

Bates No. 2018-08-116: 008899  
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## RE: Treasury News Briefing for Friday, February 2, 2018

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**From:** (b)(6)  
**To:** "Blackborow, Davin" (b)(6)  
**Date:** Fri, 02 Feb 2018 17:44:25 -0500

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Thanks!

(b)(6)  
Sanctions Coordinator  
Office of Foreign Assets Control  
United States Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, DC 20220  
Email: (b)(6)  
Tel: (b)(6)

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**From:** Blackborow, Davin  
**Sent:** Friday, February 02, 2018 9:33 AM  
**To:** (b)(6)  
**Subject:** FW: Treasury News Briefing for Friday, February 2, 2018

By the way – I think I mentioned this to you last week. [Here's the list of the clippings that I get every morning.](#)

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**From:** Bulletin Intelligence [mailto:Treasury@BulletinIntelligence.com]  
**Sent:** Friday, February 02, 2018 5:59 AM  
**To:** TreasuryBulletin  
**Subject:** Treasury News Briefing for Friday, February 2, 2018

iPhone optimized version and searchable archives available at [treasury.bulletinintelligence.com](https://treasury.bulletinintelligence.com).

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TO: THE SECRETARY AND SENIOR STAFF

DATE: FRIDAY, FEBRUARY 2, 2018 6:00 AM EST

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### Treasury in the News

## Continuing Coverage: Mnuchin Urges Congress To Increase Debt Limit.

The [Washington Post](#) (2/1, Newmyer, 11.19M) reports in its "Finance 202" column that "Treasury Secretary Steven Mnuchin in a Wednesday letter urged Congress to extend the feds' borrowing authority 'as soon as possible' because his department has only enough leash to guarantee it can cover its bills through February." Meanwhile, the CBO remains "slightly more optimistic, projecting the Treasury will run out of cash in the first half of March." The Post also notes that in testimony "before the Senate Banking Committee on Tuesday, Mnuchin said Trump is still 'very much concerned' about the nation's debt load."

[Dow Jones Newswires](#) (2/1, Subscription Publication) reports that "Treasury said Wednesday it has enough room to keep making on-time payments 'through the end of February,' but urged lawmakers to 'promptly' raise the borrowing limit, or debt ceiling." The article also notes Secretary Mnuchin's testimony before a Senate hearing Tuesday, when he stated, "I respectfully urge Congress to act as soon as possible to protect the full faith and credit of the United States by increasing the statutory debt limit."

The [New York Times](#) (2/1, Subscription Publication, 15.39M) "Dealbook" briefing reports that "Steven Mnuchin urged lawmakers to" increase the debt limit "quickly, amid worries that the government could run out of borrowing capacity late this month." The Times notes that "the Treasury secretary argued that the cuts would eventually pay for themselves, but conceded that it wouldn't happen this year." Meanwhile, "the Treasury Department said that the size of Treasury auctions will increase," while "Republicans are increasingly split over whether to keep supporting short-term bills to keep the government operating."

[MSNBC](#) (2/1, 7.75M) reports that "according to the budget office, the borrowing limit will most likely need to be raised in early March after the 'extraordinary measures' to extend borrowing employed by the Treasury secretary, Steven Mnuchin, are exhausted."

The [Wall Street Journal](#) (2/1, Subscription Publication, 6.45M) reports in the "Real Time Economics" newsletter that the group of private banks advising the US Treasury has estimated it needs to borrow \$955 billion during the 2018 fiscal year and more than \$1 trillion for both fiscal year 2019 and 2020. The Journal also notes the CBO initially estimated that the Treasury would run out of funds sometime between late March and early April, though it stated that the new tax law's passage caused it to move its projection up to early March. Also continuing coverage on the story are [Vanity Fair](#) (2/1, 2.92M), [CBS News](#) (2/1, 5.68M), [Federal News Radio \(DC\)](#) (2/1, 4K), the [Washington Post](#) (2/1, Hohmann, 11.19M), [iHeartRadio](#) (2/1, 4.86M), and [The Week](#) (2/1, 2.39M).

**Freedom Caucus Seeks Budget Reforms In Exchange For Support Of Debt Limit Hike.** [The Hill](#) (2/1, Bolton, 1.99M) reports that in comments Thursday at a Republican retreat, House Freedom Caucus Chair Mark Meadows (R-NC) told reporters "that he and fellow conservatives are pushing for spending reforms in exchange for backing a debt-limit increase next month." He said, "I've had conversations as recently as yesterday with Director Mulvaney and as recent as last week with Secretary Mnuchin on the debt ceiling, on how we can effectively make some real reforms in that area." Meadows added, "Based on those initial conversations, a number of Freedom Caucus members could potentially support those efforts." The [Washington Post](#) (2/1, Werner, Debonis, 11.19M), the [Washington Times](#) (2/1, Sherfinski, 505K), and the [Daily Intelligencer \(NY\)](#) (2/1, 882K) also note Meadows' comments.

**Rampell: Tax Cuts Have Sped Up the "Financial Doomsday Clock."** In her column for the [Washington Post](#) (2/1, 11.19M), Catherine Rampell argues that the tax cuts have accelerated the "financial doomsday clock." While the CBO projected in



November that the “extraordinary measures” being employed by the Treasury Department to avoid default would run out “around late March or early April,” the tax cuts mean individual income tax revenue will be “about \$10 billion to \$15 billion less per month than the CBO previously estimated,” so it now predicts “that Treasury will probably run out of money in the first half of March, possibly sooner.” Rampbell says that “in a letter this week to House Speaker Paul D. Ryan (R-WI) Treasury Secretary Steven Mnuchin understandably pleaded with Congress to ‘protect the full faith and credit of the United States by acting to increase the statutory debt limit as soon as possible.’”

## Continuing Coverage: Mnuchin Says US May Impose New Russia Sanctions.

[Bloomberg News](#) (2/1, Andrianova, 3.31M) reports investors efforts to obtain “information about potential U.S. plans to extend restrictions on Russia’s billionaires and sovereign debt after reports assessing the impact of the measure were classified earlier this week.” Bloomberg notes that “Treasury Secretary Steven Mnuchin said the reports will be followed by fresh sanctions on Russia as punishment for its alleged meddling in the 2016 election.” In an op-ed column in [USA Today](#) (2/1, Jacobus, Columnist, 8.23M) Cheri Jacobus writes, “On Tuesday, Treasury Secretary Steven Mnuchin had to assure angry lawmakers that there would be sanctions.” [The Economist](#) (2/2, 1.01M) writes, “Steve Mnuchin, the Treasury Secretary, said further sanctions would follow from the published list.”

In additional coverage, [The Economist](#) (2/1, 1.01M) examines the potential for the Trump Administration to implement new Russian sanctions, writing that “in internal debates Steven Mnuchin, the Treasury Secretary, is said to have sought maximum flexibility when crafting sanctions.”

The [San Francisco Chronicle](#) (2/1, 4.42M) in an editorial says that “the Treasury Department responded to a deadline to name senior political and business figures tied to Putin by producing a perfunctory list of Kremlin officials and Russian billionaires that relied substantially on Forbes magazine,” which “seemed to follow the law’s letter while flouting its spirit.” The Chronicle notes that “Sen. John Kennedy, R-La., told Treasury Secretary Steven Mnuchin during a hearing this week that given Putin’s attacks on the American election, Ukrainian territory and more, he deserved to be battered with sanctions until ‘he’s coughing up bones.’” A [USA Today](#) (2/1, 8.23M) editorial similarly says that “Treasury complied, but only little more than 10 minutes before Monday’s midnight deadline, and only by cribbing from Forbes’ ranking of wealthy Russians and the Kremlin’s English-language directory of public officials.”

[The Economist](#) (2/1, 1.01M) in additional coverage notes that “America’s Treasury department released a list of politicians and oligarchs with ties to Vladimir Putin.” However, those appearing “on the list (which seemed almost identical to a similar list reported in Forbes) are not necessarily subject to sanctions.” [Reuters](#) (2/1, Staff) notes that “the US Treasury Department named major Russian businessmen in a so-called ‘oligarchs’ list’ on Tuesday.”

**Wyden Sends Letters To Mnuchin, NRA On Documents Indicating Financial Transactions With Russians.** The [AP](#) (2/2, Butler) reports that Sen. Ron Wyden (D-OR) has sent letters “to Treasury Secretary Steven Mnuchin and the NRA” requesting “any documents showing financial links between Russia and the gun lobbying organization.” In his letter to Mnuchin, Wyden wrote, “The national security as well as legal implications of these reports make it imperative that Congress conduct a thorough investigation.”

## Treasury Releases Calendar Showing 2017 Mnuchin Meetings With CEOs, Former Treasury Secretaries.

[Bloomberg News](#) (1/31, Mohsin, 3.31M) reports Treasury Secretary Steve Mnuchin met with HNA Group CEO Adam Tan on June 19th, according to a Treasury calendar disclosed on Wednesday. While the subject of the meeting remains undisclosed, it likely concerned HNA’s “proposal to buy a stake in SkyBridge,” an investment company currently owned by former Press Secretary Anthony Scaramucci. HNA’s proposal must receive approval from the Committee on Foreign Investment in the US, “a panel of officials chaired by Mnuchin,” after being sued for giving false and inconsistent information to the panel “about its ownership structure in another deal.” If HNA successfully purchases stake in SkyBridge, it will mark the most recent in a score of substantial investments including large stakes in Hilton Worldwide Holdings Inc. and Deutsche Bank AG.

The [Wall Street Journal](#) (2/1, Davidson, Subscription Publication, 6.45M) reports that the calendar released on Wednesday includes the first half of 2017. The schedule shows that Mnuchin held meetings with CEOs including Apple, JPMorgan, Goldman Sachs, FedEx, Johnson & Johnson, General Motors, Boeing, Lass Vegas Sands, Pfizer, Ford Motor, and MasterCard. The schedule also showed that Mnuchin also held several meetings with former Treasury Secretary Henry Paulson, and also spoke with former Treasury Secretary Jacob Lew and attended a dinner on May 24 with several former secretaries of the Treasury. The schedule also indicates Mnuchin attended at least 24 public events or meetings with President Trump, and dined with him for lunch or dinner on at least eight occasions in his first five and a half months as Secretary.

## Continuing Coverage: Mnuchin’s Comments On Dollar Noted.

[Investor’s Business Daily](#) (2/1, Elliott, 713K) reports on stock markets around the world, noting that on Thursday Japan’s Nikkei 225 rose 1.7%, “ending the six-day decline that had followed currency comments from U.S. Treasury Secretary Steven Mnuchin in Davos, Switzerland last week.”

In an analysis in [Business Insider](#) (2/1, 3.89M) PIMCO global economic adviser Joachim Fels examines the potential that the US and EU are embroiled in a “cold currency war.” Fels says that “the dollar’s 10% decline against other major currencies in 2017 and the comment on 24 January by U.S. Treasury Secretary Steven Mnuchin at the World Economic Forum in Davos that a weak dollar is good for the U.S. in

the short term all but confirm that the U.S. administration is engaged in what we have called a 'cold currency war' – and it is winning."

[MarketWatch](#) (2/1, 1.24M) reports that "more analysts are subscribing to the idea that a weaker dollar might indeed be wanted by the administration following remarks by Treasury Secretary Steven Mnuchin that a softer currency helps the U.S. in terms of trade." Although "Trump later said Mnuchin's remarks were taken out of context and that the greenback was going to strengthen in line with the U.S. economy, investors remain wary," MarketWatch notes. The [Financial Times](#) (2/1, Megaw, Subscription Publication, 1.38M) similarly notes Mnuchin's declaration at Davos about a weaker dollar.

**Mnuchin's Attendance At Davos Noted.** The [New Zealand Herald](#) (2/1, 665K) reports on the recent World Economic Forum in Davos, noting that "Trump who did attend Davos, with his economics and trade team retinue of Steve Mnuchin, Wilbur Ross, Robert Lighthizer and Gary Cohn, clarified his earlier 'America First' sloganeering to read 'America First, not America Alone.'"

## **Some US Workers Now Seeing More Take-Home Pay After Tax Reform Bill.**

The [AP](#) (2/1, Sell) reports that tax reform legislation passed in December "is beginning to deliver a change that many will welcome – bigger paychecks." It adds that "workers are starting to see more take-home pay as employers implement the new withholding guidelines from the IRS," adding that "Treasury Secretary Steven Mnuchin has estimated that the new rules will mean more take-home pay for about 90 percent of American workers." Senate Finance Committee member Ron Wyden (D-OR) and House Ways and Means Committee member Richard Neal (D-MA) have requested that the GAO examine the new tax tables to ensure that "workers' paychecks weren't being systematically underwithheld, which would make paychecks bigger now but lead to a bigger bill at tax time." The AP adds that "Mnuchin, speaking at a White House press briefing, dismissed this notion as 'ridiculous.'"

## **White House Considering Mark Calabria For Next FHFA Director.**

[Inside Mortgage Finance](#) (2/1, Muolo, Subscription Publication) reports, "According to industry stakeholders intimately involved in GSE issues," the White House is considering naming Mark Calabria – VP Mike Pence's chief economist – at the next FHFA director. Calabria – formerly the Cato Institute's Director of Financial Regulation Studies – is "a frequent GSE critic" and "is well-schooled on housing-finance issues," IMF says. The article adds, "Presumably, Treasury Secretary Steven Mnuchin and counselor Craig Phillips would be intimately involved in finding a replacement" for current FHFA Director Mel Watt.

## **North Korean Report Criticizes Trump Administration For Hiring Billionaires.**

[Reuters](#) (2/1) reports that the Institute of International Studies in the Democratic People's Republic of Korea issued a report Wednesday called the "White Paper on Human Rights Violations in the U.S. in 2017," in which the North Korean organization "accused the Trump Administration of being a billionaires' club that harbors a 'policy of racism' while exacerbating social inequalities and denying freedom of the press and health coverage to citizens." Reuters notes that the paper "accuses Trump of packing his cabinet with billionaires, including Secretary of State Rex Tillerson, former private equity investor Wilbur Ross, who is now Secretary of Commerce, ex-Goldman Sachs investor Steven Mnuchin, who is now Secretary of the Treasury, and Secretary of Defense James Mattis."

## **Op-Ed: Trump Administration Policies Boosting Stocks Worldwide.**

In an op-ed in [The Hill](#) (2/1, Lott Jr., 1.99M) John Lott Jr., president of the Crime Prevention Research Center, argues that Trump Administration policies have led to rising stocks in the US, and worldwide, because "a wealthier US turns out to be good news for the entire world." Lott Jr. writes, "'What is good for the United States is good for the rest of the world,' has been Treasury Secretary Steven Mnuchin's mantra."

## **Krugman Criticizes "Incompetence" Of Administration.**

In his column in the [New York Times](#) (2/1, Krugman, Subscription Publication, 15.39M) Paul Krugman is critical of the Trump Administration, warning that the "incompetence" of officials has consequences that "we're just starting to see." Krugman says that while "America is a very big country with a lot of strengths," and suggests that "it can run on momentum for a long time even if none of the people in charge know what they're doing." However, he warns that "incompetence becomes a very big deal" once "stuff happens." He asks "who will manage economic turbulence if and when it hits," and then adds, "After all, we currently have perhaps the least impressive Treasury secretary in U.S. history."

## **Treasury To Sell \$186 Billion In Debt Next Week.**

The [Wall Street Journal](#) (2/1, Subscription Publication, 6.45M) reports that next week the Treasury Department will auction off \$186 billion in securities, which will include \$108 billion in new debt along with \$76 billion in debt that was previously sold.

## Lawmaker Introduces Bill To Address Racial Disparities In Car Insurance.

[Consumer Reports](#) (2/1, Reports, 3.63M) reports Rep. Mark Takano (D-CA) introduced legislation last week that would require federal authorities to investigate racial disparities in auto insurance premiums, “in part a rebuke to the Trump administration for seeking to shift the mission of the Treasury Department’s Federal Insurance Office from being a watchdog agency tasked with studying car insurance pricing to being an industry booster.” The measure “calls for the office to collect ZIP-code-level claims data from insurers across the nation and use the information to study whether higher prices in minority neighborhoods are justified by the risk of bigger payouts in those areas.” Near the end of the Obama Administration, the office issued a report on car insurance affordability with a pledge to conduct a more comprehensive investigation. “However, the insurance office, which has been operating without a permanent director since the beginning of the Trump Administration” – though Steven Seitz is serving as acting director – “has not completed such a study.” In October 2017, the Treasury Department “suggested a revised role for the insurance office, focusing on promoting the industry” but omitting “the office’s original mandate, which required it to protect traditionally underserved communities and consumers.”

### Leading National News

## Wells Fargo Discloses Gender, Minority Pay Information.

[Reuters](#) (2/1) reports Wells Fargo’s head of compensation, Mike Branca, “said in a telephone interview late on Wednesday that according to recent analysis of its US employees, women earn more than 99 cents for every dollar earned by male peers, and minorities earn more than 99 cents for every dollar earned by their white peers.” According to Wells’ latest disclosures, 57 percent of its employees are female, including 37 percent of its top executives.

[Bloomberg News](#) (2/1, Colby, 3.31M) notes that Wells “is the third major US bank in recent weeks to change its policies on pay transparency under pressure from Boston-based Arjuna Capital, a shareholder in the banks.” Citigroup “said last month it would assess its gender pay gap in three countries and for US minorities,” while Bank of America “also said it would improve disclosures.” [American Banker](#) (2/1, Crosman, Subscription Publication, 22K) says Arjuna has been pushing six financial firms to reveal their gender pay gap information, and “the three companies that have not disclosed pay gap numbers yet are Mastercard, American Express and JPMorgan Chase.”

The [Charlotte \(NC\) Observer](#) (2/1, Roberts, 521K) also reports.

## Wells Fargo Loses Big Client After Ramping Up Risk In Retirement Funds Last Year.

[Reuters](#) (2/1, McLaughlin) reports that after Wells Fargo “decided to ramp up risk in its flagship age-based retirement funds last year,” TexaSaver, a supplemental retirement program and “one of its largest customers decided to call it quits, unhappy with the new investment strategy and how the bank handled the transition.” The retirement plan “was stunned by the changes, said Georgina Bouton, assistant director of benefit contracts at the Employees Retirement System of Texas.” It “had fewer than 90 days to accept the revamped product or find another investment option,” and its request to Wells Fargo for more time to find another manager was denied. “TexaSaver ended a decade-long relationship with Wells Fargo, pulling more than \$600 million from its target-date funds.”

## Wells Fargo Asset Management Names Lee Global Head Of Research.

[Reuters](#) (2/1, Staff) reports that Wells Fargo Asset Management named Wai Lee as its new global head of research for its multi-asset solutions team, starting this month. Lee is former head of quantitative investments at Neuberger Berman.

## Big Banks Accused Of Reducing Competition In Stock Lending.

The [Wall Street Journal](#) (2/1, Morgenson, Subscription Publication, 6.45M) reports that a new lawsuit filed by QS Holdings, the parent company of Quadriserv, which built an electronic trading platform called AQS, alleges that six big investment banks – Goldman Sachs, Morgan Stanley, Bank of America, Credit Suisse, JPMorgan, and UBS Group – worked together to prevent it from competing in the stock-lending market. The lawsuit says the firms conspired to boycott the new trading platform and “starve it of liquidity.”

[Bloomberg News](#) (2/1, Larson, 3.31M) says the complaint “details a series of private meetings and dinners allegedly held in New York between executives at Goldman Sachs and Morgan Stanley in late 2015 to discuss the platforms.” The executives “struck an ‘explicit agreement’ that was later joined by the other banks to ‘bury’ AQS, just as they had done by that point with SLX, according to the complaint.” In a separate matter, the banks “asked a federal judge to throw out an antitrust lawsuit alleging they conspired to keep the US stock-loan market ‘in the Stone Age’ to protect billions of dollars in revenue.” The earlier dispute underscores “the rise and fall of the trading platforms AQS and SLX, which saw themselves as a natural step in the evolution of the stock-loan market,” pension funds in Iowa and California claim in the lawsuit.” However, “after the platforms were ‘decimated’ by the alleged conspiracy, the banks snapped up their patents and other

assets through a joint venture to keep them from ever seeing the light of day, according to the suit.” The funds, seeking class-action status, said in a November complaint that “the market remains frozen in time, and the prime broker defendants continue to dominate an inefficient and opaque OTC market. ... Market observers describe stock lending as a trillion-dollar ‘mother of all dark pools.’”

## **Community Banks Applauding JPMorgan, Amazon, Berkshire Hathaway Healthcare Partnership.**

[American Banker](#) (2/1, Subscription Publication, 22K) reports that community banks “are applauding” JPMorgan’s decision to partner with Amazon and Berkshire Hathaway on an independent healthcare company for their employees. Small-bank CEOs “are hopeful the effort will uncover ways for their institutions to reduce health care costs,” and if cost-saving products or services come out of the partnership, they may sign up for it themselves.

## **Quicken Loans Claims To Have Been Top Mortgage Lender For First Time In Q4.**

The [Detroit Free Press](#) (2/1, 1.15M) reports that in Q4, Quicken Loans “closed \$25 billion in mortgage loans...enough to pass Wells Fargo, Bank of America and JPMorgan Chase” as the largest US mortgage lender for the first time. However, this ranking is according to Quicken Loans itself, as third-party analyses of Q4 lending are not yet available, the Free Press says. “Quicken said it based its claim to the top spot by releasing its own results along with comparisons with public filings by other top lenders.”

**With Corresponding Loans, Wells Fargo Led With \$53 Billion.** The [San Francisco Chronicle](#) (2/2, Pender, 4.42M) reports that Q4 originations came to “\$23 billion for Wells, \$13 billion for Bank of America and \$11 billion for Chase, according to company filings.” However, including correspondent loans – which Quicken Loans does not purchase – Wells Fargo’s production volume was \$53 billion, the bank said by email. Inside Mortgage Finance Publisher Guy Cecala said that as mortgage rates continue to rise, refinances will fall, hurting Quicken Loans.

## **Former Citigroup Trader Leaves To Create Cryptocurrency Exchange.**

In a 4,000-word feature story, [Bloomberg News](#) (2/1, Robinson, Vaghela, 3.31M) reports that former Citigroup equities trader Arthur Hayes “is just one of many finance pros leaving the world of banking and plunging into a largely lawless industry.” In the profile, chronicling Hayes’ decision to create a cryptocurrency exchange, BitMEX, in 2014, Bloomberg says the finance professionals have “gone crypto.” Hayes says, “When people ask me, ‘What is this crypto thing?’ I say, ‘Why are you still at the bank being miserable? Take some risk. Try it out.’”

## **Levine Explores Two Cases That Raise Insider Trading Concerns.**

In his [Bloomberg View](#) (2/1, 3.31M) column, Matt Levine draws attention to two recent stock activities that he says raise concerns over insider trading. In one case, the SEC said that unidentified individuals, using a Zurich, Switzerland brokerage firm, purchased Bioverativ Inc. stock just before its January 22 announcement that it will be acquired for \$105 per share by Sanofi. The SEC said the individuals sold the shares for a profit of about \$2.5 million, with remaining sales and options. In a second case that Levine discusses, the Department of Education issued a press release recently, announcing the two winners for a lucrative debt-collection contract, about two hours before publicly announcing the choices.

## **Coinbase Says Credit Card Cryptocurrency Buys Now Processed As Cash Advances.**

[MarketWatch](#) (2/1, DeCambre, 1.24M) reports that Coinbase told customers that credit card companies are changing the merchant category code they use to identify digital currency purchases, now processing them as “cash advances,” which could result in additional fees.

