

There is still a long “to-do” list for Congress before the end of the year. The new Congress, that starts in January, will bring divided government back to Washington. The most recent Federal Reserve minutes indicate that rate increases may slow. The collapse of FTX, once one of the world’s largest crypto trading platforms, has the industry bracing for even more scrutiny. American political leaders traveled this past month extensively for “summit season” in Asia. Senior officials from Washington and Brussels gathered outside Washington for the third Transatlantic Trade and Technology Council (TTC) meeting.

Rush to the Finish – Lame Duck Leftovers

The 117th Congress will conclude in less than a month, and there are a number of priorities left on the table. The first order of required business is government funding. Current funding runs out on December 16, and senior lawmakers in both parties have been trying to cut an agreement for a yearlong omnibus funding package, yet they remain tens of billions of dollars apart. The [National Defense Authorization Act](#), the annual Pentagon policy bill, which has passed every year for six decades, must also be addressed, but there are several extraneous policy issues holding it up. Other items under consideration are Senator Joe Manchin’s (D-WV) [permitting reform bill](#), the [SAFE Banking Act](#), a [provision](#) that would cancel the vaccine mandate for members of the military (a priority for House Republican Leader Kevin McCarthy), and the [Electoral Count Reform Act](#).

What to Expect in the 118th Congress

Divided government is returning. When the 118th Congress starts in early January, Republicans will have a slim 222 to 212 majority in the U.S. House of Representatives, and Democrats will control the Senate with a 51-seat majority. Senate Democrats’ performance was historic, and a stinging rebuke to Republicans, who had a very favorable map. The party successfully defended every incumbent seat—it was the first time a party did not lose a single Senate seat in a mid-term election in over 90 years. The narrow majorities in the House and Senate suggest Americans remain divided, and compromise will be needed to overcome policy gridlock in Washington.

As the new Congress organizes and begins its work, both the individual party caucuses and the U.S. House as a whole will adopt rules packages that govern operations for the next two years. There are several potential changes under consideration, including term limits for committee chairs and ranking members (Republicans currently have a term-limit protocol, and a rules change could impose term limits on Democrats for their minority ranking members, changing the leading players on a range of legislative issues); “vacating the chair;” ending remote/proxy voting; replacing the select committees created by Democrats; returning to a version of the pay-as-you-go rule that prohibits increases in direct spending rather than increases in the deficit; reinstating the so-called “Holman Rule” that permits targeting the salaries of individual federal employees. Senate Democrats will largely keep their caucus rules intact for the next Congress, and the rules for that chamber are largely expected to be the same as they were for the 117th Congress.

The leadership of the House and Senate will determine committee assignments and committee leadership for the 118th Congress. Committee compositions depend on the majority parties in

each chamber, the ratio of the majority to the minority, leadership negotiations, and House and Senate leadership elections. In the House, the Republican Steering Committee nominates committee chairs, subject to the approval of the entire Republican Conference, except the Rules Committee, Permanent Select Committee on Intelligence, Ethics Committee, and Committee on House Administration, which the Speaker nominates. The Democratic Steering and Policy Committee nominates ranking members, subject to the approval of the Democratic Caucus, with the exception of three committees. Democrats have historically selected the most senior member on each committee as the lead. In 2009, Democrats removed the House rule established in 1995 limiting a chair from serving longer than three terms.

Regarding policy, Congress and the Biden Administration will seek to address a range of issues in the coming two years, but compromise will be necessary to advance any policy agenda. One of the most prominent items lawmakers will have to address in the 118th Congress is the next Farm Bill, a multiyear bill that governs a broad range of agricultural and food programs—the current Farm Bill expires at the end of September. Funding the government is another priority. Lawmakers are currently negotiating the fiscal 2023 appropriations and will have to start considering the fiscal 2024 budget and appropriations in the early spring. The debt ceiling, or debt limit, is another priority. The debt ceiling is the maximum amount of money that the federal government is authorized to borrow to meet its existing obligations—in December 2021, Congress increased the debt ceiling by \$2.5 trillion, which means that Congress will have to raise the statutory debt limit sometime in 2023. House Republicans also look to boost fossil fuels and will offer legislation to address permitting in order to increase fossil fuel production and other low- to no-carbon sources, such as renewables, small nuclear reactors, and hydrogen. Democrats and Republicans remain deeply polarized on environmental policy; therefore, the likelihood of any real progress is minimal. A rare point of alignment between Democrats and Republicans is related to “Big Tech.” Expect action on revisions to the antitrust laws, privacy legislation, and potential amendments to section 230 of the Communications Decency Act of 1996, which generally shields internet platforms from legal liability for content posted by others. Finally, House Republicans will emphasize oversight and investigatory activities and target the administration on a range of policy-related and politically motivated issues such as Hunter Biden’s business dealings, the COVID-19 pandemic response, the situation along the Southern border, and the Afghanistan withdrawal.

