

MORNING COLOR

September 10, 2024

Today's Driving Events

- **The Fed's Capital Plan:** Federal Reserve Vice Chair for Supervision Michael Barr will provide an overview of planned changes to federal banking regulators' proposed bank capital rules today ahead of an expected vote to re-propose the rules as soon as the end of this month.
- **Doctor, Doctor, Give Me the News:** Senate Democrats reportedly plan to hold a vote on legislation to make enhanced subsidies for the Affordable Care Act permanent.
- **Even the Best Procrastinate:** Congress will primarily be consumed with punting on FY25 spending over the next three weeks, leaving most of its outstanding items for consideration during the post-election lame duck session.

Regulators Agree to Revise Bank Capital Reforms: Following a summer of internal disagreements and significant external input, federal banking regulators appear ready to move forward with a revised version of the Basel III Endgame capital reforms for banks. **Later this morning at 10:00 a.m., Federal Reserve Vice Chair for Supervision Michael Barr will outline regulators' planned changes to the proposed bank capital rules during an [event](#) at the Brookings Institution.** While the full details of the revisions may not be released until regulators officially approve the new plan, today's announcement is expected to outline a significantly scaled back capital hike as compared to what was [proposed](#) in July 2023. **In total, the changes are expected to result in a capital hike of around nine percent for the largest US banks per [Bloomberg](#), a decrease from the 19 percent called for in the initial plan.** According to [reporting](#) from Bloomberg, the changes previewed by Barr are expected to lower the capital requirements associated with the proposal's operational risk, credit risk, and market risk provisions. **Chief among the expected operational risk adjustments is a change to the capital requirements related to banks' non-interest activities, known as the services component.** In the initial proposal of the rule, the formula for calculating operational risk would have disadvantaged banks with significant non-interest income, i.e. those banks which generate a sizable share of revenue from investment banking activities, wealth-management services, or credit card fees. The new proposal is

expected to lower the capital requirements associated with these activities. Such a change would be advantageous to banks such as **American Express (AXP)**, **UBS Group (UBS)**, and **Deutsche Bank (DB)** according to [calculations](#) from the Bank Policy Institute. **Bloomberg reports that regulators also plan to do away with the internal loss multiplier included in the operational risk framework.** The multiplier would have adjusted a bank's capital requirements based in part on its last 10 years of operational risk-related losses, but [analysis](#) from Risk.net and industry participants shows that it would only serve to magnify capital requirements for larger institutions while failing to predict losses. **As Reuters reported earlier this spring, Bloomberg also notes that the new proposal will likely include revisions to the credit risk component of the framework.** In particular, regulators appear likely to roll back risk weighted capital requirements pertaining to tax-equity financing of renewable energy projects and mortgage lending to low-income households. Both aspects of the initial proposal faced bipartisan opposition. Separately, possible changes to the market-risk provisions tied to the size of a bank's trading book would have an outsized impact on **Goldman Sachs (GS)**, **JPMorgan Chase (JPM)**, **Morgan Stanley (MS)**, **Bank of America (BAC)**, and **Citigroup (C)** per the Wall Street [Journal](#). **Importantly, regulators are hoping to move quickly on the re-proposal, with plans to release the updated version of the rules as soon as September 19th per Bloomberg.** While the banks and other industry participants will have an opportunity to comment on the new rules, the re-proposal could take a slightly different shape than is traditional. **Capitol Account reported earlier this summer that the agencies will put the revised rules out for comment alongside a long-planned quantitative impact analysis of the plan. The comment period could be as short as 60 days in an effort to finalize the rule early next year.** Such a quick turnaround would potentially insulate the proposal from the political impacts of the election, although it's far from a guarantee. **Federal Reserve Board Chair Jerome Powell himself indicated that the rule might not be finalized until "well into next year," according to Bloomberg.** GOP lawmakers strongly opposed the original version of the rule and many expressed [dissatisfaction](#) in response to rumors of regulators' re-proposal plans. **If former President Trump secures a second term, failure to finalize the rules before Inauguration Day could give the former president time to block or alter them. A GOP sweep on Election Night could also give Congress the ability to roll the rules back through a Congressional Review Act resolution even if they are finalized early next year.** Legal threats are also a concern for regulators. Powell [met](#) with CEOs from some of the country's largest banks earlier this year in an effort to stave off a possible lawsuit that would leave the fate of the capital rules up to the courts.