## **Mastercard Net Revenue Rose 20.2 Percent In The Fourth Quarter.**

[Reuters](#) (2/1, Saxena) reports that Mastercard announced its Q4 earnings on Thursday. “Net income fell 76 percent to \$227 million...as the company booked \$981 million in charges, primarily due to the U.S. tax reform,” Reuters says. However, “Excluding items, Mastercard earned \$1.14 per share, beating the average analyst estimate of \$1.12,” and “net revenue jumped 20.2 percent to \$3.31 billion.” In the Asia Pacific, Middle East and Africa region, “the value of transactions processed came in at \$435 billion, versus \$423 billion in the United States alone.” Reuters explains that Mastercard’s Q4 performance was buttressed by a strong holiday shopping season, with US consumer spending growing 3.8 percent on an annualized basis last quarter, the fastest rate in three years. Cross-border volumes, which primarily come from the APMEA region, also rose 22.4 percent.

The [Wall Street Journal](#) (2/1, Andriotis, Lombardo, Subscription Publication, 6.45M) reports that Mastercard’s operating expenses rose 28 percent, primarily due to its acquisition of payments-technology firm VocaLink and strategic initiative investments.



[Investor's Business Daily](#) (2/1, Peters, 713K) also reports.

**Mastercard CEO Touts Relationship With PayPal.** [Payments Source](#) (2/1, Heun) reports that during Mastercard's earnings call President and CEO Ajay Banga mentioned, "We have a great relationship with PayPal, which includes co-branded and corporate cards, and all of the understanding in how their wallet works, and all of the non-steering to ACH agreements." Payments Source notes, "PayPal reached agreements with Visa and Mastercard in 2016 to eliminate wording that would attempt to lure its customers away from linking a credit card to their PayPal account."

## Starbucks, Chase Launch Rewards Program-Linked Credit Card.

[USA Today](#) (2/1, Meyer, 8.23M) reports Starbucks is "launching a co-branded Visa credit card Thursday that enables cardholders to rack up points, called Stars, redeemable for drinks and food at more than 8,000 participating" storefronts. The Starbucks Rewards Visa Card "through Chase has a \$49 annual fee" and is "named for the company's loyalty program, and cardholders automatically become members who get exclusive perks."

[MarketWatch](#) (2/1, Garcia, 1.24M), [CNN Money](#) (2/1, La Monica, 3.59M), [Fortune](#) (2/1, Donnelly, 1.31M) and the [AP](#) (2/1, Pisani) also cover the story.

## Back: PayPal Must Now Move Swiftly To Monetize Venmo.

Aaron Back writes in a "Heard on the Street" column for the [Wall Street Journal](#) (2/1, Subscription Publication, 6.45M) that PayPal's investors are being reminded that valuation still matters, and that the company was rather richly valued, particularly in the wake of eBay's announcement that it would end its payments partnership with the company. But the recent decline in PayPal's shares must be viewed in the context of their spectacular rise over the past year, Back says. The loss of eBay's business makes it all the more important the PayPal progress quickly to form new partnerships and monetize its Venmo platform. Back says that if Venmo fails to catch on for purchases with merchants, shareholders despair about PayPal will grow much more intense.

## Trump Expected To Authorize Release Of Nunes Memo Today.

News that President Trump is expected to authorize the release Friday of a memo on alleged FBI and Justice Department abuses, drafted by House Intelligence Committee staff at the behest of Chairman Devin Nunes, highlights the concerns about the move from the intelligence community – including fears that FBI Director Wray could resign in protest – as well as Democratic outrage.

On [ABC World News Tonight](#) [ ] (2/1, story 2, 3:30, 14.63M), David Muir reported that Trump's "hand-picked FBI director, in a rare and public move, ask[ed] the White House not to release it," but Trump "has now read it and is now expected to clear it for release." ABC's Jonathan Karl: "President Trump today ignored questions about that controversial Republican memo the FBI does not want released." Trump is "squarely at odds" with Wray, "the man he hand-picked to lead the bureau after he fired James Comey. ... Today, one top Republican said the bureau's warning should be heeded. Republican Sen. John Thune told reporters, 'We need to pay careful attention to what our folks who protect us have to say about

how this bears on national security.'" Lester Holt said on [NBC Nightly News](#) [ ] (2/1, story 4, 0:40, 16.61M), "The President has now read the memo, aides say, and one White House official tells NBC News that the White House is still reviewing possible redactions, but leaning toward not making any."

On the [CBS Evening News](#) [ ] (2/1, story 4, 2:20, Glor, 11.17M), Jeff Pagues reported, "The impending release of the memo touched raw nerves as the White House batted down rumors" that Wray "was going to quit in protest. Releasing the information, which is based on classified intelligence, is unusual. ... The four-page memo...outlines alleged surveillance abuses, and it has deepened a severe partisan divide. Democrat Adam Schiff says it presents a distorted and unfair picture of how the FBI behaved and jeopardizes the special counsel's Russia investigation." Rep. Adam Schiff (D-CA): "They ought to be sending the message instead to the White House that were the President to fire Bob Mueller or Rod Rosenstein, that would be considered obstruction of justice, and it would bring down the

Administration.”

Jonathan Swan of [Axios](#) (2/1, 435K) reports, “Inside the Trump administration, sources who’ve been briefed on the Nunes memo expect it will be underwhelming and not the ‘slam dunk’ document it’s been hyped up to be. ... There is much more skepticism inside the administration than has been previously reported about the value of releasing the memo, according to sources familiar” with the discussions. [CNN](#) (2/1, Bash, Zeleny, Perez, 31.91M) reports on its website that “top White House aides” are also worried that Wray could resign if the memo is released. Wray’s stance “is ‘raising hell,’ one source familiar with the matter said.”

The [AP](#) (2/1, Miller, Jalonick, Day) reports that the President “will clear the way for the publication” of the memo “over the strong objections of his own Justice Department. ... A White House official said Congress would probably be informed of the decision Friday, adding Trump was ‘OK’ with its release.” [Reuters](#) (2/1, Strobel) reports that Democrats have called the memo “misleading, based on a selective use of highly classified data and intended to discredit” the work of Special Counsel Robert Mueller. [USA Today](#) (2/1, Johnson, Collins, 8.23M) writes that Trump “has for months railed against federal law enforcement and the intelligence community, blaming them for shadowing his year in office with a probe he frequently denounces as a ‘witch hunt and a ‘hoax.’ But the standoff” over the memo “is striking in that the president of the United States appeared to unilaterally reject the advice of his own top officials, despite their separate warnings.”

The [Washington Post](#) (2/1, Leonnig, Dawsey, Nakashima, Demirjian, 11.19M) reports that Trump “has told advisers that he believes the memo is ‘gaining traction’ and could help him convince the public” that Mueller’s probe “is a witch hunt.” [CNN](#) (2/1, Liptak, Collins, Murray, Merica, 31.91M) reports on its website that Trump “continues to tell his associates he believes the highly controversial Republican memo...could help discredit the Russia investigation.” Philip Bump of the [Washington Post](#) (2/1, 11.19M) writes, “We already have had a number of reports about ways the president has attempted to redirect or end” the investigation, dating back to “shortly after he won the election.”

The [New York Times](#) (2/1, Fandos, Goldman, Subscription Publication, 15.39M) reports that there has been “a growing chorus of warnings from national security officials who say that releasing the memo would jeopardize sensitive government information, including how intelligence is gathered, and from Democrats who say it is politically motivated and distorts the actions of the Justice Department and the F.B.I. by omitting crucial context.” [USA Today](#) (2/1, Jackson, Johnson, 8.23M) reports that Administration officials said that Trump and his advisers “seriously considered the concerns of Wray and others, but believe release of the memo will not expose sources and methods of obtaining classified information.”

Ashley Parker of the Washington Post [tweeted](#), “Just two weeks ago, Trump didn’t even know what the Nunes memo was. But suddenly, he was arguing it should be made public.” Philip Rucker of the Washington Post [tweeted](#) that Chief of Staff Kelly “and other White House staff were determined to follow a formal review process on Nunes memo, even though Trump’s decision was all but cemented in advance.”

House Judiciary Chairman Bob Goodlatte said on [CNN’s Anderson Cooper 360](#) (2/1, 1.59M), “I’ve had the opportunity to review both the memo and the underlying documents as the chairman of the House Judiciary Committee. I think it’s important the American people have access to the information contained in this memo. I do believe that the President...should let the memo speak for

itself. He should release it.” Rep. Steve King (R-IA) said on [Fox News’ Tucker Carlson Tonight](#) (2/1, 2.96M), “If we saw this evidence and as the [Committee] has seen this evidence, if we turned our backs to that, if we turned a blind eye to that, shame on us if we trailed in the dust the integrity of this country.”

However, Sen. Chris Coons said on [CNN’s Situation Room](#) (2/1, 1.04M) that he and Sen. Jeff Flake issued a statement Thursday “urging the President to change course, to not release this memo [Friday] because, as we state, we think it would undermine our intelligence gathering, it would further politicize Congress’ oversight role, and it risks reducing confidence in key democratic

institutions.” Sen. Joe Manchin said on [CNN’s Cuomo Prime Time](#) (2/1, 1.56M), “They’re working in the House Intelligence [Committee] strictly on partisan, on a partisan participation.” Nunes has “neutered the confidence people could have in the House Intelligence Committee.”

Rep. Joaquin Castro (D-TX), asked on [CNN's The Lead](#) (2/1, 1.01M) about the suggestion that Trump could be using the release of the memo to create a pretext to fire Mueller, said, "It's quite possible, yes. The President seems to be taking different steps to protect himself. That seems to be his priority, and he's got folks like [Nunes] who are helping him on that."

Rep. Jim Himes (D-CT) said on [CNN's Anderson Cooper 360](#) (2/1, 1.59M) that the memo "was not a product of an investigation. There is no investigation out of the Intelligence Committee. And again, very soon if this memo is made public, people that are implicated in it, and institutions that are implicated in it, will quickly rise to their defense, and the public will see what a shoddy second-rate hit this is."

Rep. Eric Swalwell (D-CA) said on [CNN's Situation Room](#) (2/1, 1.16M) that the FBI has "a right to be gravely concerned. We're in a First World democracy, and in democracies, you don't go after the police when they are investigating you. You don't sic the police on your political enemies. That's exactly what the Trump Administration, and now with the help of House Republicans, are doing."

Rep. Don Beyer (D-VA) [tweeted](#), "The memo itself matters far less than the @HouseGOP's unprecedented politicization of national security. Trump wanted to override DOJ and the FBI without even having read it!" Rep. Peter DeFazio (D-OR) [tweeted](#), "This week, I read the controversial memo authored by House Intel Chairman Nunes. While I cannot go into details about the contents, I can say that it was a highly-partisan document that compromises national security in order to protect President Trump."

Rep. Adriano Espaillat (D-NY) [tweeted](#), "@DevinNunes is putting our national security on the line to protect President Trump (despite FBI & DOJ objections). This is unpatriotic." Rep. Alan Lowenthal (D-CA) [tweeted](#), "The Nunes memo is misleading propaganda, trying to shield the President from scrutiny from his own justice department and mislead the American people. It's simply an attack on the rule of law." Rep. Jim McGovern (D-MA) [tweeted](#), "This is outrageous: @HouseGOP and @DevinNunes are ignoring FBI & DOJ warnings and endangering our national security to advance a conspiracy theory."

The [New York Times](#) (2/1, Subscription Publication, 15.39M) editorializes, "So this is what a partisan witch hunt really looks like. In a demonstration of unbridled self-interest and bottomless bad faith, the Trump White House and its Republican minions in Congress" are set to release a memo "undermining the credibility of the law enforcement community that Republicans once defended so ardently. ... You could call it all a wild-eyed conspiracy theory, only there's no real theory behind it. Instead, there's a mad scramble to set off this latest smoke bomb."

Eugene Robinson writes in his [Washington Post](#) (2/1, 11.19M) column, "Presidents don't win fights with the FBI. Donald Trump apparently wants to learn this lesson the hard way." The FBI "has no political ax to grind, and the attempt by Nunes and others to portray it as some kind of liberal cabal is comical." Tim Weiner writes in his [New York Times](#) (2/1, Subscription Publication, 15.39M) column, "The bureau called the memo materially false and misleading in an extraordinary unsigned statement...and yet Mr. Trump has signaled his desire to see it made public, unredacted. He clearly sees the memo as a weapon of political warfare."

Los Angeles Times columnist and Politico contributing editor Virginia Heffernan [tweeted](#), "Oh look Nunes & co found the OJ playbook: When guilt is plain as day, claim the justice system is corrupt & the crime scene is contaminated. Also dispatch clowns to the media to distract everyone from the blood blood blood on your client's hands."

[Bloomberg News](#) (2/1, House, 3.31M), the [Wall Street Journal](#) (2/1, Ballhaus, Hughes, Nicholas, Subscription Publication, 6.45M), the [Washington Times](#) (2/1, Boyer, 505K), [Politico](#) (2/1, Cheney, 3.22M), and [The Hill](#) (2/1, Fabian, Williams, 1.99M) also report on the expected release.

**Hannity Denies That He Has Been Advising Trump About Memo.** The [Daily Beast](#) (2/1, 1.49M) reports that "according to three sources with knowledge of their conversations," Trump has been speaking regularly with Fox News' Sean Hannity about the memo, and the "Trump ally has encouraged the prompt release" of the document. Trump and Hannity reportedly "discussed the Nunes memo's supposed bombshell-level significance, and how it could shed light on the alleged anti-Trump bias and 'corruption' at the FBI."

[The Hill](#) (2/1, Bowden, 1.99M) reports that Hannity denied the report, [tweeting](#), "A total lie, Fake news. Phony 'anonymous sources'. Amazing how the left wing media just makes Sh&(): up." Washington Post conservative blogger Jennifer Rubin [tweeted](#), "Imagine how dense you would need to be to want advice from Hannity."

**Trump Jr. Says McCabe Was Fired Over Information In Memo.** The [Washington Times](#) (2/1, Morton, 505K) reports, "Donald Trump Jr. claimed Thursday that former FBI Deputy Director Andrew McCabe was 'fired' because of information in the notorious classified Nunes memo." He [tweeted](#), "The FBI reaction to the memo is Indicative of a lot. All of congress has seen it, not just the special

committees. Also weird that for the first time ever the media wants less info? What are they hiding?" He then [added](#), "It was good enough to fire McCabe, no one argues its factually inaccurate, but now days later they want to protect the names of those involved in a scandal that was big enough to fire a senior official a month before retirement? They don't deserve a pass on that!" The Washington Post's Greg Sargent [tweeted](#) in response, "McCabe was fired?"

**Ryan Rejects Calls From Pelosi And Schumer To Remove Nunes From Intelligence Chair.** The [Washington Times](#) (2/1, Sherfinski, 505K) reports that House Speaker Ryan has "rejected Democratic calls to remove" Nunes from his chairmanship, "dismissing them as 'political games' meant to distract the public." The [Los Angeles Times](#) (2/1, 5.51M) reports that in a letter to Ryan, House Minority Leader Pelosi argued "that Nunes' insistence on making the memo public over the FBI and Justice Department's objections that it is inaccurate and contains classified information is putting the House of Representatives' integrity at stake," and [Politico](#) (2/1, Schor, Cheney, 3.22M) reports that Senate Minority Leader Schumer also said Nunes should be removed. The "pushback from the two Democratic leaders...appeared not to be coordinated."

In a front-page story, the [New York Times](#) (2/1, A1, Stolberg, Rosenberg, Subscription Publication, 15.39M) writes that Nunes "has made an unlikely transition from a leadership loyalist who once heaped scorn on Republican hard-liners to one of the hard-liners' idols." In 2013, he called conservatives who were pressing for a government shutdown "lemmings in suicide vests," but now, "to the president's most ardent supporters, Mr. Nunes is a hero."

The [Washington Post](#) (2/1, 11.19M) editorializes, "Ryan bears full responsibility for the deterioration of congressional oversight of intelligence operations. Once a bipartisan responsibility that lawmakers treated soberly – as they still do in the Senate – oversight under Mr. Nunes has become another front" in the President's "assault on the law enforcement institutions investigating the president and his associates."

**Paul Says FBI Should Not "Insert Itself Into Campaigns."** The [Washington Times](#) (2/1, Persons, 505K) reports, "Sen. Rand Paul said Thursday the FBI needs more oversight and there needs to be some way to keep the agency out of elections." During an appearance on MSNBC, Paul said, "Maybe we need to be more careful and figure out a way the FBI doesn't insert itself into campaigns." [The Hill](#) (2/1, Beavers, 1.99M) reports that Paul "is calling on the FBI to release information related to the two FBI agents who sent messages disparaging President Trump."

**Comey: "Weasels And Liars Never Hold The Field."** [The Hill](#) (2/1, Samuels, 1.99M) reports that Comey "expressed appreciation for the FBI standing up against 'weasels and liars' as debate rages" over the memo. Comey [tweeted](#), "All should appreciate the FBI speaking up. I wish more of our leaders would. But take heart: American history shows that, in the long run, weasels and liars never hold the field, so long as good people stand up. Not a lot of schools or streets named for Joe McCarthy."

**Monmouth Poll: 71%, Including Majority Of Republicans, Say Trump Should Meet With Mueller.** [Politico](#) (2/1, Castillo, 3.22M) reports that "an overwhelming majority of Americans" think the President should agree to an interview with Mueller "and that the exchange should be under oath, according to a poll released on Thursday." The Monmouth University poll found that 71% – including 85% of Democrats, 74% of independents, and 51% of Republicans – "think the two should meet, with 82 percent saying the interview should be under oath."

**Hicks "Under Increasing Scrutiny" Over Reported Comments About Emails.** [ABC World News Tonight](#)

(2/1, story 3, 2:30, Muir, 14.63M) reported on the "new questions about a member of the President's inner circle, Communications Director Hope Hicks. Did she play a role in the misleading statement about that Trump Tower meeting between Donald Trump Jr. and that Russian lawyer, among others?" ABC's Pierre Thomas: "Hicks is under increasing scrutiny. Did she try to help mislead the public about that infamous Trump Tower meeting? ... The spokesman for President Trump's legal team at the time, Mark Corallo, was concerned about the statement's misleading nature. Less than two weeks later, he resigned. A source close to Corallo describes a conference call with Corallo, President Trump, and Hope Hicks just one day after the misleading statement was released. On that call, Corallo alleges that Hicks said of those emails with Russians promising dirt on Hillary Clinton, 'Only few people have them. They will never get out.' And Corallo responded, 'This is Washington. Everything gets out.'"

**Three Gates Attorneys Step Down.** [Bloomberg News](#) (2/1, Harris, Voreacos, 3.31M) reports that three attorneys "for Paul Manafort's co-defendant, Rick Gates, have told the court they want to quit in the criminal money-laundering conspiracy case, bolstering the idea that he may be cooperating" with Mueller's investigation.

**Counterintelligence Officials Were Aware Of Page For Years.** The [Wall Street Journal](#) (2/1, Ballhaus, Tau, Subscription Publication, 6.45M) reports that US counterintelligence officials were aware of Carter Page for years before he became a foreign policy adviser to Trump's campaign. Page is prominently mentioned in the Trump-Russia dossier compiled for Fusion GPS.

Marcy Wheeler writes in [Politico Magazine](#) (2/1, 3.16M), "In part because of the way Democrats have handled the aftermath of the leak of the dossier, that very typical act of hiring an oppo research firm has turned into one of the biggest manufactured scandals of the Trump administration, one Republicans are trying to use to undermine" the investigation.

**Pompeo: Nothing "Untoward" About Meeting With Russian Spy Chiefs.** The [AP](#) (2/1, Riechmann) reports that CIA Director Pompeo "said Thursday there was nothing 'untoward' about his meeting with top Russian spy chiefs, saying that even though Moscow remains an adversary, ignoring chances to cooperate on security issues would endanger American lives." The [New York Times](#) (2/1, Rosenberg, Subscription Publication, 15.39M) reports that in a letter to Schumer, who had raised questions about the meeting, Pompeo wrote, "We periodically meet with our Russian intelligence counterparts for the same reason our predecessors did – to keep



Americans safe." [Reuters](#) (2/1) also covers Pompeo's remarks.

## Trump Pushes Democrats To Find Deal With Republicans On DACA.

In a speech the [New York Times](#) (2/1, Kaplan, Baker, Subscription Publication, 15.39M) says "turned up pressure on Democrats" to reach an agreement with Republicans on protections for the so-called DREAMers, President Trump told Republican lawmakers at their annual retreat that while Democrats "talk a good game," they are more interested in politics than finding a solution. Trump said, "They talk a good game with DACA, but they don't produce." Trump "complained that Democrats were unwilling to budge and would rather see him fail than make progress on immigration or other issues that would benefit the country."

[Reuters](#) (2/1, Becker) reports that Trump urged Republicans "to put aside misgivings over letting young 'Dreamer' immigrants stay in the United States and pass a bill that includes that measure but also imposes tough new immigration curbs." Trump said, "To get it done, we'll all have to make some compromises along the way, to get it done this way. ... We have to be willing to give a little in order for our country to gain a whole lot." [USA Today](#) (2/1, Korte, Collins, 8.23M) says Trump told Republicans that if they do not compromise on the issue, they "need to elect more Republicans. That's another way of doing it."

[Breitbart](#) (2/1, Binder, 2.81M) reports that Trump told the group that ending "chain migration" and the diversity visa lottery program are the "center, mainstream view of the American people." [Politico](#) (2/1, Nelson, 3.22M) says Trump's remarks "contained little in the way of fresh proposals, focusing instead on reinforcing policies his administration has pushed for weeks or months." Trump also "objected to the use of the term 'Dreamers,'" telling Republicans not to "fall into that trap" and arguing that "we have Dreamers in this country, too."

The [Washington Post](#) (2/1, Debonis, Sullivan, 11.19M) reports that Trump's speech "comes as his party remains beset with divisions on the issue." Those divisions "were evident just hours before Trump issued his rallying cry," as Senate Republican Conference Chairman John Thune told reporters that a bill that addresses only DACA recipients and border security "may be the best we can hope for," while House Republican Conference Chairwoman Cathy McMorris Rodgers, "appearing alongside Thune...embraced the cornerstones of the Trump plan." Meanwhile, House Freedom Caucus Chairman Mark Meadows "said that conservatives remained opposed to any bill that provided dreamers with a 'special pathway' to citizenship — including one based on the Trump framework."

In a separate story, the [Washington Post](#) (2/1, Johnson, 11.19M) describes Trump's speech Thursday as "a Trump-ified version of the State of the Union speech." After "staying on script and acting presidential" for a few days, "Trump was back to being Trump." The speech followed an early morning [tweet](#) in which Trump wrote, "March 5th is rapidly approaching and the Democrats are doing nothing about DACA. They Resist, Blame, Complain and Obstruct — and do nothing. Start pushing Nancy Pelosi and the Dems to work out a DACA fix, NOW!"

[The Hill](#) (2/1, Carter, 1.99M) reports that in a [tweet](#) Thursday night, Trump "slam[med] Democratic leaders for 'not calling' him about" a DACA fix. Trump wrote, "The Democrats just aren't calling about DACA. Nancy Pelosi and Chuck Schumer have to get moving fast, or they'll disappoint you again. We have a great chance to make a deal or, blame the Dems! March 5th is coming up fast."

However, the [AP](#) (2/1, Fram, Colvin) says Trump's call in his State Of The Union address for a "down-the-middle compromise" on immigration "did nothing to move Republicans and Democrats closer to a deal, as Democrats accused the president of lacing his speech with racially charged remarks and Republicans dug in on their demands." The AP describes an emerging "protracted tug-of-war" which "left serious doubt whether the two parties could reach an election-year pact to protect hundreds of thousands of young immigrants from deportation, sharpen border security and take other steps to curb immigration." [Reuters](#) (2/1) reports that Sen. James Lankford said Thursday that he would urge the President to extend the March 5 deadline he set for repealing the DACA program. Lankford told reporters, "I would encourage him to do that, give us more space to finish it out. ... The problem is, Congress only seems to work on deadline."

