

U.S. Office of Public Policy

Washington Weekly

Under the Dome: The Week in Review

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This week: The **House** passed numerous non-controversial bills. Of more substance, it passed legislation to delay the effective date of any regulation with annual costs over \$1 billion until the end of all legal challenges and a bill to deny future cash payments to the Iranian regime. The **Senate** worked on legislation to fund government operations until December 9 (see below).

Next week: The **House** and **Senate** will both work to pass the short-term government funding bill before leaving Washington until after the election.

Financial Services Issues

Wells Fallout. At a Senate Banking Committee hearing this week, lawmakers on both sides of the aisle attacked Wells Fargo's CEO for not acting more quickly and decisively to address and take responsibility for the unauthorized openings of customer banking and credit card accounts. With another hearing next week and further investigations and potential litigation beckoning, the bank and its CEO will continue to be under fire, although they may get somewhat of a reprieve with Congress poised to leave town next week. However, this scandal and the response to it will have implications well beyond one institution. It will revive arguments on the left that big banks are too big to manage. It also will be a test case for the application of executive compensation clawback provisions and will give momentum to regulators working to finalize a major rulemaking in this area. *Finally, intense scrutiny from regulators over bank sales practices, particularly cross selling, may put further pressure on revenues in an already challenging environment.*

Other Policy Issues in Play

Slow Going on Government Spending Bill. The one "must-pass" bill that Congress has to pass this month—a continuing resolution to fund the government beyond September 30—inched along this week and is close to a resolution. The bill funds thousands of government functions, but there are still disagreements over the future of various proposed federal rules and policies that are dividing lawmakers. Republicans want to scale various rules back or block them, while Democrats want to leave them intact. The most contentious rule in dispute relates to corporate disclosures of political activity in SEC filings. There is also dispute over how much money, if any, should be earmarked for the Flint, Michigan water crisis. These issues need to be resolved over the next week or the government risks a shutdown on October 1. *We believe the political imperative is to avoid a shutdown at almost any cost and that these issues will be resolved by the end of next week.*

Stretch IRAs. The Senate Finance Committee advanced two pieces of legislation this week relating to pensions and retirement issues. One of the bills includes a provision relating to "Stretch IRAs" that places restrictions on post-death payments of IRAs as a means of offsetting its cost. Specifically, this proposal would place a five-year limit on post-death payments for those who inherit a retirement plan with more than \$450,000. This proposal is bipartisan and has been seriously considered before but failed previously over objections that the tightening of the stretch IRAs was being used to fund something outside of the retirement world. *Since the provision is now part of a retirement bill, there is a decent chance that a restriction on stretch IRAs will be signed into law this year.*

Mobile Workforce Act. The House passed a bipartisan bill this week to establish a uniform framework for when states may tax nonresident employees who travel from another state to perform work. The bill sets a threshold for states to not tax nonresidents unless they have worked in that jurisdiction for at least 30 days. This bill is widely supported, especially by human resource departments and those who have to travel for work often. However, states like New York, which raise tens of millions of dollars a year in revenue by taxing nonresident workers, object to the bill. New York currently taxes nonresidents after working in New York for 14 days of the year, far lower than the 30 days prescribed by this bill. This bill has passed the House before but has not been advanced in the Senate. *We believe that the Mobile Workforce Act will likely again fail to advance in the Senate.*

Final Word—2016 Presidential Election

Debates. Since presidential candidate debates were first televised in 1960, the winners of the debates have generally been those who avoid making big mistakes. In assessing past debate performances, voters rarely recall sterling performances of candidates who earned their support through inspirational rhetoric or an impressive command of policy facts. Rather, they remember Nixon's nervous demeanor in 1960, Ford's misguided statement about a lack of Soviet influence in Eastern Europe in 1976, the elder Bush's frequent glancing at his watch in 1992, and Gore's penchant for sighing in 2000. You may have noticed that the candidates mentioned above all lost those elections. Most debates have historically not swayed the races in one direction or the other but have instead reconfirmed the direction of the races prior to the debates. *Despite the historical norms, everyone knows this 2016 election is very different and any one factor—including Monday's debate—could change the direction of the race overnight.*

Undecideds. Polling that we have seen shows an undecided vote of between 8 and 15 points in this election. With less than 50 days left before Election Day, this is a higher number than most recent elections this close to the big day. We expect the number of undecideds to be halved following the first debate. If it isn't reduced significantly, a continued higher number of undecideds could be a very good sign for Trump since most undecideds at the last minute swing toward the challenger and away from the incumbent. The undecideds seem to be split between Republicans apprehensive over Trump and independent voters who like neither candidate and are still searching for a reason to vote for one. *The high number of undecideds has certainly captured the attention of both Clinton and Trump and will be a targeted audience for Monday's debate.*

What Clinton Has To Do. Clinton must win over those undecided independent voters by showing a thoughtful command of the policy issues. She must not be defensive.

Instead, Clinton needs to take Trump's criticism in stride and not let him get under her skin. She should respond forcefully to his attacks but not emotionally. She should smile occasionally and come off as authentic, not programmed. Clinton needs to attack Trump and make the debate focus about his main vulnerability—doubts over his temperament, experience and character. She needs to avoid appearing tired, coughing, blowing her nose or doing anything that might suggest any illness, even one as common as a sore throat. *We know this sounds silly, but any hint of an illness will reopen the story of her health.*

What Trump Has To Do. Trump needs to show at least some understanding and interest in the policy issues he will be asked about, since those undecided independent voters will be looking for this. He doesn't have to show a lot of substance, but he cannot routinely dismiss policy questions with apathy or political slogan replies. He needs to show voters he can act presidential. He should continue to showcase his outsider and change agent credentials, but not scare people with views way outside the mainstream. *Trump should attack Clinton and make the debate focus about her main vulnerability—doubts over her trustworthiness, experience in office and character.*

Entertainment Value. This year has seen record-breaking viewership of the primary debates, especially those including Trump, and we will likely see similar numbers for this debate. It is expected that this first debate between Trump and Clinton will be the most watched ever, with an audience that may exceed 100 million people. Think about that—this debate may reach the territory of the Super Bowl for viewership. In a time when many Americans are fed up and frustrated with politics, almost one third of the country may tune in on Monday night. The debate is scheduled to last 90 minutes without any commercial break. *Considering that a 30 second ad during the Super Bowl this year fetched \$5 million, broadcasters must be disappointed they can't sell commercial time during the debate.*

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