The Clock Is Ticking on Affordable Care Act Subsidies: The 2025 tax cliff is also a healthcare cliff. The individual provisions of the 2017 Tax Cuts and Jobs Act (TCJA) expire at the end of next year, giving the next president and Congress the power to update the tax code. For Democrats, there will be another important to-do: addressing Obamacare subsidies. **Enhanced Affordable Care Act (ACA)**

subsidies for insurance premiums will also expire at the end of next year. Politico reported yesterday that **Senate Democrats plan to hold a vote soon on a bill from Senator Jeanne Shaheen (D-NH) to make these subsidies permanent.** The expiration of the ACA premium subsidies would raise costs for those insured via the Obamacare marketplaces, threatening the stability of ACA implementation. According to the Centers for Medicare and Medicaid Services 2022 [open enrollment report](#), the enhanced subsidies brought the average Healthcare.gov premium to \$111. Without the extra money, it would have been \$170. **Making the subsidies permanent is not cheap. Earlier this year, the Congressional Budget Office [calculated](#) in a report that it would widen the deficit by \$335 billion over the next decade.** Congressional Democrats originally passed the enhanced subsidies as part of President Biden's American Rescue Plan in 2021 and extended them on a temporary basis in the Inflation Reduction Act of 2022, both on party-line votes. **Any attempt by Democrats to make the subsidies permanent is virtually certain to fail as a result of the 60-vote threshold needed to defeat a likely Republican filibuster. This can be seen as more of a political messaging effort ahead of the election.** A quixotic bid to shore up the ACA marketplace and lower healthcare costs for families allows Democrats to go on offense on this issue, which has historically been solid ground for the party. Healthcare featured prominently as an issue in the 2018 midterm elections when Democrats won a House majority, fresh off the GOP's failed attempt to repeal the ACA. Vice President Harris enjoys a polling advantage over former President Trump on healthcare this year, and a vote on Shaheen's bill would allow Harris to continue driving the message home. According to an ABC News/Ipsos poll conducted in late August after the Democratic National Convention, 45 percent of voters [trusted](#) Harris more on healthcare, compared to 35 percent for former President Trump. **The future of the enhanced ACA premium subsidies ultimately depends on the election outcome.** Our two base cases are: (1) divided government with Democrats in control of the White House and House and Republicans in control of the Senate: and (2) a Republican sweep. Under divided government, the ACA subsidies are poised to become a bargaining chip in tax reform. The two parties would have to compromise in extending expiring provisions of the TCJA. Democrats would likely push for an extension (temporary or permanent) and would need to give the GOP a victory in return. Under unified Republican control of the federal government, the GOP would likely allow the subsidies to expire. Trump has previously [pledged](#) to repeal the ACA but later [said](#) he wouldn't kill the law, which has become popular in the nearly decade and a half since its passage. Repealing the ACA outright may be politically challenging for Republicans but quietly letting the subsidies disappear, which wouldn't require any action on their part, is easier.

What Can Congress Get Done?: Congress better be well-rested from its six-month summer recess because **there's only a (hectic) three-week window between now and when government funding runs out and lawmakers go on recess (again) to campaign before the elections.** Anything that doesn't get done soon will have to be dealt with in the lame duck session that occurs after the election.

Government funding is clearly the biggest item on lawmakers' to-do list. We can (once again) **expect to see a battle of high-stakes bluffs that will push any compromise close to the September 30th deadline.** Between funding negotiations and partisan messaging bills, **there's not going to be much oxygen in the room to fuel the other legislation currently being batted around. It's generally accepted that both sides will come to some deal extending funding.** The lines in the sand on the spending debate focus on two main topics, the first one being how long the continuing resolution (CR) should last. **Democrats have united around extending government spending for three months** (to expire in December) while **House Republicans are trying to build support for a six-month CR** (which would last until April). **The underlying reason driving the disagreement is that both parties have different predictions for how the election will go.** Democrats want to set up an earlier deadline as they aspire to complete full-year appropriations bills during the lame duck session. If Vice President Harris wins, Democrats see it as beneficial to take the spending fight off her plate so she can hit the ground running after her term begins. **Republicans see that one of the likely outcomes of the election is a GOP sweep** and would like to hold off on wrapping up the appropriations discussion until they have a stronger hand. The second fight concerns a policy issue; Republicans want to attach the SAVE Act requiring voters to provide proof of citizenship for voter registration to the budget while Democrats are insisting on a "clean" CR with no strings attached. While not necessarily impacting the fight over the CR, the two sides also don't agree on the ultimate FY25 topline spending levels — House Republicans want cuts to non-defense spending and a hike in defense spending while Democrats want to increase both categories and, at a minimum, adhere to the FY25 spending levels addressed in the Fiscal Responsibility Act, including the side deals reached by then-House Speaker Kevin McCarthy (R-CA) and the Biden administration. Current House Speaker Mike Johnson (R-LA) will try to pass a partisan CR this week but already it's not clear such a measure would pass given internal pushback, with [Axios reporting](#) last evening that at least five House GOP members oppose Johnson's CR. **Ultimately, (most) Republicans prefer to avoid the optics of causing a shutdown in the run-up to the election** and GOP critics of Johnson don't have the stomach to initiate another motion to vacate this month. **There's also the plethora of other legislative proposals flying around aiming to get passed before the term ends.** Such bills may find it difficult to justify floor time on their own; as a result, their best chance is getting attached to the must-pass annual National Defense Authorization Act or a full-year spending package or additional CR, assuming the former is possible or the latter is needed in December. **Policies that have a chance to catch a ride on one of the final must-pass legislative vehicles of this Congress include reforms to pharmacy benefit managers, a temporary extension of telehealth eligibility under Medicare, extensions on expiring health measures, and bills tackling Chinese influence.** Other proposals, like a tax deal or the rail safety bill face much steeper chances. Partisan measures trying to score points in the shadow of the election and the confirmation of judicial nominees are also fighting for priority. We will publish a Spotlight Report