**Gerson Blasts Trump's SOTU Rhetoric On Immigrants.** In his column for the [Washington Post](#) (2/1, 11.19M), Michael Gerson is critical of Trump's tone regarding immigrants in the State Of The Union. While the address "aspired to political normalcy, and largely achieved it," Gerson argues, "even on his finest behavior," Trump "could not be gracious to immigrants. Their role in the address was largely to create an atmosphere of menace — variously killing children or running a truck into a bike path." His "Americans are dreamers, too," suggested that "young people facing deportation were living lives of privilege at the expense of American citizens."

**AP Analysis: DACA Is Not The First Time Administration Has Gone Directly To Supreme Court.** In an analysis, [Reuters](#) (2/1, Chung) reports that when the Administration bypassed a California federal appeals court and took its effort to end the DACA program directly to the Supreme Court, Attorney General Sessions called it a "rare step." However, this "was not the first time the administration took the unusual route of circumventing liberal-leaning lower courts and heading straight to the conservative-majority Supreme Court for relief from legal setbacks." The AP cites other examples and says "some legal scholars" says the strategy "makes sense...for an administration that has seen so many of its key policy initiatives challenged aggressively by political opponents, who often file in courts where they are likely to find sympathetic judges."

**Teachers Protected Under DACA Prepare For Possibility Of Deportation.** The [New York Times](#) (2/1, Green, Subscription Publication, 15.39M) reports that the "nearly 9,000 protected under" the DACA program are preparing for the possibility that the March 5 deadline will arrive without an agreement, opening the possibility that they could be deported. NEA president Lily Eskelsen Garcia said, "Every day, educators are being told to forget about the fact that at any given moment the rug will be pulled out of your lives and you may lose your job. ... To see them treated in this despicable way, to see them treated as pawns, is just not fair."

**Haitian President Says Trump Is Right About Foreign Aid Being Wasted.** [Bloomberg News](#) (2/1, Fieser, 3.31M) reports that President Jovenel Moise of Haiti said that while he was "taken aback" by President Trump's "s---hole" nations comment, when Trump "says the US is wasting money sending aid to foreign countries," he may be correct. Moise said, "Right now in Haiti, the money of foreign taxpayers, your money, is being wasted. ... Every year we receive \$1.2 billion to \$1.4 billion in aid, or more. However, it's all

## US Steel Firms Urge Trump To Act Now To Curb Imports.

[Reuters](#) (2/1, Lawder, Wroughton) reports exclusively that 25 US steel companies and groups urged President Trump Thursday to “urgently impose trade measures to curb excess steel capacity and surging imports affecting the US industry.” In a letter, the American Iron and Steel Institute called on the Administration to “immediately act” under Section 232 of a 1962 US trade law, which Reuters says “allows for sweeping restrictions to protect national security.”

## Trump Says Hatch Called Him “Greatest President” In History.

[Bloomberg News](#) (2/1, Talev, 3.31M) reports that President Trump “extolled his own performance” in a speech at the annual congressional Republican retreat in West Virginia on Thursday, “and he invoked the longest-serving Republican senator to put himself among the figures on Mount Rushmore, recounting remarks he attributed” to Sen. Orrin Hatch. Trump said, “He actually once said I’m the greatest president in the history of our country. I said, does that include Lincoln and Washington? He said yes.” A Hatch spokesman later said via email, “Senator Hatch has said that he would like to work with the President to make this the greatest presidency in history for the American people.”

The [Washington Times](#) (2/1, Morton, 505K) has a brief report under the headline “Trump Says Orrin Hatch Told Him He’s The Greatest US President Ever.” [The Hill](#) (2/1, Delk, 1.99M) also covers the spokesman’s clarification.

**Trump Rallies Republicans, Who Have Come To Accept His Style.** [The Hill](#) (2/1, Easley, Bolton, 1.99M) reports that Trump “took a victory lap in which he ticked through a list of accomplishments from his first year in office” and “looked to rally Republicans behind his agenda.” The [Washington Post](#) (2/1, Kane, 11.19M) says that GOP lawmakers “have mostly, if not entirely, come to grips with his freewheeling style,” and “even those Republicans who hesitate to embrace Trump have come to grips with the fact that voters chose this particular mode of operation – and no longer expect him to change course.” [Politico](#) (2/1, Everett, Bade, 3.22M) writes that Republicans “are united behind Trump politically,” but “ideological and tactical differences between the House and Senate – and the president’s silence or lack of guidance on how to bridge them – remain a major problem for accomplishing big-ticket items.”

In his [Washington Post](#) (2/1, 11.19M) column, Joe Scarborough warns Trump’s Republican “enablers” that in deciding that they must “blindly follow him...they are underestimating themselves. ... All that is required is the courage to push back against this president’s most dangerous moves.”

## Trump Incorrectly Claims Largest SOTU Audience Ever.

The [New York Times](#) (2/1, Sullivan, Qiu, Subscription Publication, 15.39M) reports, “President Trump on Thursday boasted, incorrectly, that his State of the Union address drew the highest number of viewers in history. He was off by millions of people.” In terms of television viewership, Trump’s speech ranked “ninth out of the annual addresses delivered by presidents since 1993,” and “even factoring in online streams, Mr. Trump’s address would not outrank” President Obama’s first official State Of The Union in 2010.

Philip Bump of the [Washington Post](#) (2/1, 11.19M) writes, “Eight of the 25 joint-session and State of the Union speeches before Trump’s this week had more viewers. And that came despite smaller populations. Just under 14 percent of the population of America watched Trump’s speech.” The [AP](#) (2/1) calls Trump “wrong” on the speech’s ratings, while [Politico](#) (2/1, Nelson, 3.22M) says Trump was “incorrect.”

In additional continuing State Of The Union analysis, the [New York Times](#) (2/1, Lu, Subscription Publication, 15.39M) looks at the various ways – as “unifier and a divider, a pessimist and an optimist,” as “salesman” and as “bully” – that Trump has portrayed himself during his first year in office, and another [New York Times](#) (2/1, Qiu, Subscription Publication, 15.39M) piece fact-checks the Democrats’ “five separate responses” to the State Of The Union: the official response from Rep. Joseph P. Kennedy III (D-MA), as well as responses from Sen. Bernie Sanders, Rep. Maxine Waters (D-CA), ex-Rep. Donna Edwards, and Virginia state legislator Elizabeth Guzman.

## Trump Discusses First Lady’s Role In 2005 Aflac Commercial.

The [Washington Post](#) (2/1, Heil, 11.19M) reports that President Trump on Wednesday “brought up the fact that his wife had once appeared in a television ad” for Aflac when representatives for the company were “in the Oval Office to laud the recent tax reform legislation. Trump, true to form, made it all about Trump.” Trump said, “They actually, a long time ago, hired my wife to do a big commercial. You know that, right? An Aflac commercial. And I think it was a successful commercial, too.” [USA Today](#) (2/1, Gleeson, 8.23M) reports that in the 2005 [ad](#), “Melania Trump is touted for her sex appeal by a mad scientist who trades Melania’s voice for the Aflac duck’s voice.”

## Trump Will Not Participate In A Super Bowl Interview.

[The Hill](#) (2/1, Savransky, 1.99M) reports that “President Trump will...not sit down for a Super Bowl interview this weekend.” A White House official informed CNN on Wednesday that he will not be doing one. NBC, which is televising the game, “would still welcome an interview with Trump if he decides differently.”

## **Brzezinski Cuts Off Interview With Wolff Over Trump-Haley Rumor.**

[USA Today](#) (2/1, Cummings, 8.23M) reports, “MSNBC host Mika Brzezinski abruptly ended an interview with author Michael Wolff during Morning Joe Thursday after Wolff denied having anything to do with a salacious and totally unsubstantiated rumor about an affair between President Trump and Ambassador to the United Nations Nikki Haley.” When confronted about his role in spreading the rumor, Wolff replied to Brzezinski, “Mika, again, she had been accused of nothing. ... She has decided to deny what she has not been accused of. Certainly, I didn’t accuse her of this.” After asking to be read the exact language where he may have implied the affair, Brzezinski replied, “Are you kidding me? ... I’m not reading you anything. If you don’t get it, if you don’t get what we’re talking about, I’m sorry, this is awkward, you’re here on the set with us, but we’re done. Michael Wolff, thank you.”

**Wolff Responds On Twitter Following Interview.** [Politico](#) (2/1, Nelson, 3.22M) reports that Wolff posted several tweets following the interview, beginning with one that said, “My bad, the President is right about Mika.” He followed up with several that said, “To be invited on a show with the purpose of being thrown off ... is the new television ... In other words, I had to say what Mika wanted me to say, or else ... the hook!” He concluded by asserting, “The last time I was on Morning Joe off camera Joe and Mika eager to gossip about who Trump might be sleeping with ... It really would be hard to gossip more eagerly off camera than Mika and Joe gossip.”

## **Manchin: Pence Attacks Show Administration Doesn’t “Want Bipartisanship.”**

[The Hill](#) (2/1, Carney, 1.99M) reported that Sen. Joe Manchin on Thursday continued to push back against criticism by Vice President Pence, “saying Pence’s attacks against him prove the Trump administration isn’t actually interested in reaching across the aisle.” In a tweet, Manchin said, “My record speaks for itself. If they’re attacking people like me then they don’t want bipartisanship.” Manchin said “that he’s voted with the Trump administration 54 percent of the time and ‘there isn’t another person in Congress who votes as bipartisan as I do.’” Manchin’s comments came after Pence had criticized him on Wednesday and had indicated in an [interview](#) with Politico that he intended to campaign against the Democrat this fall.

## **Trump Administration Strips Enforcement Powers From CFPB Unit.**

The [Washington Post](#) (2/1, Merle, 11.19M) reports that the Trump Administration has removed enforcement powers from the Office of Fair Lending and Equal Opportunity, “a Consumer Financial Protection Bureau unit responsible for pursuing discrimination cases.” The office will now “inside the office of the director, where staffers will be focused on ‘advocacy, coordination and education,’ according to an email” from acting head Mick Mulvaney. Staffers “will no longer have responsibility for enforcement and day-to-day oversight of companies.”

## **Trump Pushed For ANWR Drilling At Urging Of “A Friend.”**

The [AP](#) (2/2, Joling) reports that President Trump asserted “Thursday he ‘really didn’t care’ about opening a portion of Alaska’s Arctic National Wildlife Refuge to oil drilling but insisted it be included in tax legislation at the urging of others.” Speaking to Republican legislators in White Sulphur Springs, West Virginia, Trump said, “A friend of mine called up, who’s in that world and in that business, and said, ‘Is it true that you’re thinking about ANWR?’ I said, ‘Yeah, I think we’re going to get it, but you know.’ He said, ‘Are you kidding? That’s the biggest thing, by itself.’ He said, ‘Ronald Reagan and every president has wanted to get ANWR approved. ... I really didn’t care about it, and then when I heard that everybody wanted it – for 40 years, they’ve been trying to get it approved, and I said, ‘Make sure you don’t lose ANWR.’”

**WSJournal: Increased Drilling Has Improved America’s Energy Security.** The [Wall Street Journal](#) (2/1, Subscription Publication, 6.45M) editorializes that the surge in American oil drilling over the past decade has resulted in greater energy security for the US, which has become much less reliant on foreign oil sources. The Journal credits a Congressional deal with former President Obama in 2015 to lift the oil export ban, quick industry adaptation to the 2016-2016 oil price plunge, and a natural gas fracking boom for improving America’s energy security. The Journal stresses that the most important lesson is that the innovation of shale drillers and frackers, which created a great deal of wealth, never would have been possible if their actions had to be approved by the federal government.

## **Trump’s Proposed Budget Will Call To End Chemical Safety Board.**

[Bloomberg News](#) (2/1, Natter, 3.31M) reports that the 2019 budget proposal from President Trump “will again call for ending the US Chemical Safety Board, an independent agency that investigates major industrial accidents, according to a senior government official familiar with the plan.” The budget will propose for the agency to “receive enough funding to shut its operation down.” The “proposed budget is expected to be released Feb. 12.”

## **Trump Administration Attempting To End Desert Conservation Plan.**

The [Los Angeles Times](#) (2/1, Halper, 5.51M) reports “the Trump Administration is threatening to scrap” the Desert Renewable Energy Conservation Plan, which “sought to protect millions of acres of the California

DESERT Renewable Energy Conservation Plan, which "sought to protect millions of acres of the California desert by placing sensitive areas off-limits to major solar- and wind-energy installations." The initiative "covers more than 10.8 million acres and was designed to guide energy facilities to parcels where they are least likely to cause environmental damage." The effort to eliminate it "comes as some energy firms and local governments complained the plan was too restrictive, placing off-limits land they have been seeking to develop."

### **Tribes Sue Zinke For Blocking Casino Plan.**

[Politico](#) (2/1, Juliano, 3.22M) says the Mohegan and Mashantucket Pequot tribes are accusing Interior Secretary Zinke "of illegally blocking their plans" to build a third Connecticut casino by declining to make any decision after the tribes submitted their plan. According to Politico, which reviewed several internal department documents, the Interior Department's "refusal to sign off" on the tribes' plans "came after Zinke and other senior department officials held numerous meetings and phone calls with MGM lobbyists and the company's Republican supporters in Congress."

[The Hill](#) (2/1, Cama, 1.99M) says that, according to Politico's review of internal documents, "there is no evidence that the casino issue came up" during Zinke's meetings with MGM. The Hill also says MGM "is developing a competing project in nearby Massachusetts."

### **EPA Will Attempt To Remove Radioactive Waste From Missouri Landfill.**

The [Wall Street Journal](#) (2/1, Puko, Subscription Publication, 6.45M) reports that the Environmental Protection Agency is planning to attempt to remove radioactive waste from West Lake landfill in Missouri. The plan is part of a larger initiative to increase government response times to sites with toxic waste. The agency plans to excavate most of the thousands of tons of radioactive waste in the landfill and create a permanent cap to isolate the rest. It is projected to cost \$236 million and take five years.

### **DOJ Quietly Shuttters Office Aimed At Providing Legal Aid To All.**

The [New York Times](#) (2/1, Benner, Subscription Publication, 15.39M) reports that the Justice Department "has effectively shuttered an Obama-era office dedicated to making legal aid accessible to all citizens, according to two people familiar with the situation." The Office for Access to Justice "began as an initiative in 2010 under former Attorney General Eric H. Holder Jr. to increase and improve legal resources for indigent litigants in civil, criminal and tribal courts." The Times adds that while Attorney General Sessions "cannot close the office without notifying the Congress, he can sideline it by moving its resources elsewhere," and "its offices now sit dark on the third floor of the Justice Department building." The staff "of a dozen or so has dwindled and left the department over the past few months, the people said." Maha Jweied, the acting director of the department, "left this month to start a consulting business, according to her LinkedIn profile."

### **Government Begins Investigation Into Amtrak Crash.**

The [CBS Evening News](#) (2/1, story 8, 0:20, Glor, 11.17M) reported that "federal investigators are looking into whether the crossing gates were working" when an Amtrak train carrying several members of Congress collided with a truck in Virginia Wednesday.

The [Washington Post](#) (2/1, Aratani, Powers, 11.19M) says data gathered Thursday "indicates that the engineer activated the emergency brake and the train came to a full stop 20 seconds later," according to investigators with the National Transportation Safety Board (NTSB). The Post says investigators haven't yet determined what caused the crash.

### **Economy Projected To Grow 5.4% In First Quarter.**

[CNBC](#) (2/1, Cox, 3.1M) reports that US GDP "is expected to surge 5.4 percent to start 2018," according to the latest estimates from the Atlanta Fed. If the estimate proves to be accurate, "it would be the best quarter since the Great Recession ended in 2009." Additionally, "real consumer spending jumped from 3.1 percent to 4 percent amid a sharp savings drawdown, and private fixed-investment growth surged from 5.2 percent to 9.2 percent."

**S&P 500's Strong January Makes Strong Year More Likely.** [Reuters](#) (2/1, Carew) reports that "the S&P 500's gain of almost 6 percent in the first month of 2018" suggests that similar results will follow throughout the rest of the year, according to the so-called January Barometer. There have only been nine deviations from the Barometer since 1950, "according to the Stock Traders Almanac whose founder, Yale Hirsch, devised the indicator in 1972." Additionally, "in all the years when the S&P 500 rose more than 5 percent in January, the year's return has never been negative," according to LPL Financial Senior Market Strategist Ryan Detrick.



**January Indicator Has Frequently Been Incorrect Recently.** The [AP](#) (2/1, Jay) reports, however, that “the January indicator has been ‘wrong’ eight times since 2000: either the market has finished the year higher after a poor start, or it’s ended lower after making gains in the first month.” Conversely, “between 1950 and 2000, January was only ‘incorrect’ seven times.” In 2017, “the S&P 500 gained 1.8 percent in January – not bad, but nothing special – only to rally as investors saw evidence the global economy was getting stronger.”

## **Federal Judge Strikes Down Florida’s Lifetime Ban On Voting For Felons.**

The [Miami Herald](#) (2/1, Bousquet, 961K) reports that US District Judge Mark Walker ruled on Thursday that “Florida’s lifetime ban on restoring voting rights for felons violates the US Constitution.” Judge Walker “said Florida’s vote restoration process unfairly relies on the personal support of Gov. Rick Scott for citizens to regain ‘this fundamental right.’” Judge Walker “ruled in a case brought by the Fair Elections Legal Network, a Washington, D.C., group that challenged the constitutionality of the Florida system.” The decision “came nine days after the state approved a ballot measure that, if passed in November, would restore the voting rights of about 1.2 million felons.”

## **Navy Personnel Charged With Bribery And Lying About Ties To Singapore Tycoon.**

The [Washington Post](#) (2/1, Whitlock, 11.19M) reported in a 3,400-word article that “the Justice Department has charged 15 officers and one enlisted sailor who served on the [USS] Blue Ridge with taking bribes from or lying about their ties to Leonard Glenn Francis, a Singapore-based tycoon who held lucrative contracts to service Navy ships and submarines in Asian ports.” Francis schemed to defraud the Navy and “systematically infiltrated the Blue Ridge to a degree that is only now coming into focus, more than four years after the defense contractor’s arrest, according to the documents from federal court and the Navy, as well as interviews with Navy officials and associates of Francis.” Between 2006 and 2013, the tycoon “doled out illicit gifts, hosted epicurean feasts and sponsored sex parties for Blue Ridge personnel on at least 45 occasions, according to federal court records and Navy documents obtained by The Washington Post under the Freedom of Information Act.”

## **Humane Society Votes To Keep President Despite Sexual Harassment Complaints.**

The [Washington Post](#) (2/1, Paquette, 11.19M) reports that the board of the Human Society of the United States “voted Thursday to keep chief executive Wayne Pacelle in his job after an internal investigation identified three complaints of sexual harassment against him,” prompting the resignation of seven board members. According to the Post, “several donors said they were outraged” at the vote’s outcome.

## **Wisconsin Plans To Create “Green Alerts” For At-Risk Veterans.**

The [Washington Post](#) (2/1, Wax-Thibodeaux, 11.19M) reports that “Wisconsin is expected to become the first state to set up a ‘Green Alert’ system to help families and law enforcement officials locate missing at-risk veterans.” The initiative “was proposed by Gwen and Johnnie Adams, whose 45-year-old son, Corey Adams, went missing last March.” In an interview, Gwen Adams said, “I never want any other family to go through what we did. ... This needs to happen across the country. There aren’t any laws on the books in our local communities which help look for veterans who are at risk, especially from the mental health standpoint.”

## **Hogan To Be Treated For “Extremely Common” Form Of Skin Cancer.**

The [Washington Post](#) (2/1, Wiggins, 11.19M) reports that Gov. Larry Hogan, “who in remission from non-Hodgkin’s lymphoma, will undergo a minor procedure this weekend to treat a common skin cancer.” Speaking on Thursday at a news conference, Hogan – up for reelection this fall – “said he will have an outpatient surgery in his dermatologist’s office to remove a basal cell carcinoma and a squamous cell carcinoma. The cancer was found on his face and near his breastbone.” Said Hogan, “This is something that 5 million people a year get. It’s very easy to take care of.” The [Baltimore Sun](#) (2/1, Dance, 691K) reports that Hogan “will undergo surgery Saturday to remove skin cancer that his dermatologist called ‘extremely common’ and curable. ... ‘It’s basically sun damage,’ said Hogan, adding that he worked for six years as a lifeguard at a hotel pool in Daytona Beach, Fla. ‘I wanted to look good with a dark tan, so I never put sunscreen on,’ he said.”

## **Nashville Mayor Acknowledges Affair With Member Of Her Security Detail.**

On [ABC World News Tonight](#) (2/1, story 8, 1:40, Muir, 14.63M), Erielle Reshef reported on “new fallout after a rare and candid admission of wrongdoing from Nashville’s Mayor, Megan Barry.” Barry was shown saying at a news conference, “I had a consensual relationship with a member of my security detail, and I am deeply sorry for that. And I am embarrassed, and I am sad. I know that God will forgive me, but that Nashville doesn’t have to.” Reshef added, “The head of her security detail, Sergeant Rob Forrest, retired not long before she stood before those cameras.” Reshef “says she’s done nothing illegal and has no plans to resign, but she’s apologizing for any hurt she may have caused her husband or the other family.”

### **Scott’s Super PAC Moves Signal A Likely Challenge To Nelson In Florida.**

[Politico](#) (2/1, Caputo, Dixon, 3.22M) reported, “In the clearest sign he’s ready to” take on Sen. Bill Nelson in November’s election, term-limited Gov. Rick Scott “has raised more than \$1.1 million for a super PAC he recently revived and stocked it with top consultants from his previous campaigns. Privately, he’s talked up his good polling numbers, according to several supporters who have spoken to Scott recently.” Politico added that should Scott run, it “would complicate Democratic hopes of winning back the Senate next year – of the 10 Democrats up for reelection in states carried by President Donald Trump, Nelson has been considered one of the most vulnerable.”

### **Despite Urging By Trump And McConnell, Bryant Not Interested In Succeeding Cochran In Tennessee.**

The [Washington Post](#) (2/1, Scherer, Sullivan, Dawsey, 11.19M) reports that Senate Majority Leader McConnell has asked Gov. Phil Bryant “to consider appointing himself to the Senate if ailing” Sen. Thad Cochran steps down, “according to two people familiar with the conversations.” The move, which McConnell spoke about this week with Bryant, “would give Republicans a formidable candidate in advance of a possible special election in the state later this fall. President Trump, a supporter of Bryant, backs the plan, according to a person familiar with the situation, though there are several other options that McConnell and Trump have discussed if Bryant declines.” The Post adds that the 80-year old Cochran, “who missed several weeks last fall while recuperating from a urinary tract infection, has appeared frail since his return to the Senate.”

However, in the wake of the Post story, the [Jackson \(MS\) Clarion Ledger](#) (2/1, Pender, Hall, 286K) reports, “Sources close to Bryant told the Clarion Ledger after the Post report was published that Bryant is not interested in such a scenario. The sources did confirm the conversation with McConnell and also said the president had talked to Bryant about the same thing. The same sources said Lt. Gov. Tate Reeves would be the leading candidate if Cochran steps down.”

### **New York GOP Fundraiser Announces Challenge To Gillibrand.**

The [AP](#) (2/1) reports that private equity executive Chele Chiavacci Farley (R), the New York state GOP’s New York City finance chair, on Thursday announced a 2018 challenge to Sen. Kirsten Gillibrand. The AP says, “In a campaign video, Farley accused Gillibrand of being a political opportunist more focused on advancing her career than serving the needs of New Yorkers.” Farley also jabbed “at Gillibrand by including a photograph of the senator standing with Harvey Weinstein, the film producer accused of assaulting and harassing numerous women. Weinstein was a frequent donor to Democrats.” The [Wall Street Journal](#) (2/1, Vilensky, Subscription Publication, 6.45M) reports that Farley faces a difficult task in her bid to unseat Gillibrand, who has national name recognition and \$8 million cash in hand.

