negotiators determined to protect U.S. tech giants from foreign tax collectors. The main point of contention for the second pillar centers around the rate for the corporate tax and if there will be any carve-outs. The global intangible low-taxed income (GILTI) regime enacted in the Tax Cuts and Jobs Act (TCJA) is an example of a minimum tax.

Even if an agreement is reached on the first pillar, U.S. negotiators have introduced a concept of a "safe harbor" that would give U.S. companies the freedom to opt out of the levy. The United States has also threatened Section 301 tariff retaliation if countries implement digital taxes unilaterally, something France and is considering. On Friday, EU Commissioner Thierry Breton announced that the EU also plans to implement a unilateral digital tax by the end of the year if OECD negotiations fail.

U.S. Issues Bans on Three Xinjiang Firms, Plans More Bans on Cotton, Textiles, and Tomatoes; Hearing on Issue Announced Next Week in House Ways and Means

Key Points:

- *The Trump Administration announced that it has banned imports from three companies in the Xinjiang region of China over China's alleged repression of the Uighur Muslim minority group.*
- *The Administration also announced that it plans place bans on six more firms in the region, targeting cotton, textiles, and tomatoes.*
- *The House Ways and Means Committee will consider how to enforce such bans in a hearing next week.*

The Trump Administration announced that it has banned imports from three companies in the Xinjiang region of China over China's alleged repression of the Uighur Muslim minority group. The Administration also announced that it plans place bans on six more firms in the region, targeting cotton, textiles, and tomatoes.

U.S. Customs and Border Protection (CBP) plans to issue a withhold release order, which it used to combat forced labor in global supply chains, on six Chinese companies. CBP said the withhold release orders will address three firms that operate in the cotton, textile and apparel industries, one in computer parts and two in hair products. The measures could have a broad impact on the U.S. textile industry, which relies heavily on Chinese cotton.

China may retaliate with countermeasures, such as adopting high tariffs on U.S. cotton or not allocating import quotas to U.S. supplies.

The House Ways and Means Committee's Trade Subcommittee announced it will hold a hearing on "Enforcing the Ban on Imports Produced by Forced Labor in Xinjiang" on Thursday, September 17, 2020.

AFL-CIO to File USMCA Labor Challenge Against Mexico

This month the AFL-CIO will file a labor complaint against Mexico under the U.S.-Mexico-Canada Agreement (USMCA). The complaint will be filed using USMCA's new process for a facility-specific rapid-response mechanism that allows a party to request an expedited review of specific factories in which workers are allegedly being denied freedom of association and collective bargaining. The rapid-response tool offers several remedies if an independent panel determines workers' rights have been violated, including a suspension of duty-free treatment for goods produced at the facility found to be in violation.

Upcoming Hearings and Events

__September 17, 2020__
Import Ban on Xinjiang: The House Ways and Means Committee's Subcommittee on Trade will hold a hearing on "Enforcing the Ban on Imports Produced by Forced Labor in Xinjiang" on Thursday, September 17, 2020 at 12:00pm.

For more information about trade issues you may email or call Christopher Hatcher at 202-659-8201. Ryan Sigmon contributed to this section.

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