later today with a more in-depth analysis of what could get passed before the 118th Congress calls it quits.

House

The House will reconvene at 12:00 p.m. and is expected to consider a bill that would establish a "CCP Initiative" within the Justice Department to counter espionage, theft of intellectual property and trade secrets, and threats to critical infrastructure posed by the Chinese Communist Party, and a bill that would make the Agriculture secretary a member of the Committee on Foreign Investment in the United States and require the committee to determine if reportable agricultural transactions need to be reviewed for national security implications.

Senate

The Senate will reconvene at 10:00 a.m. and will resume consideration of the nomination of Adam Abelson to be a judge on the District Court of Maryland. At 11:30 a.m., the chamber will hold a final confirmation vote on Abelson's nomination and a procedural vote on the nomination of Jeannette Vargas to be a judge on the Southern District Court of New York. The Senate will then recess until 2:15 p.m. for respective weekly caucus lunches. At 2:15 p.m., the chamber will hold a final confirmation vote on Vargas' nomination.

White House

President Biden will receive his daily intelligence briefing at 10:00 a.m. At 11:00 a.m., the president will welcome the University of South Carolina women's basketball team to celebrate their 2023-2024 NCAA championship season. At 1:30 p.m., Biden will welcome the University of Connecticut men's basketball team to celebrate their 2023-2024 NCAA championship season. At 4:35 p.m., the president will depart the White House en route to New York City, where he will arrive at 6:20 p.m. and will remain overnight.

Vice President Harris will participate in a debate against former President Trump hosted by ABC News in Philadelphia, PA at 9:00 p.m.

Macroeconomic

At 10:00 a.m., the House Oversight and Accountability Committee Subcommittee on Government Operations and the Federal Workforce will hold a hearing titled "Where Do We Go From Here? Examining a Path Forward to Assess Agencies' Efforts to Prevent Improper Payments and Fraud."

At 11:45 a.m., the American Enterprise Institute for Public Policy Research will hold a

discussion titled "New Census Data on American Families' Economic Well-Being." [More information here.](#)

Antitrust and Consumer Protection

At 8:00 a.m., the Georgetown University Law Center will hold its 18th annual Global Antitrust Enforcement Symposium. [More information here.](#) Expected participants include:

- Jonathan Kanter, assistant attorney general for antitrust, Department of Justice
- Andrew Forman, deputy assistant attorney general for antitrust, Department of Justice

Energy, Environment, and Natural Resources

At 9:00 a.m., the Hudson Institute will hold a discussion titled "The Implications of Climate Lawsuits for Energy Security." [More information here.](#)

At 11:30 a.m., Washington Post Live will hold a virtual discussion titled "The Promise and Challenges of a New Energy Era." [More information here.](#)

Financial Services

At 9:30 a.m., the Peterson Institute for International Economics will hold a virtual discussion with Securities and Exchange Commission Chair Gary Gensler. [More information here.](#)

At 10:00 a.m., Federal Reserve Vice Chair for Supervision Michael S. Barr will deliver remarks on the Basel III Endgame proposal for capital requirements at the Brookings Institution in Washington, DC. [More information here.](#)

At 10:00 a.m., the House Financial Services Committee Subcommittee on Digital Assets, Financial Technology and Inclusion will hold a hearing titled "Decoding DeFi: Breaking Down the Future of Decentralized Finance."

At 2:00 p.m., the House Financial Services Committee Subcommittee on Oversight and Investigations will hold a hearing titled "The Fall of ESG: Scrutinizing the Failed Use of Environmental, Social, & Governance Standards and the Influence of Proxy Advisors."