### **Barletta Raised Less Than \$500,000 For Pennsylvania Senate Bid In Q4.**

The [Washington Examiner](#) (2/1, Drucker, Weaver, 442K) reported that Rep. Lou Barletta (R-PA), who is seeking to take on Sen. Bob Casey this fall, “raised just under \$500,000” during the fourth quarter of last year, “an amount concerning to Pennsylvania Republicans who worry the party is blowing an opportunity to oust a vulnerable Democrat. Barletta, personally recruited to run by President Trump, spent nearly as much as he raised during” Q4, ending 2017 “with just under \$1.1 million in the bank – far less than Casey’s \$8.6 million.”

### **Romney To Announce February 15 Whether He Will Seek Utah Senate Seat.**

The [AP](#) (2/1, Price) reports that Mitt Romney “plans to announce on Feb. 15” whether he’ll seek to succeed retiring Sen. Orrin Hatch in November’s election. if he’ll run for the Utah Senate seat held by Orrin Hatch. In

a Thursday tweet, Romney said “that he’s looking forward to the announcement. The post included a link to his website, which no longer includes references to his 2012 presidential campaign and quotes from his concession speech. Instead, it offers visitors a form to sign up and ‘Join Team Mitt.’”

The [Washington Post](#) (2/1, Costa, 11.19M) reports that Romney “signaled Thursday that he is likely to enter the” contest, “tweeting that he is ‘looking forward to making an announcement on February 15th’ and linking to a website that encouraged supporters to ‘join team Mitt.’” The Post adds, “A Republican close to Romney, who was not authorized to speak publicly, said Thursday that it was ‘obvious’ that Romney will run and called the tweet a social media formality ahead of the campaign launch.” [Reuters](#) (2/1, Walsh) reports that should he enter the race, Romney “is expected to be the front-runner in the November election.”

[The Hill](#) (2/1, Kamisar, 1.99M) reported that Romney “has been a vocal critic of President Trump’s since the campaign trail, with a brief truce during the transition quickly crumbling. He’s regularly criticized the president, most notably for Trump’s remarks after a woman was killed protesting a white supremacist rally in Virginia and more recently after reports Trump referred to El Salvador and African countries” with a vulgar term. The [Washington Times](#) (2/1, McLaughlin, 505K) also briefly reports on Romney’s tweet.

## **Democrats Posting Strong Fundraising Numbers In Key Open-Seat House Races.**

[Bloomberg News](#) (2/1, Allison, McCormick, 3.31M) reports that Democrats are “showing early financial strength in competitive [House] districts where incumbents aren’t seeking re-election,” according to Federal Election Commission filings. Bloomberg News adds, “In a dozen competitive races for open seats, Democrats have collectively raised \$23.3 million – more than three times as much as their GOP opponents – and have the best-funded candidate in all but three of those races.”

***A Number Of California GOP Incumbents Being Outraised By Their Democratic Challengers.*** A number of reports are focusing on strong fundraising numbers posted by California Democrats challenging GOP incumbents or running in currently Republican-held open-seat contest. The [San Jose \(CA\) Mercury News](#) (2/1, Tolan, 940K) reports, “Democratic challengers outraised seven Republican members of Congress in California over the last three months of 2017, the latest sign of a flood of support for Democrats as they try to take control of the House” this fall. GOP “incumbents fell short from a deep-red district in California’s north – where two first-time Democratic candidates each topped Rep. Tom McClintock’s campaign haul – to more competitive districts in the south – where Reps. Mimi Walters and Dana Rohrabacher collected less than their Democratic opponents.”

The [Orange County \(CA\) Register](#) (2/1, Wisckol, 860K) reports, “Democratic candidates hoping to take Orange County’s four Republican congressional seats have raised nearly \$8 million from donors while adding another \$7 million from their own pockets in contributions and loans.” The burgeoning campaign accounts “reflect Democrats’ hopes to flip the 24 seats needed to wrest control of the House from Republicans in November, with Orange County’s providing ground zero for the effort.”

The [Los Angeles Times](#) (2/1, Mai-Duc, 5.51M) reports, “For the second period in a row,” Rohrabacher was outraised by his Democratic challengers. Rohrabacher “reported raising \$271,969 in the last three months of 2017 and ended the year with \$713,144 cash on hand. That’s significantly less than opponents Hans Keirstead and Harley Rouda, both Democrats, have reported raising. But much of the money raised by Rohrabacher’s challengers has come from their personal wealth.”

The [Santa Clarita Valley \(CA\) Signal](#) (2/1, Clark, 23K) reports that nonprofit executive Katie Hill (D) outraised Rep. Steve Knight (R-CA) in the fourth quarter of 2017. Hill “raised \$252,350.81 while Knight brought in \$240,244.10,” Two other Democratic hopefuls posted strong numbers, though less than Hill and Knight.

[The Hill](#) (2/1, Kamisar, 1.99M) reported that Rep. Duncan Hunter (R-CA) “raised only \$50,000” during the fourth quarter of last year, “all while paying six-figures on legal bills over an investigation into improper use of campaign cash. The sum is staggeringly low for a sitting member seeking reelection and it gives Hunter \$290,904” cash on hand, which is “less than half of the money he had in the bank two years ago, before his 2016 reelection. Hunter’s campaign has spent more than \$170,000 on legal bills.” Hunter, who has “also been out-raised by both of his top Democratic challengers,” is facing “allegations that he spent campaign dollars on personal expenses, including spending on video games, clothes and air travel for his family’s rabbit. The FBI is investigating those charges.”

## **NRCC Chief Says Pelosi Helps GOP Efforts To Retain Its House Majority.**

[USA Today](#) (2/1, Collins, 8.23M) reports that while the GOP appears to face headwinds heading into November’s elections, National Republican Campaign Committee chief Rep. Steve Stivers (R-OH) “thinks the GOP will hold onto its majority. One big reason? House Minority Leader Nancy Pelosi.” Speaking with reporters on Thursday, Stivers said that while “Republicans had ‘the right message’ and success from tax reform,” the GOP also has Pelosi, “who has ‘continued to say outrageous things.’ ‘Nancy Pelosi has stayed in the spotlight. Her ‘crumbs’ comment is something I think we can use pretty effectively,’ Stivers said.” USA Today adds that Pelosi has “said the bonuses companies were giving to employees after tax reform were ‘crumbs’ compared to what corporations would get.”

## **Nunes’ Challenger Says He Raised \$65,000 In One Week Amid Memo Controversy.**

The [Los Angeles Times](#) (2/1, Wire, 5.51M) reports that Fresno County Deputy District Attorney Andrew Janz (D), who is bidding to unseat Rep. Devin Nunes (R-CA), “says he’s raking in donations thanks to the controversy about the House Select Intelligence Committee chairman’s very public push to release a controversial memo related to the Russia investigation.” Janz, in a statement, “said that as of Wednesday night, he’s brought in a little over \$65,000 over the last seven days as the memo has been in the news” which

night, he's brought in a little over \$65,000 over the last seven days as the memo has been in the news, which "is more than half as much as Janz reported raising in the previous three months."

## **Democratic Challenger Scholten Nearly Doubles King In Q4 Fundraising.**

The [Sioux City \(IA\) Journal](#) (2/1, Hayworth, 183K) reports that "former professional baseball player" J.D. Scholten (D) "outraised" Rep. Steve King (R-IA) during "the most recent quarter." Scholten "said he raised more than \$174,000" during the fourth quarter of 2017. King, meanwhile, "brought in \$87,543" for the period. Among Scholten's Democratic primary foes, pediatrician John Paschen "had \$62,591 in receipts," while Spencer City Council member Leann Jacobsen "raised \$47,430 during the quarter."

## **Pair Of Democratic Challengers Outraised Faso In 2017.**

The [Kingston \(NY\) Daily Freeman](#) (2/1, Zangla, 41K) reports that freshman Rep. John Faso (R-NY) was outraised by two of his Democratic challengers last year. Attorney Antonio Delgado "raised nearly \$1.5 million by the end of 2017." Small business owner Brian Flynn, meanwhile, raised "more than \$1.255 million" last year. Faso "was close behind, raising \$1,193,935.93 for the year." Including Delgado and Flynn, six candidates are battling in the Democratic primary.

## **Democrat Lamb Leads In Fundraising, But GOP Groups Boosting Saccone.**

In a report on the March 13 special election to succeed ex-Rep. Tim Murphy, the [Pittsburgh Tribune-Review](#) (2/1, Fontaine, 315K) says that ex-federal prosecutor Conor Lamb (D) "raised and spent more money than" state Rep. Rick Saccone (R) "through the end of last year, but spending by outside conservative groups threatens to negate Lamb's fundraising advantage." During the fourth quarter of 2017, Lamb "spent \$148,295 while Saccone...spent \$14,737. Lamb's campaign also raised more than twice as much cash as Saccone, \$560,481 to \$214,675." However, "conservative groups not affiliated with Saccone's campaign have spent or pledged millions of dollars. The Congressional Leadership Fund spent \$1.5 million on an ad linking Lamb to House Minority Leader Nancy Pelosi," for example.

The [Pittsburgh Post-Gazette](#) (2/1, Potter, 453K) reports that while Lamb "has so far" outraised Saccone, "it remains to be seen, however, how meaningful Mr. Lamb's advantage is. Conservatives on the national level have been flooding the district with outside money and other attention. Vice-President Mike Pence, in fact, is slated to hold a rally for Mr. Saccone on Friday." [The Hill](#) (2/1, Kamisar, 1.99M) reported that Saccone's "meager fundraising prowess has been a source of concern for some Republicans, but he'll have a significant amount of outside help for his bid. Top GOP groups are flooding the district with cash to boost Saccone's campaign – the" CLF "has already planned a \$1.5 million television buy, with the 45Committee and Ending Spending dropping another \$1.5 million between the two groups."

The [Washington Times](#) (2/1, McLaughlin, 505K) reports on the fundraising numbers, and adds, "The March 13 special election is garnering lots of national attention, as Democrats are hoping Mr. Lamb can pull off a victory in a district that has been a GOP stronghold, and Republicans are seeking to avoid what would be considered an embarrassing loss."

**Pence To Rally Support, Raise Cash For Saccone Today.** The [AP](#) (2/1, Levy) reports that Vice President Pence is "scheduled to appear at a rally and fundraiser for...Saccone" today in Pennsylvania. The [Pittsburgh Post-Gazette](#) (2/1, Potter, 453K) reports that following his appearance at the Saccone rally, Pence will attend a "a gathering of America First Policies at the Heinz History Center. America First Policies is a nonprofit established early in Donald Trump's administration by former campaign staff with the goal of advancing the Trump agenda. The event is being billed as the first in a series of tax-policy discussions titled 'Tax Cuts to Put America First.'" Pence "is being featured as a 'special guest' to address attendees at the conclusion of the event, which is slated to start at 1 p.m."

## **Seeking Rematch, Democrat Parnell Easily Outraises Norman In Q4.**

The [Columbia \(SC\) State](#) (2/1, Self, 340K) reports that tax attorney Archie Parnell (D), who last year lost a close special election contest to now-Rep. Ralph Norman (R-SC) and is seeking a 2018 rematch, "has taken the lead – at least in the cash race." Parnell "announced earlier this month that he had raised \$340,000" during the fourth quarter of 2017, including "a \$100,000 loan from Parnell himself." Norman, meanwhile, "raised \$82,721 in the same three-month period." The [Charleston \(SC\) Post and Courier](#) (2/1, Lovegrove, 320K) reports that Parnell ended the year with "over \$236,000" cash in hand – "more than double Norman's total."

## **Vulnerable Hurd Holds Large Cash Edge Over Democratic Challengers.**

The [San Antonio Express-News](#) (2/2, Scherer, 1.51M) reports that Rep. Will Hurd (R-TX), "in his bid for a third term in Texas' most competitive district, raised \$412,000 in the final three months of 2017, nearly double the sum of any of the Democrats running in the primary, bringing his war chest to a total of \$1.1 million." Ex-federal prosecutor Jay Hulings and former Air Force intelligence officer Gina Ortiz Jones "raked in more than \$200,000, with Jones slightly edging Hulings, \$213,000 to \$210,000. Hulings, however, reported \$281,000 cash on hand, to Jones' \$169,000." Hurd is a top Democratic target this year.



## Friedman Leads Democrats In Fundraising, But Trails Comstock In Cash On Hand.

In a report on Rep. Barbara Comstock (R-VA), the [Washington Post](#) (2/1, Portnoy, 11.19M) says that “anti-human-trafficking activist” Alison Friedman (D) continues “to surpass the fundraising of her eight Democratic” primary foes, tapping “California celebrities and philanthropists to help her raise more than \$1 million in about six months.” Comstock, “began 2018 with nearly \$1.2 million in cash on hand, more than any of the Democrats.” Among the field of Democrats, Friedman “had the most cash going into 2018 with \$687,085, followed by [Army veteran Dan] Helmer with \$482, 543, [state Sen. Jennifer] Wexton with \$473,796 and [former Obama Administration official Lindsey Davis] Stover with \$413,621.”

## Likely GOP Candidate Corcoran Focusing On Sanctuary City Issue.

In a report on the 2018 race to succeed term-limited Gov. Rick Scott, [Politico](#) (2/1, Dixon, 3.22M) said, “The political fight over sanctuary cities has exploded into the spotlight in the most immigrant-rich swing state of all.” State House Speaker Richard Corcoran (R), who is expected to enter the race, “is funding \$100,000 worth of edgy television ads promising never to allow sanctuary cities in the state. He also pushed legislation targeting sanctuary cities through the Florida House earlier this month.” Those moves have put state Ag Commissioner Adam Putnam (R) “in an awkward spot.” Though Corcoran may “lose the sanctuary city policy fight in the Florida legislature, it gives him a high-profile issue to focus on during session as Putnam and Rep. Ron DeSantis, who are already in the GOP primary, raise money and build their campaigns.”

## Pawlenty To Meet With Advisers This Month On Possible Minnesota Gubernatorial Run.

The [AP](#) (2/1) reports that Brian McClung, a “top adviser” to ex-Gov. Tim Pawlenty, says the Republican “has scheduled a meeting with his inner circle as he nears a decision on whether to” enter this year’s race to succeed term-limited Gov. Mark Dayton. The potential bid by Pawlenty “has been the source of speculation for months, and [he] would likely be the immediate favorite among Republicans if he gets in.” The AP adds that McClung, a former Pawlenty spokesman, “confirmed Thursday that Pawlenty is actively considering a run, and will meet Feb. 12 with aides and advisers to discuss the race.”

**Democratic Candidates Easily Outdistancing GOP Hopefuls In Fundraising.** In another dispatch, the [AP](#) (2/1, Potter) reported that Democratic gubernatorial hopefuls “are crushing their Republican opponents in the fundraising race, a signal GOP donors may be waiting to see whether...Pawlenty decides to seek his old job. According to fundraising reports released Thursday, top Democratic candidates ended 2017 with a hefty cash advantage compared to lackluster totals across the GOP field.” The AP says that Rep. Tim Walz (D-MN) “led Democrats, raising \$1.1 million and entering 2018 with nearly \$500,000 still in the bank.” Hennepin County Commissioner Jeff Johnson (R), the 2014 gubernatorial nominee, led the GOP field in fundraising, bringing “in just \$259,000 last year, saving \$180,000 to start 2018.”

The [Minneapolis Star Tribune](#) (2/1, Coolican, Webster, 1.17M) reports, “The three major Republican candidates for governor raised a combined \$464,000 in 2017,” while Walz “raised \$1.1 million” and ex-St. Paul Mayor Chris Coleman (D) and state Rep. Erin Murphy (D) combined to collect “another \$937,000. Which means the top three DFLers outraised their GOP counterparts more than four-to-one.”

## Wolf Holds Large Cash Edge Over GOP Challengers.

The [Pittsburgh Tribune-Review](#) (2/1, Fontaine, 315K) reports that Gov. Tom Wolf’s “campaign committee ended last year with about \$11.1 million in the bank, nearly as much as the four Republicans seeking their party’s nomination to run against him combined.” Wolf, up for reelection this fall, “had \$1.7 million when last year began and raised \$11.2 million throughout” 2017. State Sen. Scott Wagner “was the most well-funded Republican at the end of last year with about \$5.9 million in the bank,” narrowly topping ex-healthcare consultant Paul Mango, “who ended last year with \$5.5 million.” State House Speaker Mike Turzai finished 2017 “with just more than \$1 million in the bank,” while attorney Laura Ellsworth “was in a distant fourth with \$417,245.”

## Ohio PAC Buys Super Bowl Ads To Promote McMaster’s Anthem Stance.

The [Charleston \(SC\) Post and Courier](#) (2/1, Shain, 320K) reports, “An Ohio political action committee has bought three television ads in Greenville during the pre-game show for Sunday’s Super Bowl to promote [GOP] Gov. Henry McMaster’s call that South Carolinians stand during the national anthem,” according to “two sources.” Though “not directly backing McMaster’s bid for a full four-year term, the ads certainly promote a position aiming to attract conservative voters in the all-important Upstate. NFL player protests during the anthem, including kneeling and raising fists, have been criticized as disrespectful to the military.” The Ohio-based Government Integrity Fund Action Network, “known for backing Tom Cotton’s winning Arkansas US Senate bid in 2014, is spending \$21,100 for the ads on the network airing the Super Bowl.”

**Black To Run Pro Game Super Bowl Ad Urging Viewers To Stand For National**



## **Black To Run Pre-Game Super Bowl Ad Urging Viewers To Stand For National Anthem.**

The [AP](#) (2/1, Mattise) reports that Rep. Diane Black (R-TN), who is mounting a 2018 bid to succeed term-limited Gov. Bill Haslam, “will run an ad during the Super Bowl pregame show saying ‘it’s too bad that the league doesn’t respect the patriotism of our national anthem.’” Black campaign spokesperson Chris Hartline on Thursday said “that the ad urging fans to stand will run on one network in several Tennessee markets at a cost of more than \$50,000.” The spot is “a response to the NFL’s refusal to run an ad from the group American Veterans saying ‘Please Stand’ in the printed Super Bowl program.” In the ad, Black “says that though the NFL refused the AMVETS ad urging everyone to stand, ‘they can’t stop you and me.’ ‘So tonight, wherever you are watching this game, please stand for ‘The Star-Spangled Banner’ and join me in standing up for veterans,’ Black” says.

## **DNC Hires Cahill As Interim CEO.**

The [AP](#) (2/1) reports that the DNC has tapped veteran party operative Mary Beth Cahill to serve as interim CEO. Cahill “will replace Jess O’Connell, who departed this week after less than a year on the job. Cahill ran John Kerry’s failed 2004 presidential campaign. She’s also a former executive director of the women’s advocacy organization Emily’s List.” [Politico](#) (2/1, Debenedetti, Dove, 3.22M) reported that O’Connell’s “departure shocked many on the DNC staff and led to significant questions among DNC members, Democratic operatives and beyond about what would have prompted the abrupt decision. DNC sources have said that the decision was personal, and one made now in order to retool as far ahead of the midterms as possible.”

## **WPost: Despite DOJ Dropping Charges, Questions Remain About Menendez.**

In an editorial, the [Washington Post](#) (2/1, 11.19M) says that the Justice Department this week decided not to retry Sen. Bob Menendez on federal corruption charges, but that “doesn’t mean there aren’t still questions about his behavior and what should be expected from those who hold public office.” Menendez, was charged with using “the influence of his office to advance the interests of” longtime friend and donor, Salomon Melgen, “in exchange for flights, vacations and political favors, including campaign donations.” Seeking to aid Melgen, Menendez pressed “for a Medicaid reimbursement policy change, intervened in a contract dispute and helped to get visas.” Yet, “even if his actions didn’t violate any law, shouldn’t there be higher standards for public conduct?”

## **WSJournal: Columbia’s Legal Fight Against UAW Could Be Bad For Students.**

The [Wall Street Journal](#) (2/1, Subscription Publication, 6.45M) editorializes that Columbia University’s decision this week to bring the United Auto Workers to federal court is worrying. Although universities have a legitimate concern that unions may disrupt education and research, universities can also exploit student workers, particularly by compensating them with in-kind payments that do not cover the cost of their tuition. The Journal writes that university administrators may unite in this effort as Yale, Harvard, and the University of Chicago engage in similar battles against unions, and that the now-Republican dominated National Labor Relations Board (NLRB) may reverse a 2016 decision that allowed Columbia teaching and research assistants to unionize.

## **Bassetti: Sessions Can Bypass Congress To Appoint US Attorneys.**

In an op-ed for the [Washington Post](#) (2/1, 11.19M), Victoria Bassetti, a fellow at the Brennan Center for Justice who leads a project reviewing US attorneys’ offices at the American Constitution Society, writes that the Trump Administration “has the opportunity to entirely circumvent Senate review of many US attorneys, thanks to a little-known law passed in 1986.” Under the statute, Attorney General Sessions can appoint interim US attorneys for 120 days, and “when that time expires, courts have the power to appoint the prosecutor until the Senate confirms someone else for the spot, making the job term effectively indefinite.” Bassetti notes that Sessions has already appointed 24 interim US attorneys, and she concludes that because US attorneys “have enormous power and discretion,” we “cannot allow the Senate to lose its key check on the nation’s justice system.”

### **Financial International News**

## **Europe’s Largest Lenders To Undergo Brexit, Recession Stress Tests.**

[Bloomberg News](#) (1/31, Brush, 3.31M) reports that the European Banking Authority is initiating a stress test on 37 Euro Area banks on risks including unemployment surges, Brexit fallout, and sharp declines in economic growth. The “toughest scenario” would be recessions this year and next, with 0.7 percent growth



returning in 2020. Regulators are conducting more stress tests after criticism regarding the lack of preparedness to the previous financial crisis. ECB Supervisor Daniele Nouy said, “European banking supervision will, on a case-by-case basis, decide whether banks with a shortfall in the adverse scenario need to recapitalize.”

### **European Investment Bank VP: “We Have Strong Shoulders” To Weather Brexit .**

[Reuters](#) (2/1, Vasovic) reports the European Investment Bank (EIB) remains upbeat despite the potential loss of a British stake up to €9 billion, Britain has a 16 percent stake of shareholder capital at the EIB. EIB VP Dario Scannapieco said, “We have strong shoulders to go ahead without this money.” The EIB plans to create a new subsidiary focused on non-EU projects that will initially focus on “countries fueling Europe’s migrant crisis,” and the exact terms of Brexit remain to be seen. The bank currently invests up to €8 billion annually outside of the EU.

### **Fox: Britain Must “End Obsession With Europe,” Focus On Growing Markets.**

[BBC News \(UK\)](#) (2/1, 1.17M) reports British International Trade Secretary Liam Fox has called for an end to the “obsession with Europe” in favor of a global market focus, including in emerging markets, in a talk with the BBC. Fox encouraged the UK to focus on China, India, and the United States as trade partners, with China “being the real success story” after exports rose 25 percent this year. In his talk with the BBC, Fox emphasized that his global focus advice was not just his vision since “according to the IMF – in fact according to the European Commission – 90% of global growth in the next 10 to 15 years will be outside the European continent, clearly that’s where we have to focus our attention.”

### **EU Lawmakers: ECB VP Candidate Guindos “A Politician, Not A Banker”.**

[Bloomberg News](#) (2/1, Deen, Speciale, 3.31M) reports some members of the European Parliament are opposing Spanish Economy Minister Luis de Guindos’ candidacy for Vice President of the European Central Bank. Members of the Economic and Monetary Affairs Committee have reservations – they regard Guindos as a politician instead of a qualified central banker. Committee member Sven Giegold said, “It wouldn’t be acceptable if a minister moved directly from the Eurogroup to the vice presidency of the ECB. Everyone in the committee has the independence of the ECB very much at heart.” Guindos was considered the frontrunner, but faces competition from Ireland’s Philip Lane.