Fed Minutes from November Meeting

The Federal Reserve released minutes from its November monetary-policy meeting on November 23. At the last Federal Open Market Committee (FOMC) meeting, Fed officials approved a 0.75-percentage-point increase in its benchmark federal-funds rate. The Fed’s November 2 [policy statement](#) pledged “ongoing increases” in rates until they were “sufficiently restrictive” to control inflation. The recently released [minutes](#) provide more details on the discussions over the decision. Policymaker discussions, described in the minutes, suggest that a “substantial majority of participants judged that a slowing in the pace of increase would soon be appropriate.” While all 19 officials supported the rate increase, the discussion reveals that some were more anxious about the possibility of overdoing the increases, while others are concerned that they might not be making enough progress to warrant a downshift. The next FOMC is in mid-December, when officials will release new quarterly economic projections, including their

outlook for unemployment and inflation next year and the appropriate path for monetary policy. Investors now expect the Fed to opt for a half-point rate hike at the December meeting, bringing the target range for the benchmark to 4.25% to 4.5%.

FTX Collapse Puts Crypto in Congress' Crosshairs

In mid-November, FTX, once one of the world's largest crypto trading platforms, filed for bankruptcy and announced that its CEO Sam Bankman-Fried, once the face of the crypto industry in Washington, had resigned. The filing dealt another blow to the crashing crypto market and further eroded the industry's standing in Washington. FTX is the latest and largest, in a line of crypto companies that have been felled by volatile markets and questionable internal controls over the last year and plunged us even deeper into what's being characterized as a ["crypto winter."](#)

Thus far, Congress and federal regulators have been unable or unwilling to provide clear regulations for the crypto industry. It is widely recognized that crypto and blockchain technologies do not fit cleanly into existing regulatory structures, leaving much of the industry in a regulatory gray area and leading to what many have complained is regulation through enforcement.

On Capitol Hill, there are two main pieces of legislation dealing with the crypto industry, as well as several smaller bills. The [Responsible Financial Innovation Act](#), introduced by Senators Kirsten Gillibrand (D-NY) and Cynthia Lummis (R-WY), would delineate the jurisdiction over digital assets between the Securities and Exchange Commission (SEC) and Commodities and Futures Trading Commission (CFTC), allow exchanges to register with the CFTC, and create new requirements for stablecoin providers, among other things. [The Digital Commodities Consumer Protection Act](#) (DCCPA), introduced by the chairs and ranking members of the House and Senate Agriculture Committees, which oversee the Commodity Futures Trading Commission (CFTC), the agency responsible for regulating commodity markets, would grant the CFTC exclusive jurisdiction over digital commodity trades, mandate that exchanges register with the CFTC, and create new disclosure requirements for digital commodity brokers, among other things. With Congress winding down, it is unlikely that either of these bills will pass before the end of the year. Nevertheless, lawmakers have made clear their intent to revisit this issue next year, and the collapse of FTX has only increased the likelihood of legislative action on crypto. Incoming House Financial Services Committee Chairman Patrick McHenry (R-NC) recently stated, ["Oversight is one of Congress' most critical functions and we must get to the bottom of this for FTX's customers and the American people. It's essential that we hold bad actors accountable so responsible players can harness technology to build a more inclusive financial system."](#) Following the fall of FTX, Senator Sherrod Brown (D-OH), chairman of the Senate Committee on Banking, Housing, and Urban Affairs, said, ["The cryptocurrency market's continued turmoil is why we must think carefully about how to regulate cryptocurrencies and their role in our economy."](#) There will be a tremendous amount of attention directed at the crypto industry in the 118th Congress.

On the regulatory side, SEC Chair Gary Gensler, who has warned about the risks of crypto for years, has repeatedly called on exchanges to register with the SEC and has said the agency is in

talks with the biggest players. Gensler suggested that rules that apply to traditional brokerages to protect investors in the event of a brokerage failure could also apply to crypto. The Federal Reserve has called for subjecting crypto to the same rules that apply to banks. In October, Michael Barr, Fed Vice Chair for Supervision, said in a speech, “Federal regulators may need to use their existing authorities to step in because the legislative process will be too slow to address the current risks.”