Geopolitical

At 8:00 a.m., the Center for Strategic and International Studies will hold a virtual discussion titled "Japan Searches for Leadership." [More information here.](#)

At 8:30 a.m., New America will continue its 2024 Future Security Forum. [More information here.](#)

At 9:00 a.m., the Atlantic Council will hold its ninth annual Central and Eastern European Energy Security Conference. [More information here.](#)

At 9:00 a.m., the German Marshall Fund of the United States will hold a virtual discussion titled "Russia 2030 Futures: The View from Central and Eastern Europe." [More information here.](#)

At 2:00 p.m., the Hudson Institute will hold a discussion titled "How to Counter China's Global South Strategy in the Indo-Pacific." [More information here.](#)

Healthcare

At 10:00 a.m., the House Energy and Commerce Committee Subcommittee on Health will hold a hearing titled "Evaluating FDA Human Foods and Tobacco Programs."

At 10:15 a.m., the House Education and the Workforce Committee Subcommittee on Health, Employment, Labor, and Pensions will hold a hearing titled "ERISA's (Employee Retirement Income Security Act) 50th Anniversary: The Value of Employer-Sponsored Health Benefits."

At 2:00 p.m., the House Oversight and Accountability Committee Select Subcommittee on the Coronavirus Pandemic will hold a hearing titled "A Hearing with former New York Governor Andrew Cuomo," focusing on New York State's COVID-19 pandemic response.

Immigration

At 10:00 a.m., the House Judiciary Committee will hold a hearing titled "The Biden-Harris Border Crisis: Victim Perspectives."

At 2:00 p.m., the House Judiciary Committee Subcommittee on the Constitution and Limited Government will hold a hearing titled "The Biden-Harris Border Crisis: Noncitizen Voting."

Political

At 9:00 p.m., Vice President Harris and former President Trump will participate in a debate on ABC.

Tech-Media-Telecom

At 8:00 a.m., Axios will hold a discussion titled "Finding a Place for AI at Work." [More information here.](#)

At 9:00 a.m., the Brookings Institution and Spelman College will continue a discussion titled "The Promise and Perils of Artificial Intelligence: Issues at Stake in the 2024 Election." [More information here.](#)

At 9:00 a.m., FedScoop will hold its 2024 FedTalks forum, with a focus on tech. [More information here.](#)

At 10:00 a.m., the House Science, Space and Technology Committee Subcommittee on Space and Aeronautics will hold a hearing titled "Risks and Rewards: Encouraging Commercial Space Innovation While Maintaining Public Safety."

At 10:30 a.m., the House Energy and Commerce Committee Subcommittee on Communications and Technology will hold a hearing titled "From Introduction to Implementation: A BEAD (Broadband Equity Access and Deployment) Program Progress Report."

At 12:00 p.m., ALLvanza; the Multicultural Media, Telecom and Internet Council; LGBT Tech; and OCA - Asian Pacific American Advocates will hold a discussion titled "Election 2024: Implications for the Innovation Ecosystem." [More information here.](#)

At 1:30 p.m., the Advanced Technology Academic Research Center will hold a discussion titled "Quantum Technology Market Update." [More information here.](#)

At 3:30 p.m., the Senate Homeland Security and Governmental Affairs Committee Subcommittee on Investigations will hold a hearing titled "The US Companies' Technology Fueling The Russian War Machine."

Trade

At 8:15 a.m., Connected DMV's Potomac Quantum Innovation Center will continue the Quantum World Congress forum. [More information here.](#)

At 10:30 a.m., the Peterson Institute for International Economics will hold a virtual

discussion titled "Reglobalization: Trade in a Geopoliticized World." [More information here.](#)
Expected participants include:

- Ngozi Okonjo-Iweala, director general, World Trade Organization

Transportation

At 8:00 a.m., the US Chamber of Commerce will hold its "Global Aerospace Summit." [More information here.](#) Expected participants include:

- Michael Whitaker, administrator, Federal Aviation Administration
- House Transportation and Infrastructure Committee Chair Sam Graves (R-MO)
- House Transportation and Infrastructure Committee Ranking Member Rick Larsen (D-WA)
- Rep. Dusty Johnson (R-SD)
- Rep. Sharice Davids (D-KS)
- Rep. Garret Graves (R-LA)



Copyright © 2024 [Beacon Policy Advisors LLC](#)

1701 Pennsylvania Avenue, NW, Suite 200 Washington, DC 20006 | (202) 729-6335

[Our Compliance Policy](#) [Unsubscribe](#)