### **Some ECB Officials Asked Draghi For Clearer Signal On Interest Rates.**

Citing unnamed euro-area officials, [Bloomberg News](#) (2/1, Randow, Look, 3.31M) reports that “a group of European Central Bank policy makers” asked ECB President Mario Draghi to give investors a “clearer signal on how long the institution will keep interest rates unchanged.” Bloomberg says the “officials” told its reporters that “some” Governing Council members argued at a meeting last week that the ECB needs to be “more specific” than its current statement that the ECB will keep interest rates on hold until “well past” the end of asset purchases. Bloomberg says the officials argued that the vagueness of the phrase could lead to “market volatility that weakens the economy.” Draghi disagreed.

### **Global Economic Growth Pushes International Fund Inflows.**

The [AP](#) (2/1, Veiga) reports that as the US stock market climbs, money has flowed into long-term mutual funds and exchange traded funds focused on international stocks, overtaking inflows into funds invested in US stocks. The trend “reflects optimism” that the global economy will continue recovery, with the IMF “forecasting global growth of 3.9 percent for this year and next year.” Russell Investments senior portfolio manager Jon Eggins said, “Non-U.S. investing is a great way right now to play the strong synchronized growth theme. We see stronger likely economic growth and earnings growth outside of the U.S. versus in the U.S., even with the recent tax reform.”

### **Moscovici: Eurozone Growth To Last Into 2019.**

[Reuters](#) (2/1, Strupczewski) reports European Commissioner for Economic and Financial Affairs Pierre Moscovici told a banking seminar that the eurozone economy grew by 2.5 percent in 2017, with the momentum to continue through 2019. Moscovici said, “There was consensus in the group of the world’s 20 biggest economies, the G20, to use strong economic growth to engage in structural reforms.”

### **ING’s German Subsidiary Growing Despite Rise In Costs.**

[Reuters](#) (2/1, Staff) reports that ING’s fast-growing zero-fee German unit is still committed to offering free checking accounts despite a “sharp” rise in costs in 2017. ING-Diba’s Frankfurt-based “no-frills” bank now



ranks as the third retail bank in Germany with more than nine million customers, shaking up the German banking scene. Though the bank has a cost of 44 cents for each Euro in revenue, the average German bank accrues costs of over 70 cents per Euro. ING-Diba CEO Nick Jue said, "We want to become one of the leading universal banks in Germany."

### **The Economist: Sovereign Bond-Backed Securities An "Ingenious" Asset.**

[The Economist](#) (2/1, 1.01M) writes that a reform to allow Eurozone countries to pool debts in government bonds, called "sovereign bond-backed securities," could lift countries and banks out of a "doom loop." The proposal was published on January 29 by a group reporting to the European Systemic Risk Board. The Economist explains, "One way of breaking the loop is for euro-area governments to issue or guarantee bonds jointly," which "both leaves states responsible for their own debts and encourages banks to diversify sovereign risk." The Economist concludes: "SBBS are an ingenious way of strengthening the euro area's financial structure."

### **Italian Five Star Movement's Di Maio Promises To Help Banks Recover Assets.**

[Bloomberg News](#) (1/31, Follain, 3.31M) reports that Italy's "anti-establishment" Five Star Movement, led by 31 year-old Luigi Di Maio, has proposed to reform the country's bureaucracy to make it easier for banks to recover non-performing loans, while tightening bank supervision. The movement is currently leading in polls ahead of the ruling Democratic Party, behind Silvio Berlusconi's center-right coalition, potentially leading to a hung parliament at a crucial economic time. Di Maio said, "We won't leave Italy in chaos, we'll make an appeal to other political forces on issues --less bureaucracy, lower taxes, and investment in justice and infrastructure." On Di Maio, ADM Investor Services strategist Marc Ostwald said, "I think investors treat what he says with a lot of caution, as he frequently contradicts himself."

### **India Plans To Ban Cryptocurrencies.**

[Reuters](#) (2/1, Verma) reports that Indian Finance Minister Arun Jaitley launched "a no-holds-barred attack on virtual currencies such as Bitcoin," telling parliament that the country plans to ban cryptocurrencies. Jaitley "The government does not consider cryptocurrencies legal tender or coin and will take all measures to eliminate use of these cryptoassets in financing illegitimate activities or as part of the payment system." Jaitley told parliament in his annual budget speech. Maheshwary & Associates LLP Partner Amit Maheshwari said the announcement could spark "panic selling" in cryptocurrencies. In March, the G20 meeting will include a discussion of cryptocurrencies.

**Bitcoin Prices Fall As Cryptocurrency Faces Facebook Ad Ban And Regulatory Backlash.** [Reuters](#) (2/1, Kelly) reports Bitcoin prices fell 11 percent on Thursday to its lowest level since November, after Facebook announced it will ban cryptocurrency advertisements and countries, such as India, said they would expand regulatory oversight of cryptocurrencies. Bitcoin prices fell to as low as \$9,022 from a high of almost \$20,000 in December. Other cryptocurrencies, including Ripple and Bitcoin Cash also saw declines.

#### **Leading International News**

### **Trump To Meet Friday With North Korean Defectors.**

The [Washington Post](#) (2/1, Nakamura, 11.19M) reports President Trump will meet Friday North Korean defectors in the Oval Office, "a provocative action meant to highlight human rights violations and one that could raise alarms in Pyongyang." Trump is expected to meet with "up to eight defectors two days after he punctuated his State of the Union address by praising Ji Seong-ho, a defector from North Korea who had been invited to watch the address from the first lady's box." Ji will be among the group at the White House.

**NYTimes A1: White House Wants Pentagon To Offer More Military Options On North Korea.** The [New York Times](#) (2/1, A1, Landler, Cooper, Subscription Publication, 15.39M) reports on its front page that the White House "has grown frustrated in recent weeks by what it considers the Pentagon's reluctance to provide President Trump with options for a military strike against North Korea, according to officials." In what the Times calls "the latest sign of a deepening split in the administration over how to confront" Pyongyang, National Security Adviser McMaster "believes that for Mr. Trump's warnings to North Korea to be credible, the United States must have well-developed military plans," but the Pentagon "is worried that the White House is moving too hastily toward military action." Giving the President "too many options, the officials said, could increase the odds that he will act." According to the Times, the tensions "bubbled to the surface this week with the disclosure that the White House had abandoned plans to nominate a prominent Korea expert," Victor Cha, as Ambassador to South Korea.



Administration" over whether to hit North Korea with a preemptive strike with McMaster on one side, and Secretary of State Tillerson and Defense Secretary Mattis on the other, "urging caution" when it comes to a potential first strike.

[Reuters](#) (2/1, Sieg), meanwhile, reports that US special envoy Joseph Yun said Thursday that "all options remain on the table" with regards to North Korea, "but that he did not think the Trump Administration was close to triggering military action." Yun told reporters in Tokyo, "Our policy is very much for the peaceful resolution of the North Korean nuclear crisis. We've said over and over again that what we want to see is dialogue."

A [New York Times](#) (2/1, Subscription Publication, 15.39M) editorial warns the Administration against unilateral American military action in North Korea, arguing that "enforcing economic sanctions and blocking deadly technology from entering or leaving North Korea are necessary parts of any reasonable strategy. But so is diplomacy, including negotiations." It argues that the US "has been at war continuously since the attacks of Sept. 11 and now has just over 240,000 active-duty and reserve troops in at least 172 countries and territories. Enough."

David Ignatius writes in his [Washington Post](#) (2/1, 11.19M) column that if the Administration "is really thinking about trying to give North Korea a 'bloody nose' with a limited military attack, it should look carefully at Israel's experience – which shows the possible benefits of a quick strike but also the difficulty of keeping a lid on a conflict once it starts." Israel, he says, has "offered some basic lessons: If you're going to try a quick hit, don't talk about it; don't strike unless you have very good intelligence about your targets; and don't assume that your adversary won't drag you into a long, bloody war." Ignatius also argues "one final, essential point: Unlike any of the adversaries that Israel has attacked, North Korea has nuclear weapons." Therefore, he says, Trump "should be wary about betting on a short, quick attack."

**North Korean Athletes Arrive In South Korea For Winter Olympics.** [NBC Nightly News](#) (2/1, story 7, 1:55, Holt, 16.61M) reported that with the start of the Winter Olympics just eight days away, the North Korean delegation has arrived in South Korea. Despite the fact "they're technically at war," the two countries will "march together under a united flag," and 12 North Koreans will be added to the South's women hockey team. American Sara Murray is coaching the team. Murray: "It is a tough situation to have our team be used for political reasons, but, you know, it's kind of something that's bigger than ourselves right now."

The [New York Times](#) (2/1, A1, Qin, Subscription Publication, 15.39M) reports that while "security is a top concern at every Olympics...rarely do they take place in the shadow of a nuclear standoff, as is the case with the Winter Games that open next week here in South Korea." The South has "mobilized tens of thousands of security personnel – including 50,000 soldiers – in what may be the most militarized security force in Olympic history."

## Trump To Meet With Australian Prime Minister.

[Reuters](#) (2/2, Beech) reports that the White House issued a statement Thursday announcing President Trump "will meet with Australian Prime Minister Malcolm Turnbull at the White House on Feb. 23." The statement said the two leaders "will discuss a range of shared bilateral, regional, and global priorities, including fighting terrorism, promoting economic growth, and expanding security and defense cooperation in the Indo-Pacific region."

## Haley: US Taking Steps To Prevent Future Russian Election Interference.

The [Washington Post](#) (2/1, Debonis, Morello, 11.19M) reports Ambassador Haley "renewed her attacks on Russia in a speech delivered Thursday to Republican lawmakers as the investigation into President Trump's campaign reached a new level of intensity." Haley "directly acknowledged" Russian interference in the 2016 presidential election, calling it "outrageous" and claiming the Administration is "taking steps" to prevent a repeat. Haley also argued the Administration has been "tougher on Russia than any American Administration since Ronald Reagan." Said Haley, "I have no idea what Russia expected from the American elections, but I gotta tell you, they are not happy with what they ended up with. And that's the way it should be, until Russia starts to act like a responsible country."

**State Dept.: US, Russia Likely To Meet Nuclear Treaty Obligations By Next Week's Deadline.** [Reuters](#) (2/1) reports the State Department said Thursday that the US "fulfilled its obligations under the New Start nuclear arms treaty with Russia in August last year and expects Moscow also will be within the limits set by the accord by the Feb. 5 deadline." Under the terms of the 2011 agreement, "each side had seven years to reach the treaty's central limits of 700 deployed missiles and bombers, 1,550 deployed nuclear warheads and 800 deployed and non-deployed missile launchers and bombers." Spokeswoman Heather Nauert said the US "met the central limits of the New Start Treaty in August 2017," and "we assess at this time that Russia has also progressed toward meeting those limits."

**Russia: If US Pilots Can't Handle Buzzing, Stay Out Of The Black Sea.** [USA Today](#) (2/1, Stanglin, 8.23M) reports that "days after the US accused a Russian plane of dangerously buzzing a US military plane in the Black Sea, the Russian defense ministry said Thursday that if US pilots are depressed over Russian planes protecting its borders, they should fly other routes." The US Navy said such "unsafe actions increase the risk of miscalculation and midair collisions," but the Defense Minister "shrugged off the complaint and chided the US over its concern."

## US Officials: Trump May Present Peace Plan Even If Palestinians Refuse To Negotiate.

Barak Ravid reports for [Axios](#) (2/1, 435K) that the White House is “considering presenting President Trump’s Middle East peace plan even if the crisis with the Palestinian Authority continues and Palestinian President Abbas refuses to come to the negotiating table, senior US officials tell me.” The officials say the Administration “won’t impose on the Israelis or Palestinians to accept the plan, but may release it so the parties and international community can judge it at face value.” The officials, however, cautions that no decisions have been made yet, “but stressed the president and his ‘peace team’ are not ruling out this option.”

**Abbas To Address UNSC.** [Reuters](#) (2/1, Nichols) reports that Palestinian President Mahmoud Abbas “will address the United Nations Security Council on Feb. 20...amid tensions over the United States decision to recognize Jerusalem as Israel’s capital.” UNSC President and Kuwait’s UN Ambassador Mansour Ayyad Al-Otaibi said, “No council members rejected this proposal.” Al-Otaibi also “said Israel had not yet asked to send a high-level representative to the council meeting.”

## Tillerson Begins Trip With Visit To Mexico, Meetings With President, Foreign Minister.

[Reuters](#) (2/1, Stargardter) reports Secretary of State Tillerson “arrives in Mexico on Thursday with debate raging over the government’s efforts to win favor with Washington and save the NAFTA trade pact from collapse.” Reuters adds that Mexico has sought “to prove itself a good ally to the United States on combating drug trafficking and immigration,” in an effort to ensure the success of NAFTA negotiations. NAFTA is expected to be an important topic of the visit when he meets with Foreign Minister Luis Videgaray and Canadian Foreign Minister Chrystia Freeland on Friday. Tillerson will also meet with Mexican President Enrique Peña Nieto, along with Videgaray, and they “are certain to discuss Central American migration and drug trafficking.”

## Tillerson Warns Against Growing Influence Of China And Russia In Latin America.

The [AP](#) (2/1, Lee) reports Secretary of State Tillerson warned against Chinese investment, saying, “China...offers the appearance of an attractive path to development, but in reality this often involves trading short-term gains for long-term dependency.” He added, “Latin America does not need a new imperial power.” About Russia, Tillerson said, its “growing presence in the region is alarming.” He added, “Our region must be diligent to guard against faraway powers who do not reflect the fundamental values shared in this region.” Tillerson will promote “good governance and anti-corruption efforts” and trade with the US.

The [Wall Street Journal](#) (2/1, Schwartz, Subscription Publication, 6.45M) reports Tillerson warned against efforts by China and Russia to increase their influence in Latin America, adding that China has become the lead trading country with Chile, Argentina, Brazil, and Peru. Tillerson is also cited as having suggested the Venezuelan military might remove Maduro, but added that he hoped Maduro would follow the country’s constitution, and looked for a change in the government there.

[Reuters](#) (2/1, Brunnstrom, Spetalnick and Herskovitz) reports Tillerson warned against the growing influence of China and Russia, saying, “Our region must be diligent to guard against far-away powers that do not reflect the fundamental values shared in this region.”

## Tillerson Says Maduro Should Return To Venezuela’s Constitution.

[Reuters](#) (2/1, Herskovitz) reports that Secretary of State Tillerson, speaking at the University of Texas in advance of visits to several Latin American countries and Jamaica, “raised the prospect” of Venezuelan President Nicolas Maduro being removed by the military. Tillerson said, “We have not advocated for regime change or removal of President Maduro. We have advocated that they return to the constitution.” Tillerson said, “In the history of Venezuela and in fact the history in other Latin America and South American countries, often times, it is the military that handles that.” Tillerson added, “Maduro should get back to his constitution and follow it.”

[Bloomberg News](#) (2/1, Wadhams, 3.31M) reports Tillerson “made a renewed call for Venezuelan President Nicolas Maduro’s regime to face international isolation.” Tillerson said that Maduro “clings to a false dream and antiquated vision for the region that has already failed its citizens.” He also “outlined a strategy that focuses on ramping up international pressure on Maduro to agree to credible elections.” Tillerson will visit “Mexico, Argentina, Peru, Colombia and Jamaica.” In Jamaica, says Bloomberg, Tillerson is hoping to gain “support from divided Caribbean nations to force Venezuela into talks with opposition leaders.”

## Fidel Castro’s Oldest Son Commits Suicide.

The [Miami Herald](#) (2/1, Madan, Flechas, 961K) reports that Fidel Castro’s oldest son, Fidel “Fidelito” Castro Díaz-Balart, “committed suicide Thursday, according to Cuba’s state media.” The government reported that Fidelito “had been seeking medical attention for the past few months after falling into a ‘deep depression.’”

**Belish Senate Approves Bill Banning Suggestions That Belos Were Complicit In**



## **Polish Senate Approves Bill Banning Suggestions That Poles Were Complicit in Holocaust.**

The [Washington Post](#) (2/1, Noack, 11.19M) reports on Thursday, the Polish Senate “approved a highly controversial bill Thursday that bans any Holocaust accusations against Poles as well as descriptions of Nazi death camps as Polish.” The penalty for violating the law is a fine or “up to three years in jail.” State Department spokeswoman Heather Nauert said, “We are also concerned about the repercussions this draft legislation, if enacted, could have on Poland’s strategic interests and relationships.” The Post adds that Israeli Prime Minister Benjamin Netanyahu has criticized the bill, saying, “One cannot change history, and the Holocaust cannot be denied.” Netanyahu has spoken with Polish Prime Minister Mateusz Morawiecki.

[Reuters](#) (2/1, Kelly) reports the bill “would impose jail terms for suggesting Poland was complicit in the Holocaust,” and in response there was “concern from the United States and outrage from Israel.” Polish Prime Minister Mateusz Morawiecki said, “Death and suffering in German Nazi concentration camps were a shared experience of Jews, Poles and many other nations.” While major camps at which “more than three million of Poland’s 3.2 million Jews were murdered by the Nazis” as well as “at least 1.9 million non-Jewish Polish civilians” were built in Poland, the country has opposed the term “Polish camps” because, Reuters says, “the phrase implies complicity.”

## **WSJournal A1: Pope Makes Concession To China As Part Of Larger Effort Toward Rapprochement.**

In a front-page article, the [Wall Street Journal](#) (2/1, Rocca, Dou, Subscription Publication, 6.45M) says Pope Francis has made a concession to the Chinese government by accepting the legitimacy of seven Catholic bishops which the Chinese government appointed. One person familiar with the plan says the Pope’s decision is based on the hope that Beijing will, in return, recognize his authority as head of the Catholic Church in China.

In an editorial, the [Wall Street Journal](#) (2/1, Subscription Publication, 6.45M) writes that the Pope’s move to defer to Beijing on the bishops’ appointment is disappointing for Catholics inside China, because of President Xi Jinping’s worsening record of respecting human rights and freedom of religion. The Journal argues that if the Vatican is indeed trying to normalize relations between Rome and Beijing, this concession comes at too high of a price, as it could force the Vatican to break relations with Taiwan. The article cites the opinion of retired Hong Kong bishop Cardinal Joseph Zen, who wrote an open letter this week criticizing the Pope’s engagements with China, which the Pope ignored.

## **State Department: Reports Of Mass Graves In Burma “Deeply Troubling.”**

[Reuters](#) (2/1, Brunnstrom, Alexander) reports that the State Department said Thursday “it was ‘deeply, deeply troubled’ by new reports of mass graves” in Rakhine State in Burma. Spokeswoman Heather Nauert said, “We are watching this very carefully. We remain focused on helping to ensure the accountability for those responsible for human rights abuses and violations.”

The [AP](#) (2/1) reports that UN Special Envoy on Human Rights in Burma Yanghee Lee “said Thursday that the Myanmar military’s violent operations against Rohingya Muslims bear ‘the hallmarks of a genocide.’” Speaking to reporters, Lee also said, “...we’ve called for a fact finding mission ... and access for international media to” the areas where the Rohingya live.

The [New York Times](#) (2/1, Beech, Subscription Publication, 15.39M) reports on how refugees from Rakhine State are competing for aid from international relief groups by “deploy[ing] women with infants in their arms” and inventing “false narratives” that portray “a perfect storm of suffering.” The article describes some of these efforts by refugees, and says they help “buttress” the Burmese government’s claim “that what is happening in Rakhine State is not ethnic cleansing, as the international community suggests, but trickery by foreign invaders,” because foreign journalists cannot access the site of the atrocities.

## **Kenya’s High Court Orders Government To Reopen TV Stations.**

The [Washington Post](#) (2/1, Sieff, Ombur, 11.19M) says Kenya’s High Court “ordered the government to allow three major television stations to continue broadcasting Thursday, after they were shut down earlier in the week for showing scenes from an opposition rally.” The order came against a backdrop of “serious concerns” that President Uhuru Kenyatta has been “deepening a crackdown on Kenya’s media...in the face of an opposition party that refuses to acknowledge him as the country’s legitimate leader.”

## **UK Office Says Global Temperatures May Surpass Limits Within Next Five Years.**

[USA Today](#) (2/1, Rice, 8.23M) reports on a new forecast from the United Kingdom’s Met Office which says “global temperatures could surpass a limit set by the Paris climate agreement within the next five years.” In a statement, the Met Office said of the temperatures it was expecting by 2022: “It is the first time that such high values have been highlighted within these forecasts.”

## **NYTimes Analysis: Trump Remains Silent As Strongmen Dominate Opponents.**

In an analysis, the [New York Times](#) (2/1, Walsh, Subscription Publication, 15.39M) says that “across the world, autocratic leaders are engaging in increasingly brazen behavior...as they dispense with even a fig leaf of



democratic practice once offered to placate the United States or gain international legitimacy.” These leaders are gaining their momentum “from a bewildering range of factors,” including knowing “they run little risk of rebuke from an American president who has largely abandoned human rights and the promotion of democracy in favor of his narrow ‘America First’ agenda.” The article discusses the examples of President Abdel Fattah al-Sisi in Egypt and President Vladimir Putin of Russia, among others.

### **Zakaria: Trump Has Drawn Three Dangerous “Red Lines.”**

In a [Washington Post](#) (2/1, 11.19M) column, Fareed Zakaria writes that, despite saying “very little” about foreign policy during his State Of The Union address, President Trump laid out “three red lines – without any serious strategy as to what happens when they are crossed.” Zakaria argues that first, in regards to North Korea, the Administration “has outlined maximalist goals without any sense of how to achieve them.” Second, if the US were to withdraw from the Iran nuclear deal, Iran may “simply sideline the United States, keep adhering to the deal and do business with the rest of the world,” or “make the United States pay by using its considerable influence to destabilize Iraq.” Third, Zakaria argues that Trump has “talked and acted tough without any follow-up strategy” in Pakistan, which has caused that country to seek closer relations with China and “ratchet up the violence” in Afghanistan.

#### **Housing**

### **Rate For 30-year FRM Rises To 4.22 Percent.**

The [AP](#) (2/1, Wiseman) reports that the average rate for a 30-year fixed-rate mortgage rose from 4.15 to 4.22 percent this week – the highest since March and the fourth straight week of rising rates – according to Freddie Mac’s weekly survey. The rate for the 15-year FRM rose from 3.62 to 3.68 percent – the highest point since July 2011 – while the rate for the 5/1 Hybrid ARM rose from 3.52 to 3.53 percent – the highest point since Apr. 2011.

**Most Experts Expect Another Increase Next Week.** The [Washington Post](#) (2/1, Orton, 11.19M) explains, “The Federal Reserve chose not to hike its benchmark rate this week but signaled it probably will raise rates three times this year because it expects inflation to pick up.” In response to Bankrate.com’s weekly mortgage rate survey, almost three-quarters of experts polled predicted rates will increase next week.

**Kiefer: Expectation Of Fed Rate Hikes, More Treasury Borrowing Pushing Rates Up.** [MarketWatch](#) (2/1, Goldstein, 1.24M) reports that Freddie Mac Deputy Chief Economist Len Kiefer said, “The Federal Reserve did not hike rates this week, but the market views future hikes as a near certainty. ... The expectation of future Fed rate hikes and increased borrowing by the U.S. Treasury is putting upward pressure on interest rates.”

[HousingWire](#) (2/1, Ramirez, 3K) reports that Kiefer also said, “The 30-year fixed rate mortgage is up over a quarter of a percentage point, 27 basis points, from the first week of the year.”