American Leaders in Asia for “Summit Season”

After a two-year hiatus due to the COVID-19 pandemic, American political leaders traveled around Asia for “summit season,” participating in a number of high-level international summits. Following the United Nations Climate Change Conference, or COP27, in Sharm El Sheikh, Egypt, [President Biden](#) traveled to Cambodia to participate in the annual U.S.-ASEAN summit and the East Asia Summit. While in Cambodia, he met with Prime Minister Hun Sen on the margins of the U.S.-ASEAN Summit and held a bilateral and trilateral meeting with Japanese Prime Minister Fumio Kishida and South Korean President Yoon Suk-yeol on the margins of the East Asia Summit. Biden then visited Indonesia to participate in a summit of leaders from the Group of 20 major economies. There he engaged with G20 partners to address key challenges such as climate change and the global impact of the war in Ukraine, including on energy and food security. Secretary of State Antony Blinken joined the President at the U.S.-ASEAN and East Asia Summits in Cambodia and the G20 Summit in Indonesia. While in Bali for the G20, Biden held a [three-hour-long](#) discussion with Chinese President Xi Jinping, where the leaders “spoke candidly about their respective priorities and intentions across a range of issues.” Some commentators called the trip a [“victory lap”](#) following the mid-term elections, where Democrats out-performed expectations and held off significant headwinds to maintain control of the United States Senate and limit losses in the House of Representatives.

[Vice President Kamala Harris](#) was also in Asia, traveling to Bangkok, Thailand, to attend the Asia-Pacific Economic Cooperation (APEC) leaders meeting on November 18 and 19. She then traveled to Manila, where she met with government leaders and civil society representatives. [Secretary of Defense Lloyd J. Austin III](#) visited the Indo-Pacific region as well. United States Trade Representative Katherine Tai traveled with the Vice President to the APEC summit. Austin was in Indonesia on November 20 to meet his Indonesian counterpart to push stronger defense ties amid growing Chinese naval activity in the Indo-Pacific region, then traveled to Cambodia to attend ASEAN’s Defense Ministerial Meeting Plus, the first in-person meeting of the group since 2019.

Third Transatlantic Trade and Technology Council Meeting Convenes Outside Washington

Secretary of State Antony Blinken and European Commission Executive Vice President Margrethe Vestager led the latest Transatlantic Trade and Technology Council gathering outside Washington, DC, on December 5. Also present at the ministerial were U.S. Secretary of Commerce Gina Raimondo, U.S. Trade Representative Katherine Tai, and European Commission Executive Vice President Valdis Dombrovskis. The TCC is “a key mechanism to support stronger transatlantic relations and to deliver concrete outcomes.” Among the [key outcomes](#) of the third TTC Ministerial were agreements to expand U.S./EU coordination on

financing digital infrastructure projects in third countries, announcing a plan to establish an expert task force to reduce barriers to research and development collaboration on quantum information science and technology, efforts to deepen cooperation on investment screening, and greater cooperation on export controls and sanction-related export restrictions. They also issued the first [Joint Roadmap on Evaluation and Measurement Tools for Trustworthy AI and Risk Management](#) (AI Roadmap) which will inform approaches to AI risk management and trustworthy AI on both sides of the Atlantic. Finally, officials announced that the U.S. Department of Commerce and the European Commission are entering into an administrative arrangement to implement an early warning mechanism to address and mitigate semiconductor supply chain disruptions. There is ongoing coordination and consultation occurring through the TTC's ten working groups, and the co-chairs intend to meet again in mid-2023 in Europe to review their joint work and discuss new ways to expand the trans-Atlantic partnership.

Personnel Updates

Department of Commerce – **Sahar J. Hafeez** is now a Senior Advisor in the Bureau of Industry and Security.

Department of Defense – **Leah Socha** is now Special Assistant for AUKUS in the Office of the Secretary. **Rheanne E. Wirkkala** was confirmed as Assistant Secretary of Defense for Legislative Affairs. **Tressa Steffen Guenov** is now the acting Principal Deputy Assistant Secretary in the Office of the Assistant Secretary of Defense for International Security Affairs. **Gordon Trowbridge** is the Director, Strategic Communications in the Office of the Under Secretary of Defense for Research and Engineering.

Department of Health and Human Services – **Karen T. Comfort** is Deputy Assistant Secretary and Chief Diversity Officer.

Department of State – **Hady A. Amr** was appointed Special Representative for Palestinian Affairs at the Bureau of Near Eastern Affairs. **Kelly M. Fay Rodríguez** is now Special Representative for International Labor Affairs.

Department of the Treasury – **Jenna Valle-Riestra** is the new Spokesperson in the Office of Public Affairs. **Ronald “Ron” Storhaug** is now Deputy Assistant Secretary at Deputy Assistant Secretary for Tax and Budget.

White House – **Julian C. Simcock** joined the National Security Council staff as Director for Global Criminal Justice & Multilateral Affairs. **Judd B. Devermont** is now a Special Assistant to the President and Senior Director at Africa on the NSC staff. **Minal “Millie” Bhatia** joined the White House COVID-19 Response Team as a policy advisor. **Lisa Barr** is the Director for Federal Cybersecurity at the Office of the National Cyber Director. **David Lyman “Dave” Noble** is now Assistant to the President and Director at the Office of Management and Administration.