**Rising Rates May Discourage Homebuying.** [Investopedia](#) (2/1, Fuscaldo, 739K) says that “borrowers have gotten used to rates below” the historical norm “and therefore may balk at the idea of borrowing at current rates to purchase a home. For first-time home buyers, even a slight uptick in mortgage rates could preclude them from homeownership.”

Also reporting are [MReport](#) (2/1, Ojha) and the [National Mortgage News](#) (2/1, McCullom, 2K).

### **Warner Not Yet Behind GSE Reform Bill.**

[Inside Mortgage Finance](#) (2/1, Muolo, Subscription Publication) reports that the Senate’s draft GSE reform bill does not have the support of Sen. Mark Warner (D-VA). IMF explains that the reform bill Warner co-sponsored five years ago failed in part because of its complexity, and, “It’s hard to see how the Corker proposal... is much simpler.” A Warner spokeswoman said, “To get his support, any proposal would have to have strong affordability provisions, including enhanced assistance for first-time homebuyers.”

### **Continuing Coverage: FHFA Requests Input Regarding Credit Score Models.**

[Credit](#) (2/1, Agnew, 45K) provides continuing coverage of FHFA’s request for input from lenders about the prospect of allowing Fannie Mae and Freddie Mac to let lenders to use the VantageScore credit score model. While VantageScore claims it can expand access to mortgages with its model, FICO disagrees. Furthermore, while many nonbanks back the acceptance of VantageScore, “some banks worry that a change could loosen lending standards too much, resulting in more mortgage defaults.”

#### **Markets**

### **Treasurys See Boost On Anticipated Positive Labor Data.**

[MarketWatch](#) (2/1, Watts, 1.24M) reports that positive “economic data, and expectations for a strong reading on hiring in the monthly labor report due out Friday” led to gains in treasurys on Thursday. The Treasury’s



two-year note yield rose 0.04 basis points to 2.18% while “the yield on the 10-year Treasury note” rose to 2.80%, and the 30-year bond yield rose to 3.03%.

### **Oil Prices Rise For Third Consecutive Day.**

[Reuters](#) (2/2, Sheldrick) reports that oil “rose for a third day on Friday after a survey showed strong compliance with output cuts by OPEC and others including Russia, offsetting concerns about surging US production.” Brent crude futures were up 24 cents, or 0.3 percent, to \$69.89 per barrel by 2:35am EST. West Texas Intermediate crude was up 33 cents, or 0.5 percent, to \$66.13 per barrel.

### **Dollar On Track For Weekly Loss.**

[Reuters](#) (2/2, Twaronite) reports that the dollar “nursed losses against a basket of currencies on Friday and was on track for a weekly fall as investors focused on renewed economic strength in the eurozone.” The euro “edged down 0.1 percent on the day to \$1.2499, but remained within sight of last week’s 3-year high of \$1.2538.” The dollar was slightly higher against the yen, at ¥109.50.

### **Gold Prices Rise For Second Straight Day.**

[MarketWatch](#) (2/1, 1.24M) reports gold prices rose for a second consecutive session on Thursday, “with weakness in the dollar boosting investor interest in the metal even as US stocks headed higher.” April gold rose \$4.80, or 0.4 percent, to settle at \$1,347.90 per ounce.

## **Cybersecurity**

### **House Committee Chair May Subpoena DHS For Kaspersky Lab Ban Documents.**

[NextGov](#) (2/1, Marks) reports, “The House Science Committee might subpoena documents about how the government is complying with a ban on products from the Russian antivirus firm Kaspersky Lab if the Homeland Security Department doesn’t turn them over quickly, the chairman said Thursday.” The committee requested the documents in December, and “Homeland Security provided the first tranche of information Jan. 8...but the department later told committee staff it couldn’t provide more information until a lawsuit Kaspersky filed against the department is concluded.”

[The Hill](#) (2/1, Chalfant, 1.99M) reports committee chairman Lamar Smith “sent a letter to Secretary of Homeland Security Kirstjen Nielsen on Thursday accusing the department of failing to properly respond to an outstanding document request related to the committee’s ongoing probe into the Russia-based cybersecurity firm.”

### **Report: Cryptocurrencies’ Popularity Drawing Attention Of Cybercriminals.**

[Reuters](#) (2/1, Chavez-Dreyfuss) reports, “Bitcoin’s popularity and the emergence of about 1,500 other digital coins or tokens have drawn more hackers into the red-hot cryptocurrency space, expanding opportunities for crime and fraud, cybersecurity firm Digital Shadows warned in a report on Thursday.” Digital Shadows vice president of strategy Rick Holland is quoted saying, “Cybercriminals follow the money and right now they see in the unregulated and largely unsecure world of digital currencies a huge opportunity to target people, businesses and exchanges and make money quickly and easily.”

[Slate](#) (2/1, Mak, 2.55M) discusses “cryptojacking,” in which “nefarious actors mine cryptocurrencies on computers without users’ permission.” Slate says the phenomenon “has been on the rise since the prices of bitcoin and many other cryptocurrencies began spiking last year.”

**Japanese Lawmakers Question Regulators After Second Cryptocurrency Heist.** [Bloomberg News](#) (2/2, Nakamura, Hagiwara, 3.31M) reports, “The second major theft of virtual currency in Japan is spurring lawmakers and the industry to question the ability of the country’s regulators to oversee the fast-and-loose tendencies of the crypto-trading world.” The heist of almost \$500 million in cryptocurrencies from Tokyo-based Coincheck is causing lawmakers to question Japan’s “eight-month-old law regulating Bitcoin and other cryptocurrencies, and the Financial Services Agency tasked with enforcing it.” The Financial Services Agency has “ordered Coincheck to submit a report by Feb. 13 outlining the root causes of the debacle and its response to customers, along with how it intends to enhance risk management and internal controls.”

### **Cyber Command Component Reaches Full Operational Capability.**

[ExecutiveGov](#) (2/1, Martin) reports, “A U.S. Cyber Command component has reached full operational capability status after three years of establishing capacity and capability to operate, defend and secure the Department of Defense Information Network.” ExecutiveGov says, “The Joint Force Headquarters DoDIN oversees the security and management of nearly 15,000 networks that support three million users across all warfighting segments, Cybercom said Wednesday.”

### **Continuing Coverage: DHS, FBI Officials Discuss Cybersecurity For Small**



## Businesses.

In continuing coverage, [Federal Computer Week](#) (2/1, Williams, 263K) reports, "Small businesses are facing big hurdles when it comes to implementing cybersecurity defenses – and some in Congress think they can help." At a House committee hearing on January 30, lawmakers "pressed cybersecurity experts from the FBI and Department of Homeland Security about how legislation and the federal government by extension could help defend U.S. small businesses from attacks." DHS deputy assistant secretary for cybersecurity and communications Richard Driggers "said that basic computer hygiene, such as regular software updates, could keep small businesses safer."

## Pyeongchang Olympics May Be Most Hacked In History.

[Wired](#) (2/1, Greenberg, 1.7M) reports, "The Olympics unfolding next week in Pyeongchang may already be the most thoroughly hacked in the games' history – with potentially more surprises to come." Wired says, "More so than any previous Olympics, the run-up to Pyeongchang has been plagued by apparent state-sponsored hackers."

[NextGov](#) (2/1, Fairchild) provides Olympics attendees security tips from US-CERT and the National Cybersecurity and Communications Integration Center.

## Continuing Coverage Of Founding Of Google-Linked Cybersecurity Company.

[Fox News](#) (2/1, Crothers, 15.47M) reports Google's research lab has "spawned" Chronicle, "a new company to fight cybersecurity threats." Fox News says, "Chronicle was founded to track down the 'thousands of potential clues about hacking activity [that] are overlooked or thrown away each day,' according to Stephen Gillett, CEO and co-founder of Chronicle, writing in a blog post."

## Houston Leaders Hire Firm To Analyze Post-Harvey Scam.

The [AP](#) (2/1) reports, "Houston-area leaders will hire an outside firm to analyze how they nearly lost about \$888,000 to a person claiming to have done repair work following Hurricane Harvey." The AP says, "Commissioners were notified last month that the county nearly lost the money after receiving an email from someone posing as a contractor requesting payment for debris removal and other work. The county paid the money but was able to retrieve it after being notified by the real contractor that the claim was bogus."

## Trend Micro To Set Up Ethical Hacker Research Lab In Toronto.

The [Globe and Mail \(CAN\)](#) (2/1, Paddon, 1.11M) reports, "International cybersecurity company Trend Micro is setting up a new Toronto research lab for 'ethical hackers' in collaboration with Canadian telecom giant Telus Corp." The company "said it expects the new office to house about 100 of the cybersecurity researchers within two years."

## Use Of Fitness Trackers In Sensitive Places An Item Of Longstanding Debate.

[Foreign Policy](#) (2/1, McLaughlin, 384K) reports that "the debate over whether fitness trackers should be allowed in sensitive spaces, particularly in intelligence outposts, has raged on for years. And many employees did in fact gain the right to wear certain types of trackers, even in the most sensitive locations. However, that decision has consistently led to internal disagreement."

## Kristian: Federal 5G Network Would Be Embrace Of Authoritarianism.

Defense Priorities fellow Bonnie Kristian writes in a [USA Today](#) (2/1, Kristian, Contributor, 8.23M) op-ed that a leaked memo and PowerPoint presentation "authored by a senior National Security Council member" that describes a potential plan for a nationalized 5G network "suggests a dangerous willingness to embrace authoritarianism in the name of safety, irrespective of whether the idea at hand will make any real gains for American security." Kristian argues that the "plausible (or even probable) civil liberties abuses federal 5G entails should make us pause, as it eliminates the already imperfect safeguard against unconstitutional mass surveillance that private, diversified network development creates." She adds that the "national security framing of federal 5G, however, may be the most worrisome aspect of the whole debacle," given what she describes as Washington's poor record of cybersecurity "where Chinese hackers are concerned."

**CSM Analysis: US-China Concerns Are Real.** In an analysis, the [Christian Science Monitor](#) (2/1, Belsie, 269K) says that while the idea for a nationalized 5G network "drew wide criticism as unrealistic or unnecessary and prompted avowals from White House sources that it is not official policy," the underlying concerns about competition with China are real. However, CSM adds that there are "billions of dollars of business in industries that entrepreneurs are just beginning to dream up using artificial intelligence, robotics, and other technologies. ... That's plenty of money for many companies and countries to share in – if China and the West can reconcile their differences. What's keeping the two sides talking is the knowledge that everyone loses in a trade war."



## Fed's Big Bank Stress Tests More Severe In 2018.

The [Wall Street Journal](#) (2/1, Tracy, Subscription Publication, 6.45M) reports the Fed announced on Thursday that for this year's stress tests, big banks will have to plan for a "severely adverse" scenario that would include a 10 percent unemployment rate, severe stress in real estate lending and corporate bond markets, and severely difficult conditions in Japan and developing Asian countries. Several foreign banks with US operations – including Barclays, UBS Group, and Credit Suisse – will be taking the full version of the test for the first time this year. [Bloomberg News](#) (2/1, Hamilton, 3.31M) adds that an additional 20 smaller and less complex firms are set to face an easier version of the exams. [MarketWatch](#) (2/1, 1.24M) reports that the Fed "says the 2018 scenario is tougher than 2017's because it wanted a more severe test of resilience of large firms when current economic conditions are strong."

[American Banker](#) (2/1, Subscription Publication, 22K) expands on the specifics of the tests: under the Fed's "adverse" scenario, the US unemployment rate "rises to a peak of 6.25% while asset prices face a pronounced decline," equity market prices "decline roughly 30% by the end of 2019 and experience greater volatility in the Fed's 2018 adverse scenario," and house prices "decline by 12% and commercial real estate prices decline by 15% by the end of 2020." Under its "severely adverse" scenario, "equity prices would fall by 65% by the beginning of 2019," the VIX would exceed 60 percent by the end of 2018, "home prices would decline by 30% and commercial real estate prices by 40% by the end of 2018." The real GDP "would decline to -8.9% in the second quarter of 2018, bouncing back gradually to 4.5% by the first quarter of 2021."

[Reuters](#) (2/1) notes that the test "looms large" at big lenders like JPMorgan and Bank of America, "as the Fed must approve before the banks can distribute their extra capital to investors." The [ABA Banking Journal](#) (2/1) reports that capital plans must be submitted by April 5.

## Bipartisan Bill Would Reverse Rule Restricting FHLB Membership.

[American Banker](#) (2/1, Collins, Subscription Publication, 22K) reports three senators introduced a bipartisan bill that would let captive insurance companies regain full membership in the low-cost Federal Home Loan Bank System. The Housing Opportunity Mortgage Expansion Act is sponsored by Sens. Tammy Duckworth (D-IL), Tim Scott (R-SC), and Ron Johnson (R-WI). The act would reverse a Jan. 2016 decision by FHFA that barred certain captive insurers from borrowing from the FHLBs. Rep. Randy Hultgren (R-IL) introduced a similar bill last year that failed to pass.

## ISDA May Challenge New Regulations On Capital.

[Reuters](#) (2/1, Brettell) reports that the International Swaps and Derivatives Association may challenge regulations that require "capital equivalent to five days the historical value-at-risk (HVaR) of a derivative such as an interest rate swap be posted to back trades that are centrally cleared, with uncleared swaps requiring 10 days' worth of HVaR" in contrast to rules regarding interest rate futures. These new regulations are being phased in through 2020 since fewer regulations on privately traded derivatives are seen as "risky" due to the financial crisis. At an industry conference, ISDA CEO Scott O'Malia said, "The new margin requirements for swaps may not make sense if the risk profile of the trade is the same as in futures."

## Hatch Questions NCUA's McWatters Over Credit Union Tax Exemption.

[The Hill](#) (2/1, Lane, 1.99M) reports that Senate Finance Committee Chair Orrin Hatch (R-UT) wrote to NCUA Chair Mark McWatters this week, asking about his efforts to loosen restrictions on credit unions' activities and about whether credit unions are fulfilling their intended role while exempt from federal corporate income taxes. Hatch wrote that he is "concerned that the credit union industry is evolving in ways that take many credit unions further from their original tax-exempt purpose," citing decisions by McWatters to loosen CUs' field of membership restrictions and allowing CUs to expand their financial portfolios and led to businesses. "While these may be worthwhile pursuits, they should give us pause and cause a reflection on the core mission of credit unions," Hatch wrote.

"Hatch's inquiry is significant," [American Banker](#) (2/1, Subscription Publication, 22K) says, because although "he is retiring at the end of this session, his role as head of the Senate finance panel puts him in the lead position on matters of tax policy," and lawmakers "are looking for other revenue sources as they begin consideration of a massive infrastructure package."

## Survey: CEOs Earn 140 Times More Than Median Employees.

In a preview of data soon to be released by public companies under Dodd-Frank's pay ratio rule, [Bloomberg News](#) (2/1, Melin, 3.31M) reports that Equilar Inc. calculated the ratio of CEO annual compensation to median employee pay at 356 companies. Equilar found US CEOs earned 140 times more last year than their workers, who received \$60,000 in median compensation. US companies will be releasing the data for the first time in coming months under the new Dodd-Frank rule, and analysts expect unions and others to raise issues with the pay disparities that the data is expected to reveal.

Also covering the story is the [Wall Street Journal](#) (2/1, Fuhrmans, Francis, Subscription Publication, 6.45M)



## State Legislatures Introducing New Laws To Circumvent CFPB's Payday Lending Rules.

[American Banker](#) (2/1, Wack, Subscription Publication, 22K) reports that the CFPB's payday lending rule "is being used in state legislatures to justify the creation of a new category of loans that would be even costlier for many borrowers." Last year, bills to legalize "high-cost installment loans were introduced in 10 states, including Michigan, Georgia and Oklahoma, according to the Center for Responsible Lending." While all of those measures were unsuccessful, "this year, payday lenders appear to be better positioned to score victories." Florida Alliance for Consumer Protection Director Alice Vickers said payday lenders are creating new loan categories "so that they would not fall under the CFPB rules."

### TFI/Sanctions

## Chechen Leader Banned From Facebook And Instagram Due To Sanctions Still On Twitter.

[Foreign Policy](#) (2/1, 384K) reports that Kremlin-backed Chechen leader Ramzan Kadyrov "became one of five new Russian citizens to face sanctions under the Global Magnitsky Act" on Dec. 20. His Instagram and Facebook accounts were removed several days later, as he was banned from the platforms. However, he remains on Twitter. In an email, a Facebook representative said, "The U.S. Dept. of Treasury's office of Foreign Assets Control ('OFAC') administers lists of individuals and organizations who are sanctioned by the US government ('restricted parties')." The representative added, "U.S. Companies are required to comply with U.S. restricted party sanctions. To comply with these sanctions, Facebook prohibits restricted parties from having a presence on Facebook."

## Treasury Department Reviewing Marijuana Banking Guidance.

In a piece for [Forbes](#) (2/1, 4.82M), Marijuana Majority founder Tom Angell writes that the Trump Administration is considering removing guidance on marijuana banking. In a letter to Congress on Wednesday, Drew Maloney, the Treasury Department's assistant secretary for legislative affairs, wrote that "in light of the Attorney General's announcement" that it would rescind the Cole memo, Treasury is "reviewing the [banking] guidance" and is "consulting with law enforcement" on the matter. The letter is a response to a bipartisan group of 31 representatives that wrote to Treasury's FinCEN last month "asking the agency to continue the cannabis banking guidance," Angell says, noting that 15 senators sent a similar letter. In their letter, the House lawmakers wrote, "Leaving your guidance unchanged will continue to encourage small companies to make investments by freeing up access to capital" and will "further provide for well regulation and oversight through suspicious activity reports," while "rescinding this guidance would inject uncertainty in the financial markets." Maloney wrote that the guidance "remains in place" for now. Last month, Sigal Mandelker, the Treasury Department's deputy secretary, "testified at a Senate hearing that the banking memo is still in effect while the Trump administration weighs whether to revoke it."

### Taxes/Employment

## Trump: Pelosi's "Crumbs" Comment Is Like Clinton's "Deplorables."

In remarks to Republican lawmakers at their retreat in West Virginia Thursday, President Trump likened House Minority Leader Pelosi's characterization of recent employee bonuses related to the new tax law as "crumbs" to Hillary Clinton's campaign claim that his supporters belong in a "basket of deplorables," the [Washington Times](#) (2/1, Sherfinski, 505K) reports. Trump said, "That could be like 'deplorable.' ... Those two words – they seem to have a resemblance. I hope it has the same meaning. ... But she called it crumbs when people are getting \$2,000 and \$3,000 dollars and \$1,000 – that's not crumbs. It's a lot of money."

Meanwhile, Pelosi spoke before "a friendly audience" at an event organized by Tax March in Cambridge, Massachusetts, where she argued that the tax law has cast a "dark cloud" over Washington, impacting budget negotiations and efforts to avert another government shutdown, the [AP](#) (2/1, Salsberg) reports. Pelosi "predicted the tax cuts could add nearly \$2 trillion to the federal deficit...and prompt Republican leaders to seek cuts in domestic programs, such as Medicare and Social Security."

## Ryan: Another CR Needed Despite Progress In Spending Talks.

[Reuters](#) (2/1) reports that House Speaker Ryan on Thursday cited progress in the effort to craft a long-term government funding measure, but said another stopgap measure is necessary while "the details are finalized." Ryan told reporters, "Even if we get everything figured out by, say, Tuesday, we still will have to have a CR (continuing resolution) if only for the fact that we have to give the appropriators time to write an omnibus appropriations bill." Ryan said the "contents and the duration" of the CR were still being negotiated.



[Bloomberg News](#) (2/1, Wasson, Edgerton, 3.31M) reports that House and Senate staff are working on a bill to "keep the government operating through March 23, though Republican leaders haven't yet made a final decision on the plan, according to two Republican congressional aides." However, [Politico](#) (2/1, Bresnahan, 3.22M) cites "multiple GOP sources" who said the CR would last through March 22.

## Maryland Attorney General To Sue Over Tax Law.

The [Washington Post](#) (2/1, Hicks, 11.19M) reports that Maryland Attorney General Brian E. Frosh said Thursday that he will join Connecticut, New Jersey, and New York to challenge the tax law "as illegal because it would 'jack up' the amount many residents owe." The law includes "a \$10,000 cap on deductions for state and local taxes," which Frosh said "will increase the tax bills of more than 500,000 Marylanders." Frosh said, "It is an attack on state sovereignty and an attempt to cripple our ability to educate our kids, protect the Chesapeake Bay, and build the infrastructure that Maryland needs to be competitive in the world economy."

### Federal Reserve

## Fed's Yellen Receives Warm Farewell.

[Bloomberg News](#) (2/1, Torres, 3.31M) reports that in addition to Fed Chair Janet Yellen's "policy success" being "visible in economic statistics," her "personal success could be gauged in the warm sendoff the first woman to lead the institution got from hundreds of staff gathered to wish her farewell." According to Bloomberg, "raucous applause, rarely heard inside the institution's studious confines, erupted when she appeared in the atrium of the Fed's stately Eccles Building in Washington, according to one of the attendees at the private event."

Ben Chu, economics editor of the [Independent \(UK\)](#) (2/1, 2M), says that although "some economists still believe that, with inflation so quiescent, the Fed and Yellen have been premature in raising rates," even they "credit her with being an extremely competent and level-headed Fed chair." During her time leading the Fed, the economy "performed extremely well," with "GDP growth picking up and unemployment falling to its lowest levels since the Bill Clinton boom of the late 2000s." Yellen "also oversaw the first interest rate hike in a decade, when the Fed raised its lending rate from 0.25-0.5 per cent in December 2015." [Newsweek](#) (2/1, 1.5M) quotes Harvard University economics professor Kenneth Rogoff, who said Yellen "did a phenomenal job." Former Treasury Secretary Larry Summers also praised Yellen, saying she "left an economy with much lower unemployment, much more confidence in the financial system, closer to target inflation of 2 percent."

Jill Abramson, columnist for [The Guardian \(UK\)](#) (2/1, 3.78M), writes that Yellen is "perhaps the most successful Federal Reserve Chairman in modern history and the first woman to hold the job," so it was surprising that President Trump decided not to re-nominate her.

[Reuters](#) (2/1) also reports on Yellen's exit.

## Fed Under Powell May Pick Up Pace Of Interest Rate Hikes.

[The Economist](#) (2/1, 1.01M) reports outgoing Fed Chair Janet Yellen "once said that the Federal Reserve would 'keep refilling the punch bowl until the guests have all arrived,'" and this week "investors began to wonder if Jerome Powell...might at last deem the party full." With "unemployment low and tax cuts pending, investors are wondering whether inflation and interest rates might soon surge." The Economist says that "asset-price falls are fearsome when people have borrowed too much," but "regulatory reforms over the past decade have deterred risky lending." Moreover, "with bond yields rising globally, the Fed need not worry a strong dollar will destabilise the world economy." In fact, if Powell "can manage the transition to higher interest rates, they will be welcome." The Fed "would have more scope to loosen policy during the next recession before rates hit zero."

Meanwhile, the [Financial Times](#) (2/2, Subscription Publication, 1.38M) John Dizard says Powell will be unable to move away from the Fed's dot-plot rate increase or voice concerns, at least for a time.

**Consultant: Fed's Dilemma To Continue Under Powell.** In an op-ed for [Bloomberg View](#) (2/1, 3.31M), consultant A. Gary Shilling says that the Fed is "confronted with a serious dilemma: Inflation and wage increases continue to undershoot its expectations at the same time the central bank confronts forces pressuring it toward credit tightening." Despite suggestions by incoming Fed Chair Jerome Powell "that the economy has not run out of slack, the majority of policy makers may worry that the tax cuts could prove stimulative enough to cause major economic strains." Moreover, "Republican plans for major infrastructure outlays will no doubt concern the Fed about an overheated economy." Shilling says that, "historically, once the Fed starts to raise rates it almost always continues until it precipitates a recession and a bear market in stocks." However, "with so much excess liquidity around the world, it may also take years before higher rates and a reduction in the Fed's balance sheet assets start to pinch the economy."

**Fed Notes Inflation Gauges In This Week's Policy Statement.** In a "MoneyBeat" piece for the [Wall Street Journal](#) (2/1, 6.45M), Ben Eisen writes that a bond market gauge of expected annual inflation over the next 10 years rose to 2.12 percent on Wednesday – its highest since September 2014, according to Tradeweb, and expected inflation over the next five years reached 2.02 percent. Both are higher than the Fed's 2 percent target. The moves got the attention of Fed officials, who noted them in their monetary policy statement on Wednesday while still acknowledging that inflation expectations are low by historical standards. This point, Eisen says, is another reason for



investors to be thinking about inflation.

## **The Economist: Independent Central Banks Can Move Faster, With More Freedom.**

[The Economist](#) (2/1, 1.01M) reports that “it is natural for politicians to want to central bankers closer,” and their instinct may be “to appoint one of their own.” However, “an independent central bank can be better trusted to act swiftly to curb inflation,” and this also “gives it freedom to cut interest rates when the economy turns down.” According to The Economist, “what central banks need is not the appointment of officials who are less inclined to disappoint their political masters” – rather, it is “new thinking about how to make overmighty central banks more accountable to electorates, while at the same time shielding them from day-to-day political pressure.”

## **Atlanta Fed Upgrades US Q1 GDP Growth View To 5.4 Percent.**

[Reuters](#) (2/1, Staff) reports that the Atlanta Federal Reserve’s GDPNow forecast model reveals the US economy is set track to grow at a 5.4 percent annualized rate, following the latest data on manufacturing and construction spending. The latest GDP estimate was faster than the 4.2 percent growth pace that the Atlanta Fed calculated on Monday.

[MarketWatch](#) (2/1, Goldstein, 1.24M) reports the 5.4 percent growth would be the strongest since the third quarter of 2003.

### **Financial Regulatory Agencies**

## **CFPB’s Mulvaney Places Lending Discrimination Operations Under His Direct Control, Alarming Consumer Advocates.**

The [Wall Street Journal](#) (2/1, Hayashi, Subscription Publication, 6.45M) reports that CFPB Acting Director Mick Mulvaney has placed its Office of Fair Lending and Equal Opportunity under his direct control – it previously was part of a division of the CFPB that examines banks and brings enforcement cases, as well as monitors for discrimination in mortgage, auto, and student lending. While spokesman John Czwartacki said the CFPB will “naturally continue to pursue fair lending enforcement and supervision cases” and characterized the change as an “org chart shuffle,” consumer advocates worry that the change will result in a pullback of the CFPB’s efforts to find and punish discrimination against minorities.

The [Washington Post](#) (2/1, Merle, 11.19M) reports that the “move to sharply restrict the responsibilities” of the lending office “comes as Mulvaney looks to remake the agency into one that shows far more restraint than it did under his Democratic predecessor.” According to an email sent to staffers this week, Mulvaney said the focus will now be on “advocacy, coordination, and education.” They “will no longer have responsibility for enforcement and day-to-day oversight of companies, he wrote.”

“How much the restructuring will mean is open for debate,” [American Banker](#) (2/1, Berry, Subscription Publication, 22K) says. Some say the decision helps to remove duplicative operations overlapping with its supervision and enforcement unit. Meanwhile, Sen. Elizabeth Warren criticized the move, saying Mulvaney “is putting the Office of Fair Lending under his control so that he can weaken it – leaving neighborhoods and consumers across the country more vulnerable to bias.”

Also reporting are [The Hill](#) (2/1, Lane, 1.99M), [CNN Money](#) (2/1, 3.59M), and the [ABA Journal](#) (2/1, Weiss, 1.01M).

## **High-Interest Lenders Benefiting From CFPB Under Mulvaney.**

The [Wall Street Journal](#) (2/1, Hayashi, Subscription Publication, 6.45M) reports that under the leadership of Acting Director Mick Mulvaney, the CFPB is easing oversight of high-interest lenders. These companies have seen their shares rise considerably since President Trump took office, with World Acceptance Corp’s shares nearly tripling and EZ Corp and Enova International stocks also rising significantly.

## **Newsweek Inflated Users For CFPB Ad Campaign.**

[USA Today](#) (2/1, Cava, 8.23M) reports that “the publisher of Newsweek and the International Business Times has been buying fake audience traffic in order to meet the requirements of a lucrative government advertising campaign, a consulting firm alleged.” News of the fraud was broken by [BuzzFeed](#) on Thursday, and it “came as the Newsweek Media Group chairman and the company’s finance director, his wife, stepped down after a regulatory investigation into fraud.” USA Today explains that the International Business Times “last year won a significant portion of a large video and display advertising campaign” for the CFPB. However, “many of those ads may not have been viewed by legitimate consumers, according to a report by Social Puncher, a consulting firm that investigates online ad fraud.” Social Puncher “says the CFPB ads were displayed to an audience of IBTimes readers in the US, England, India and Singapore that includes a significant amount of ‘cheap junk traffic with a share of bots.’”

[MarketWatch](#) (2/1, Williams, 1.24M) and the [Daily Beast](#) (2/1, 1.49M) also report.

## **CFTC Seeking To “Set The Record Straight” On Swaps Market.**

A new paper published by the CFTC’s chief economist proposes a new way of measuring the swaps market, which “nets out long and short



bets in the same currency between pairs of counterparties,” [Reuters](#) (2/1, Price) reports. The widely-cited figure of \$542 trillion as the size of the global swaps market, CFTC Chair Christopher Giancarlo says, is vastly overstated. Global regulators, led by the Bank for International Settlements, have measured the size of the swaps market “by adding up the value of every outstanding long and short position to calculate a so-called ‘notional’ value,” but “this method does not take into account that many of these bets cancel each other out, meaning the true economic value of the global swaps market is dramatically smaller than the headline notional figure suggests.” Giancarlo said, “Sizing the global swaps markets in hundreds of trillions of dollars has done nothing to bring clarity to newspaper accounts, policy discussions in Congress, or regulatory policy setting in the decade since the financial crisis. ... The record needs to be set straight.”

The [Wall Street Journal](#) (2/1, Rubin, Subscription Publication, 6.45M) reports Giancarlo said that the new approach would “bring some clarity to how to accurately size contemporary swaps markets,” and that while it is too early to consider using this new methodology in rulemaking, he hopes that it may be used in policy making in the future.

## **CFTC Fines Deutsche Bank \$70 Million For Trying To Rig ISDAfix.**

[Bloomberg News](#) (2/1, Scheer, 3.31M) reports that Deutsche Bank agreed to pay \$70 million to settle claims by the CFTC that its traders intended to manipulate the ISDAfix to benefit their positions on “cash-settled options on interest rate swaps.” Investigators “said the bank’s personnel attempted to steer the rate with a pair of strategies and that abuses occurred from 2007 until May of 2012.” Allegedly, the bank’s staff “knew, and even discussed, that they were breaking the law” – at one point, a trader “confided to a broker that ‘a lot of people would actually do jail time’ if the government ever caught on, the agency wrote in its statement.” CFTC Enforcement Director James McDonald said, “There is no room in our markets for manipulation. ... We will continue to work hard to stamp it out, wherever we find it.”

The [Wall Street Journal](#) (2/1, Rubin, Subscription Publication, 6.45M) notes that Citigroup, Barclays, and Goldman Sachs have settled similar cases with the regulator for larger fines.

The [Financial Times](#) (2/2, McLannahan, Subscription Publication, 1.38M) and [Reuters](#) (2/2) also report.

## **CFTC Settlements This Week Included “Bad Actor Rule” Waivers.**

The [New York Times](#) (2/1, Flitter, Subscription Publication, 15.39M) reports that although Deutsche Bank, HSBC, and UBS Group were punished by the CFTC for market manipulation this week, “tucked into the punishment was a single sentence that could pay big dividends for the banking industry.” The settlement agreements for all three banks “included language that gave all three banks an automatic waiver from the bad actor rule,” which drew sharp criticism from Democratic SEC Commissioner Kara Stein. “I am extremely disappointed by the CFTC’s actions in this case,” Stein said on Thursday. “They did not consult with the SEC before injecting themselves into securities markets in which they have little or no expertise,” and “the implications of the CFTC’s actions are deeply troubling and may put US investors at risk.” According to the Times, “industry observers said the automatic waiver is one of the latest efforts by the Trump administration to soften regulation of Wall Street, which Republicans and some Democrats believe has gone too far.”

### **Internal Revenue Service**

## **Op-Ed Criticizes IRS’ Treatment Of Pro-Israel Organizations.**

In an op-ed in the [Wall Street Journal](#) (2/1, Marcus, Subscription Publication, 6.45M) Z Street founder Lori Lowenthal Marcus writes about the settlement of Z Street v. IRS, saying the case uncovered bias in the IRS’ treatment of pro-Israel organizations that applied for tax-exempt 501(c)(3) status. She notes that Z Street applied for the status in December 2009, expecting the process to take the typical three to six months. However, in July 2010 an IRS agent told the organization that the IRS was scrutinizing their application more closely because it related to Israel, prompting Z Street to sue in August 2010. Marcus laments the seven years her organization spent to defeat the IRS over its claims that it didn’t need to produce documents explaining why its agents scrutinized Z Street more closely.

### **Office of the Comptroller of the Currency**

## **OCC, Fed Moving Quickly To Ease Key Leverage Rule.**

[Bloomberg News](#) (2/1, Onaran, 3.31M) reports that Bank of New York Mellon and State Street “stand to benefit most” from a plan by the OCC and the Fed to ease the biggest US banks’ leverage ratio from the current 5 percent minimum. Custody banks would see their minimum requirement fall to below 4 percent, which would give them more room to accept deposits for certain types of accounts. The regulators’ planned regulatory revision comes after the Basel Committee “tweaked the global leverage requirement – a minimum capital ratio that unlike calculations for many other standards ignores the riskiness of assets on the balance



sheet.” The Fed and the OCC “are pursuing a US version with unusual speed, aiming to thwart a bipartisan bill pending in Congress that would soften the rule further.” The revision would move the US “closer to the international standard” by “adding a surcharge to banks’ two leverage ratios that’s equal to half of the buffer they face in other requirements from being a systemically important firm.” The legislation moving through Congress “would impose different methodologies on custody banks and traditional lenders for calculating their leverage ratio.” The Fed and the OCC “are opposed to treating the business models differently,” and “part of their aim in rushing through new rules is to persuade Congress its legislative fix isn’t needed.”

#### Editorial Wrap-Up

### New York Times.

**“The Republican Plot Against The FBI.”** The [New York Times](#) (2/1, Subscription Publication, 15.39M) editorializes, “So this is what a partisan witch hunt really looks like. In a demonstration of unbridled self-interest and bottomless bad faith, the Trump White House and its Republican minions in Congress” are set to release a memo “undermining the credibility of the law enforcement community that Republicans once defended so ardently. ... You could call it all a wild-eyed conspiracy theory, only there’s no real theory behind it. Instead, there’s a mad scramble to set off this latest smoke bomb.”

**“Playing With Fire And Fury On North Korea.”** A [New York Times](#) (2/1, Subscription Publication, 15.39M) editorial warns the Administration against unilateral American military action in North Korea, arguing that “enforcing economic sanctions and blocking deadly technology from entering or leaving North Korea are necessary parts of any reasonable strategy. But so is diplomacy, including negotiations.” It argues that the US “has been at war continuously since the attacks of Sept. 11 and now has just over 240,000 active-duty and reserve troops in at least 172 countries and territories. Enough.”

### Washington Post.

**“Paul Ryan Is Tarnishing The House.”** The [Washington Post](#) (2/1, 11.19M) editorializes, “[House Speaker] Ryan bears full responsibility for the deterioration of congressional oversight of intelligence operations. Once a bipartisan responsibility that lawmakers treated soberly – as they still do in the Senate – oversight under [House Intelligence Committee Chairman Devin] Nunes has become another front” in the President’s “assault on the law enforcement institutions investigating the president and his associates.”

**“Trump Says He Wants To Refill Guantanamo. Bad Idea.”** The [Washington Post](#) (2/1, 11.19M) editorializes that it was “disappointing” to hear President Trump “renew his commitment to Guantanamo” during his State of the Union address, after showing several signs during his first year in office that he had “absorbed the central lesson of Guantanamo’s history since early 2002: that holding and trying detainees there is far harder and more time-consuming than in the US federal court system.” The Post says reopening the prison would also be “repeating one of the most conspicuous errors of the war on terrorism” that happened under President George W. Bush, who, by sending prisoners to Guantanamo, incited international criticism, “handed a recruitment tool to al Qaeda, and failed to bring the authors of the 9/11 attacks to justice.” The Post argues that Congress should not authorize a return to detentions at Guantanamo.

**“Menendez Is Legally In The Clear. That’s Not Exactly Vindication.”** In an editorial, the [Washington Post](#) (2/1, 11.19M) says that the Justice Department this week decided not to retry Sen. Bob Menendez on federal corruption charges, but that “doesn’t mean there aren’t still questions about his behavior and what should be expected from those who hold public office.” Menendez, was charged with using “the influence of his office to advance the interests of” longtime friend and donor, Salomon Melgen, “in exchange for flights, vacations and political favors, including campaign donations.” Seeking to aid Melgen, Menendez pressed “for a Medicaid reimbursement policy change, intervened in a contract dispute and helped to get visas.” Yet, “even if his actions didn’t violate any law, shouldn’t there be higher standards for public conduct?”

### Wall Street Journal.

**“Drilled, Baby, Drilled.”** The [Wall Street Journal](#) (2/1, Subscription Publication, 6.45M) editorializes that the surge in American oil drilling over the past decade has resulted in greater energy security for the US, which has become much less reliant on foreign oil sources. The Journal credits a Congressional deal with former President Obama in 2015 to lift the oil export ban, quick industry adaptation to the 2016-2016 oil price plunge, and a natural gas fracking boom for improving America’s energy security. The Journal stresses that the most important lesson is that the innovation of shale drillers and frackers, which created a great deal of wealth, never would have been possible if their actions had to be approved by the federal government.

**“Columbia Vs. United Auto Workers.”** The [Wall Street Journal](#) (2/1, Subscription Publication, 6.45M) editorializes that Columbia University’s decision this week to bring the United Auto Workers to federal court is worrying. Although universities have a legitimate concern that unions may disrupt education and research, universities can also exploit student workers, particularly by compensating them with in-kind payments that do not cover the cost of their tuition. The Journal writes that university administrators may unite in this effort as Yale, Harvard, and the University of Chicago engage in similar battles against unions, and that the now-Republican dominated National Labor Relations Board (NLRB) may reverse a 2016 decision that allowed Columbia teaching and research assistants to unionize.

**“The Pickens Of Villainizing.”** In an editorial, the [Wall Street Journal](#) (2/1, Subscription Publication, 6.45M) writes that the Bank’s



**The Bishops Of Xi Jinping.** In an editorial, the [Wall Street Journal](#) (2/1, Subscription Publication, 0.45M) writes that the Pope's move to defer to Beijing over the appointment of seven Catholic bishops is disappointing for Catholics inside China, because of President Xi Jinping's worsening record of respecting human rights and the freedom of religion. The Journal argues that if the Vatican is indeed trying to normalize relations between Rome and Beijing, this concession comes at too high of a price, as it could force the Vatican to break relations with Taiwan.

## The Big Picture

### Headlines From Today's Front Pages.

#### **Wall Street Journal:**

[Tech Giants Power To New Heights](#)

[Charity Funds Take Off As Tax Law Reshapes Giving](#)

[White House: Trump Is Expected To Approve Release Of Classified Memo](#)

[Pope Francis To Bow To China With Concession On Bishops](#)

#### **New York Times:**

[Trump Clears The Way For Release Of Secret Republican Memo](#)

[As Strongmen Steamroll Their Opponents, US Is Silent](#)

[White House Wants Pentagon To Offer More Options On North Korea](#)

[With Memo, Devin Nunes, Once A Scourge Of The Hard Right, Becomes Its Hero](#)

[Protecting An Olympics Held In North Korea's Nuclear Shadow](#)

[In District Known For Failure, Will The State Finally Step In?](#)

["My Baby Almost Died": Formula Scandal Sends Shudders Through France](#)

#### **Washington Post:**

["Why Can't I Have My Life Back?"](#)

[Memo On FBI Nears Release](#)

[How "Fat Leonard" Took USS Blue Ridge Off Course](#)

[Consumer Watchdog Unit Stripped Of Power](#)

[Humane Society Votes To Keep Accused CEO](#)

[President Quickly Persuaded On Declassification](#)

#### **Financial Times:**

[HBO Joins Netflix In Shattering Subscription Records](#)

[Ethiopian Regime Struggles To Quell Growing Unrest](#)

#### **Washington Times:**

[Battle Over Nunes Memo Tests Congress' Ability To Oversee FBI](#)

[Pressure Mounts On Democrats As Trump, GOP Fulfill Promises](#)

[Pass The Dip: Fans' Outrage Chips Away At Super Bowl Expectations](#)

[North Korea Nuclear Fears Boost Demand For Survivalist Gear, Services](#)

[Red Cross Official Confident U.S. Will Remain Top Donor Under Trump](#)

#### **Story Lineup From Last Night's Network News:**

**ABC:** California School Shooting; Republican Memo Standoff; Russia Probe; Flu Epidemic; Flu Epidemic-Expert Comment; Weather Forecast; USA Gymnastic Sex Abuse; Nashville Mayor Affair; Phone Charger Explosion; California Police Violence; Teen Murder Trial; Super Bowl News.

**CBS:** Flu Epidemic; Flu Epidemic-Expert Comment; California School Shooting; Republican Memo Standoff; USA Gymnastic Sex Abuse; NFL-New Technology; Tech Company Earnings; GOP Retreat Train Crash Investigation; Celebrities Disappearance Mystery; Famous Photo History; United Air-Animal Policy; Longest Zipline; US Olympic Ski Athletes.

**NBC:** California School Shooting; USA Gymnastic Sex Abuse; Flu Epidemic; Republican Memo Standoff; Breast Cancer-Risks; Opioid Crisis; North, South Korea-Winter Olympics; Celebrities Disappearance Mystery; Target-New Delivery Service; United Air-Animal Policy; Phone Charger Explosion; Super Bowl News.

#### **Network TV At A Glance:**

Flu Epidemic – 7 minutes, 50 seconds

Republican Memo Standoff – 6 minutes, 30 seconds

California School Shooting – 6 minutes



### **Story Lineup From This Morning's Radio News Broadcasts:**

**ABC:** Republican Memo Standoff; Trump-Immigration Policy; California School Shooting; China-Minivan Explosion.

**CBS:** Republican Memo Standoff; Trump-Immigration Policy; Arizona House Rep-Sex Allegation; Castro's Son-Suicide; California School Shooting; Wall Street News.

**FOX:** Republican Memo Standoff; California School Shooting; China-Minivan Explosion.

**NPR:** Republican Memo Standoff; GOP Retreat Train Crash Investigation; USA Gymnastic Sex Abuse; California School Shooting; Wall Street News.

### **Last Laughs**

## **Late Night Political Humor.**

**Jimmy Kimmel:** "And by the way, Donald, if you do release that memo, I'd like to see your tax returns, too."

**Stephen Colbert:** [Referring to President Trump's tweet about his State of the Union viewership] "Look, it doesn't matter how many people watched, but what does matter is that the President needs to lie about it, and then somehow get away with it. This is the new world we live in. So let me say, in advance, congratulations to President Trump on winning the Super Bowl!"

**Stephen Colbert:** "[Rep. Devin] Nunes wouldn't even let the FBI testify about the memo about them, explaining his committee is 'not going to be briefed by the people that are under investigation by this committee.' Yes, they're under investigation. Explains this flyer I saw at the post office: 'Wanted by the FBI. The FBI! For conspiracy to stop a conspiracy.'"

**James Corden:** "This morning, President Trump bragged about his State of the Union address, tweeting, 'Thank you for all of the nice compliments and reviews on the State of the Union speech. 45.6 million people watched, the highest number in history.' Now here's the thing: What Trump tweeted isn't even remotely true. I know, shocking."

**Jimmy Fallon:** "I read that the government is spending \$24 million to replace two refrigerators on Air Force One. Until then, they're keeping perishables cold by putting them between Donald and Melania."

**Seth Meyers:** "According to CNN, FBI Director Christopher Wray has made it clear that he's frustrated that President Trump is not listening to his advice regarding a controversial memo claiming the FBI abused surveillance laws. You're surprised Trump didn't listen to advice?"

**Seth Meyers:** "President Trump today said that Sen. Orrin Hatch called him the greatest President in the history of our country. I guess Hatch is still mad at Abraham Lincoln for stealing his girlfriend in middle school."

**Seth Meyers:** [Referring to the Republican intelligence memo release] "Vice President Mike Pence told Politico, 'I've always believed in the public's right to know, and I stand by that principle.' Oh really, Mike Pence? You've always believed in the public's right to know? In that case, will you release Trump's tax returns? Okay. Wait. Will you release the White House visitor logs? No, no, no. I'll give you another one: Will you release all the Russia-related emails?"

**Conan O'Brien:** "President Trump has decided not to take part in the traditional presidential Super Bowl interview. Apparently, Trump is worried he might not pass the NFL's concussion protocol."

**Conan O'Brien:** "Speaking of Trump, it's come out that President Trump's Director of Communications, Hope Hicks, may have partially obstructed justice. Trump said he's furious with Hicks because he hired her to fully obstruct justice. You don't go halfway on these things."

### **Washington's Schedule**

## **Today's Events In Washington.**

### **White House:**

**PRESIDENT TRUMP** — Meets with North Korean defectors; takes a tour of the Customs and Border Protection National Targeting Center; participates in a Customs and Border Protection roundtable.

**VICE PRESIDENT PENCE** — Participates in a phone call with President Ashraf Ghani of Afghanistan; delivers remarks at a Rick Saccone for Congress event; delivers remarks at America First Policies' "Tax Cuts to Put America First" event.

**US Senate:** 11:00 AM Senate convenes for pro forma session Location: U.S. Capitol, Washington, DC <http://www.senate.gov/>

**US House:** 4:30 PM House of Representatives convenes for pro forma session Location: U.S. Capitol, Washington, DC <http://www.house.gov/>

**Other:** 8:00 AM RNC Winter Meeting continues — Republican National Committee Winter Meeting 2018, day three, including a vote to

formalize the selection of Chicago Cubs co-owner Todd Ricketts as the RNC finance chairman, after he was approved by the RNC

Executive Committee yesterday \* Ricketts replaces Steve Wynn, who resigned last week amid sexual harassment allegations, which he has denied Location: Washington Hilton, 1919 Connecticut Ave NW, Washington, DC <https://hyperlink.services.treasury.gov/agency.do?origin=www.gop.com> <https://hyperlink.services.treasury.gov/agency.do?origin=https://twitter.com/GOP>

9:00 AM AG Sessions and DHS Secretary Nielsen at summit on DoJ efforts to combat human trafficking – Associate Attorney General Rachel Brand hosts summit to discuss Department of Justice efforts to combat human trafficking, with participants including Attorney General Jeff Sessions, Secretary of Homeland Security Kirstjen Nielsen, and business and community leaders from around the country Location: Department of Justice, 950 Pennsylvania Ave NW, Washington, DC [www.justice.gov](http://www.justice.gov) <https://hyperlink.services.treasury.gov/agency.do?origin=https://twitter.com/TheJusticeDept>

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## RE: Question

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**From:** (b)(6), (b)(7)(C)  
**To:** (b)(6), (b)(7)(C)  
**Date:** Thu, 15 Feb 2018 10:49:11 -0500

---

Cool, thank you.

---

**From:** (b)(6), (b)(7)(C)  
**Sent:** Thursday, February 15, 2018 10:43 AM  
**To:** (b)(6), (b)(7)(C)  
**Subject:** RE: Question

Hi (b)(6), (b)(7)(C) just called you, but you are away. I'm headed out to a doc appt now and will be back later this afternoon. You can also try (b)(6), (b)(7)(C) on this.

---

**From:** (b)(6), (b)(7)(C)  
**Sent:** Thursday, February 15, 2018 10:22 AM  
**To:** (b)(6), (b)(7)(C)  
**Subject:** Question

Hey (b)(6), (b)(7)(C),

When you get a free moment, can you please give me a call at (b)(6), (b)(7)(C). I have a question regarding Kalashnikov Concern. Thank you!

V/r  
(b)(6), (b)(7)(C)  
Enforcement Officer  
Office of Foreign Assets Control  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220  
(b)(6), (b)(7)(C)  
(b)(6), (b)(7)(C)



Bates Nos. 2018-08-116:  
008949 – 008950  
Pending Consultation with DHS



## FYSA - Sanctions in press coverage of NotPetya

From: (b)(6)  
To: (b)(6) "Swindells, Felicia"  
(b)(6) "Gatianis, Gregory"  
(b)(6) "Hannhauser, Sara"  
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(b)(6)  
Date: Fri, 16 Feb 2018 15:23:25 -0500  
Attachments: NotPetya Attribution - Public Affairs Guidance.pdf (68.5 kB)

FYSA – Please see highlighted text in 7<sup>th</sup> paragraph indicating possibility of sanctions in relation to NotPetya. This sentence (not sourced in the article below) differs slightly from the sanctions-related language in the attached press guidance that NSC circulated for use by the interagency. (The initial draft of this press guidance was circulated by NSC with very little time for edits, so the fairly general sanctions language in there reflects what I / (b)(6) / (b)(6) / (b)(6) were able to put in on short notice.)

The New York Times

### [U.S. Condemns Russia for Cyberattack, Showing Split in Stance on Putin](#)

By MARK LANDLER and SCOTT SHANE FEB. 15, 2018

WASHINGTON — The United States on Thursday joined Britain in formally blaming Russia for a huge cyberattack last June that was aimed at Ukraine but crippled computers worldwide, a highly public naming-and-shaming exercise that could further fray relations with Moscow.

The White House threatened unspecified “international consequences” for the attack, which it said “was part of the Kremlin’s ongoing effort to destabilize Ukraine and demonstrates ever more clearly Russia’s involvement in the ongoing conflict.”

The statement, issued by the press secretary, Sarah Huckabee Sanders, said the attack, known by the name NotPetya, was “reckless and indiscriminate” and spread rapidly, “causing billions of dollars in damage across Europe, Asia and the Americas.”

NotPetya, which had the characteristics of a ransomware attack, had been widely identified by cybersecurity experts as coming from Russia, so the attribution was no surprise. But the decision of the United States and Britain to nearly simultaneously condemn the Russian military is noteworthy.

It underscores the dichotomy between the administration’s consistently tough stance toward Russia on issues involving Ukraine and President Trump’s continued reluctance to criticize President Vladimir V. Putin over anything else.

In December, the White House approved the sale of lethal defensive weapons to the Ukrainian military for its battle against Russian-backed forces in eastern Ukraine. Yet Mr. Trump continues to soft-pedal allegations that Russia interfered in the 2016 presidential election, even after the nation’s intelligence agencies concluded that it did — an assessment that intelligence chiefs reiterated in Senate testimony this week.

Administration officials declined to say what steps the United States would take against Russia. But they could include both sanctions against Russian officials involved in the attack and covert measures — any of which would be likely to fray an already fragile relationship.

The administration’s public statement echoed one in mid-December when it publicly blamed North Korea for a damaging ransomware attack known as Wannacry. In that case, however, the United States did not follow up with stiff penalties, in part because North Korea was already under heavy sanctions for its nuclear and ballistic missile programs.

“President Trump has used just about every lever you can use, short of starving the people of North Korea, to change their behavior,” the homeland security adviser, Thomas P. Bossert, said at the time. “So we don’t have a lot of room left here to apply pressure.”

Punishing other nations for cyberattacks has proven exceedingly difficult, particularly when the players are as sophisticated as North Korea and Russia. The Russian government flatly denied the allegations that it carried out the attack.

“We think they have no basis and no foundation, and this is nothing else but the continuation of the Russo-phobic

campaign,” the Kremlin’s spokesman, Dmitry Peskov, told reporters.

The administration had planned to issue the statement a day earlier to coincide with that of the British, according to a senior official, but delayed it after the deadly school shooting in Parkland, Fla.

The White House statement made no mention of an embarrassing related fact: The NotPetya attacks took advantage of vulnerabilities identified by the National Security Agency and then made public by a group calling itself the Shadow Brokers.

The Shadow Brokers, which some officials believe to be a front for Russian intelligence, obtained many of the N.S.A.’s most valuable hacking tools, either by breaking into the agency’s computer networks or with the help of an insider. The group has posted much of the stolen malware on the web; North Korea’s hackers probably used the tools in their attack.

In a ransomware attack, the victim’s files are encrypted, locking them out of their own computer systems, until they pay a ransom. Cybersecurity researchers estimate that criminals made more than \$1 billion through these attacks last year, with victims ranging from the chief executives of major companies to small businesses and private individuals.

While the motive for many ransomware attacks is financial, Russia’s involvement suggests it was part of a broader strategy to destabilize Ukraine that dates back to Russia’s annexation of Crimea in 2014.

The NotPetya attack originated in Ukraine, according to security researchers, apparently timed to strike a day before a holiday marking the 1996 adoption of Ukraine’s first constitution. It eventually spread to 64 countries, including Poland, Germany, Italy, and Russia itself.

The administration’s action came as intelligence agencies warned that Russia was already meddling in the American midterm elections, using bots and other fake accounts on social media to spread disinformation.

“We expect Russia to continue using propaganda, social media, false-flag personas, sympathetic spokespeople and other means of influence to try to exacerbate social and political fissures in the United States,” Dan Coats, the director of national intelligence, told the Senate Intelligence Committee at its annual hearing on worldwide threats.

“There should be no doubt that Russia perceives its past efforts as successful and views the 2018 U.S. midterm elections as a potential target for Russian influence operations,” Mr. Coats added.

Nicole Perlroth and David E. Sanger contributed reporting

A version of this article appears in print on February 16, 2018, on Page A22 of the New York edition with the headline: U.S. Condemns Russia for Computer Attack, Showing Split in Stance Toward Putin. Order Reprints| Today's Paper|Subscribe

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**From:** (b)(6)  
**Sent:** Friday, February 16, 2018 11:48 AM  
**To:** \_DL\_FYI <\_DL\_FYI@do.treas.gov>  
**Subject:** AM News Roundup February 16, 2018

### AM News Roundup February 16, 2018

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## Treasury

- Bloomberg: [China Holdings of U.S. Debt Rose in 2017 by Most in Seven Years](#)
- The Wall Street Journal: [Latvian Bank Pushes Back Against U.S. Allegations](#)
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- Mortgage Professional America: [Tax reform drives Fannie Mae net income decline in Q4](#)
- Reuters: [Tractor maker Deere reports 23 percent jump in first-quarter revs](#)
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## Secretary Steven Mnuchin

American Banker

February 16, 2018 Friday

### Digital banking needs to be front and center in CRA reform

BYLINE: Steven I. Zeisel

SECTION: Vol. 183 No. 33

LENGTH: 661 words

In 1995, when the 40-year-old Community Reinvestment Act was last substantially revised, 14% of Americans had internet access (mostly of the dial-up variety), mobile phones were in their infancy and social media platforms, such as Facebook, were beyond most Americans' wildest imaginations.

It is hard to recall that world today, especially as consumers have become so digitally savvy. Times have changed - and banking has changed with it. Regulators must now bring CRA into this century as well.

Fortunately, key banking regulators are turning their attention to the law and are looking to modernize it. Recently, Treasury Secretary Steven Mnuchin said he wants to make sure CRA doesn't turn into a "check the box" program used by banks simply to satisfy regulators. And Comptroller of the Currency Joseph Otting has echoed the need for reform. They are exactly right, and their commitment to the issue is music to the ears of those who advocate for a more effective approach to CRA. Going forward, we need to ensure CRA is interpreted and implemented in a manner which caters to the needs of 21st century consumers.

Without question, the CRA serves a vital role in ensuring low- and moderate income borrowers have access to safe and sound bank loans. However, it is time for the CRA to be reexamined to ensure it remains workable and relevant for underserved communities and the next generation of borrowers.

To accomplish this, regulators' application of CRA must evolve by giving greater recognition digital banking efforts during CRA performance evaluations. As it stands, regulators focus predominately on physical locations and branch networks - downplaying banks' valuable contributions in the digital banking sphere.

Yet mobile and online banking options are becoming increasingly popular among consumers of all socioeconomic backgrounds. As the Federal Deposit Insurance Corp. has noted, mobile banking is well positioned to help an estimated 67 million unbanked and underbanked people gain access to needed financial services products.

The fact is digital technology provides consumers with additional capabilities and more choices than traditional branches alone are able to provide. No longer are consumers limited in their ability to bank by hour restrictions or physical limitations, but rather they can bank whenever, wherever and however they so choose.

Many banks have altered their business strategies to create on-demand banking experiences for consumers. Nowadays, most banks offer mobile apps to customers so they can deposit a check, transfer funds or open a bank account from the palm of their hands via a smartphone. As CRA reform takes center stage, it is important regulators take into account banks' modern business strategies and allow for the regulatory flexibility needed to fulfill them. To accomplish this, regulators should give greater recognition to digital approaches in meeting the needs of customers in evaluating a bank's CRA performance.

CRA needs to take a more holistic view of banks' overall ability to serve local communities and consider both digital banking efforts as well as branch networks, accounting for each banks' business strategy. There is more than one way to peel an orange, and there is certainly more than one way to provide services to consumers, small businesses and communities, especially in the digital age.

Now is the time for regulators to make needed improvements to the decades-old law through regulatory, interpretive and supervisory alterations, which account for changes in modern technologies and consumer preferences. It is time for other improvements as well: CRA must not be allowed to bog down in technical minutiae and interpretive confusion. Clarity is needed across the board, and individual banks need to have the flexibility to meet consumers' needs.

If CRA drifts away from the realities of modern banking, it will lose its meaning and, more importantly, its benefit to the communities that banks serve.

URL: <http://www.americanbanker.com/opinion/digital-banking-needs-to-be-front-and-center-in-cra-reform>  
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American Banker

February 16, 2018 Friday

## **GSE reform isn't dead, but it isn't going anywhere either**

BYLINE: Ian McKendry

SECTION: Vol. 183 No. 33

LENGTH: 1255 words

WASHINGTON - Despite a legislative push by some senators and other stakeholders to jump-start housing finance reform, efforts to form consensus over a bill once again are stuck in neutral.

A draft of a housing finance reform bill being crafted by Sens. Bob Corker, R-Tenn., and Mark Warner, D-Va., was leaked late last month, but neither lawmaker has put their formal stamp on the legislation and it's not clear when an official bill will be brought forward.

Groups on both the left and right have been unwilling to support the draft plan, and even though the focus may be shifting quickly to what the Trump administration can do without a bill to reform Fannie Mae and Freddie Mac, clarity on what an administration plan might look like has also been lacking.

In a recent interview, Corker acknowledged the difficulty of getting momentum behind a bill.

"It is a good-government kind of issue, not one that has a lot of huge political push," he said. "It is moving slowly, but we had a good meeting with the administration" last week.

The legislative window for reforming the government-sponsored enterprises this year is closing, with many observers viewing the run-up to the midterm elections as a deadline.

"You would have to get there before" the midterms, Corker said.

If no legislative progress emerges by then, the Federal Housing Finance Agency and the Treasury Department could proceed on reforms without legislative input. One idea is to put the GSEs through a receivership, which is somewhat similar to how the Federal Deposit Insurance Corp. resolves failed banks.

But when Corker pointedly asked Treasury Secretary Steven Mnuchin during a recent hearing what the administration could do if Congress isn't able to pass legislation, Mnuchin declined to elaborate, although he acknowledged there have been discussions on steps forward.

Corker, who late last year announced he would not run for re-election but is reportedly now reconsidering retirement, insisted the message he hears from the administration is preference for legislative reform for the GSEs.

"It is interesting to understand what they could do in fact without any kind of legislation, but they would prefer a legislative solution and they are engaging with the Senate Banking Committee now to try to move to a place where we can get bipartisan support," Corker said.

GSE reform "is a complex topic," he added, but Banking Committee Chairman Mike Crapo "is hoping to deal with it this spring."

However, when asked, Crapo said that even though a GSE bill is "a priority," he declined to give any timetable. "I am not going to make any projections on when we have a draft bill," he said.

But getting a bill out of the Senate may only be half the battle. In past GSE debates, key GOP House lawmakers, such as Financial Services Committee Chairman Jeb Hensarling, favored a more conservative approach without a government backstop. But Hensarling, who like Corker announced he is not running for re-election, has expressed more willingness to deal of late.

Corker sounded optimistic about the prospect of negotiations with the House.

"I know the House is very open to dealing with it also, and the question would be can we get to a place in time this year that we can pass legislation," he said.

Proponents of the draft bill, including the mortgage industry, that has formed the basis for Senate discussions are hoping they can garner support from progressives to overcome opposition from any Republicans who might reject any plan that retains a government backstop.

The draft bill would put Fannie and Freddie through receivership but then recharter them along with new guarantors. The new companies - along with the recreated Fannie and Freddie - would issue mortgage-backed securities with an explicit government guarantee. The plan also looks to create a "market access fee" charged on new mortgages that would provide funding for affordable housing and reduce mortgage costs for low-income borrowers.

However, some consumer groups still have been unwilling to support the Senate plan. They fear that low- and moderate-income borrowers would lose from the removal of certain affordable housing requirements that are embedded within Fannie and Freddie's charter.

"We are disappointed that Senators Corker and Warner are threatening to move to a new untested system removing the safeguards that ensure a more inclusive mortgage market and broad liquidity in rural communities and communities of color, and that ensure small bank lenders can compete on equal footing with larger banks," several groups, including the Center for Responsible Lending, said in a joint statement earlier this month.

But a paper released this week by the Urban Institute and written by supporters of the legislative housing finance reform efforts argued that the Senate plan would actually go further to help low- and moderate-income borrowers. The paper said the plan could lower mortgage interest rates by an average of 29 basis points.

"Bottom line is that the proposed system provides considerably more and better-targeted support to assist" low- and moderate-income households, the paper said.

But some conservative groups say the draft bill goes too far in retaining government support for the housing market. They already appear to favor administrative reforms, where a new Trump administration-appointed Federal Housing Finance Agency director, to succeed current Director Mel Watt, would have broad powers to unwind Fannie and Freddie.

"We think there is a bigger problem" than getting more Democrats to support the bill and "that is the history of affordable housing mandates is a bad one," said Edward Pinto, co-director of the American Enterprise Institute's center on housing market and finance. "The Corker draft is just more of the same."



"This bill is already laden with distortionary financing and directions that would allow a regulator " run with it and before you know it, you will have another house price boom, which he have done today," Pinto said.

But Brian Gardner, an analyst at KBW, said the administration will likely keep waiting to see if Congress can pass reforms before proceeding with its own vision.

"The administration will give Congress the year to try and pass legislation and if that fails then I think the administration may move on something," Gardner said.

Watt, the current director of the FHFA, was appointed by the Obama administration. A Trump administration plan to reform the housing finance system independent of Congress could begin to greater shape once his term ends, in January 2019, and the White House nominates its own director.

The White House budget released earlier this week is used as a messaging document and signaled that the administration would take a more conservative approach, including getting rid of the Housing Trust Fund and the Capital Magnet Fund, two programs funded in part by Fannie and Freddie that consumer groups hope to protect.

The budget also called for doubling Fannie and Freddie's guarantee fee surcharge to 20 basis points, which could shrink the GSEs' footprint, a long-standing goal for many Republicans.

Jim Parrott, a consultant at Falling Creek Advisors and a former Obama adviser who co-wrote the Urban Institute paper advocating for the Senate reform plan, said the full plate of other issues in Congress not tied to GSE reform also poses an obstacle to moving a housing a finance bill.

"The window for getting anything done in this Congress is closing and already pretty full with big, time-consuming projects," Parrott said.

URL: <http://www.americanbanker.com/news/gse-reform-isnt-dead-but-it-isnt-going-anywhere-either>  
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Associated Press International

February 16, 2018 Friday 11:07 AM GMT

### **Lots of talk, little action in Congress after shootings**

BYLINE: By MATTHEW DALY, Associated Press

SECTION: WASHINGTON DATELINE

LENGTH: 969 words

DATELINE: WASHINGTON

WASHINGTON (AP) - For a brief moment after the Las Vegas massacre last fall, Republicans and Democrats in Congress talked about taking a rare step to tighten the nation's gun laws. Four months later, the only gun legislation that has moved in the House or Senate instead eases restrictions for gun owners.

The October deaths of 58 people in Las Vegas and other mass shootings have sparked debate but have had scant impact on the march toward looser gun laws under the Republican-controlled Congress. There's little sign that the shooting deaths of 17 people at a Florida high school Wednesday will change that dynamic.

The conversation at the Capitol Thursday followed a familiar pattern. Many Democrats revived calls for tighter gun laws, while Republicans focused on the mental health of the accused shooter.

"As a parent, it scares me to death that this body doesn't take seriously the safety of my children, and it seems like a lot of parents in South Florida are going to be asking that same question," said Sen. Chris Murphy, D-Conn., a leading advocate of tighter gun control.

In the wake of the Las Vegas shooting, Murphy and other lawmakers from both parties pushed to ban bump stocks, the device that allowed the shooter's semi-automatic rifles to mimic the rapid fire of machine guns.

Those efforts soon fizzled amid opposition from Republican leaders. Instead, the GOP-controlled House approved a bill in December making it easier for gun owners to legally carry concealed weapons across state lines.

The concealed carry measure, a top priority of the National Rifle Association, would allow gun owners with a state-issued concealed-carry permit to carry a handgun in any state that allows concealed weapons.

The bill includes a provision to strengthen the FBI database of prohibited gun buyers - a response to another shooting in which a gunman slaughtered more than two dozen people at a Texas church in November.

House Speaker Paul Ryan said Thursday that Congress should focus on whether existing laws - including those designed to prevent mentally ill people from getting guns - are working.

"We need to think less about taking sides and fighting each other politically" and should instead pull together, Ryan said in comments that have become familiar. The Florida massacre was the 18th school shooting so far this year.

President Donald Trump, in a solemn address to the nation, promised to "tackle the difficult issue of mental health," but avoided any mention of guns.

The 19-year-old suspect, Nikolas Cruz, is a troubled teenager who posted disturbing material on social media. He had been expelled from Marjory Stoneman Douglas High School in Parkland, Florida, for "disciplinary reasons," Broward County, Florida, Sheriff Scott Israel said.

The latest deadly shooting prompted Florida Sen. Bill Nelson to declare, "enough is enough."

Addressing those who say it's too soon to talk about gun violence, Nelson asked, "When is the right time? How many more times do we want to do this? How many more folks have to die?"

Nelson and other Democrats said Congress must do more than talk about mental illness. "Let's get to the root cause . let's get these assault weapons off our streets," he said.

The accused Florida shooter was armed with his own AR-15 rifle, the same type of weapons used in Las Vegas and Texas last fall, as well as in earlier shootings at a nightclub in Orlando, Florida and a school in Newtown, Connecticut.

In a rare comment that appeared unscripted, Treasury Secretary Steven Mnuchin said he would speak to Trump and fellow Cabinet members about gun violence.

Testifying on the president's budget, Mnuchin called the school shooting a tragedy and said, "I urge Congress to look at this issue."

Mnuchin's remark seemed at odds with the White House, which has not sought legislation or additional money to curb gun violence.

Other Republicans stuck largely to a now-familiar script.

Senate Majority Leader Mitch McConnell, R-Ky., called for a moment of silence, adding: "To say that such brutal, pointless violence is unconscionable is an understatement."

Democrats, meanwhile, urged expanded background checks and renewed their call for a special committee to examine gun violence.

Rep. Mike Thompson, D-Calif., said the nation is in the midst of a crisis. "You can't turn around without there being a mass shooting," he said.

Thompson's criticized Republicans for failing to respond to the spate of mass shootings. "If I was a Republican member I'd be embarrassed that my leadership wouldn't address this issue," he said.

Ryan said legislation expanding concealed carry is a good "self-defense" measure, and he blamed the Senate for not acting to address loopholes in the instant background check system.

The House bill would penalize federal agencies that don't properly report required records and reward states that comply by providing them with federal grant preferences. The measure, which is pending in the Senate, was drafted after the Air Force acknowledged that it failed to report the Texas gunman's domestic violence conviction to the National Criminal Information Center database.

Asked whether authorities should be able to confiscate guns from mentally ill people, Ryan said, "This is not the time to jump to some conclusion not knowing the full facts."

Sen. Marco Rubio, R-Fla., said it was legitimate for Congress to debate how to respond to the shooting, but said lawmakers must acknowledge their power is limited.

"If someone has decided, 'I'm going to commit this crime,' they will find a way to get the gun to do it," Rubio said Thursday on the Senate floor.

"I think it's also wrong to say that there is nothing we can do," Rubio added. "This is hard, but we need to do it."

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Associated Press writers Kevin Freking, Andrew Taylor and Martin Crutsinger contributed to this report.

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The Independent - Daily Edition

February 16, 2018 Friday  
First Edition

## **Trump focuses on mental health and not gun control**

BYLINE: ALEXANDRA WILTS IN WASHINGTON DC

SECTION: NEWS; Pg. 5

LENGTH: 934 words

In response to the school shooting in Florida President Donald Trump said "it is not enough to simply take actions that make us feel like we are making a difference" - and he did not mention the issue of gun control.

Instead, he promised to prioritise school safety and "tackle the difficult issue of mental health". He did not say the word "gun" or discuss AR-15s, which have repeatedly been used in mass shootings. It was Mr Trump's fourth address to the nation after a mass shooting. The President also said in his White House address that his administration was working with local authorities to investigate the attack.

"Later this month, I will be meeting with the nation's governors and attorney generals, where making our schools and our children safer will be our top priority," he said. "We must also work together to create a culture in our country that embraces the dignity of life, that creates deep and meaningful human connections, and that turns classmates and colleagues into friends and neighbours."

At least 17 students at Marjory Stoneman Douglas High School, about 45 miles north of Miami, were killed after a gunman opened fire on them with an automatic rifle. It was one of the deadliest school shootings on record in the US. Officials said another 14 were seriously injured. The suspect has been identified as 19-year-old former student Nikolas Cruz, who was arrested after a brief manhunt. Mr Cruz had been expelled for "disciplinary reasons", while teachers said they had previously been warned that he could pose a danger to the campus.

Earlier in the day, the President also brought up the issue of mental health in a tweet. "So many signs that the Florida shooter was mentally disturbed, even expelled from school for bad and erratic behavior," Mr Trump wrote. "Neighbours and classmates knew he was a big problem. Must always report such instances to authorities, again and again!"

The incident has again demonstrated the divide on gun policy between the US's two main political parties, with Republicans mostly only offering condolences to victims' families while Democrats called for action. "This happens nowhere else other than the United States of America - this epidemic of mass slaughter, this scourge of school shooting after school shooting," said Senator Chris Murphy, who represents the district where the Sandy Hook Elementary School shooting took place in 2012 when 26 people were killed. He added: "It only happens here not because of coincidence, not because of bad luck, but as a consequence of our inaction. We are responsible."

Treasury Secretary Steven Mnuchin appeared to be the one Trump administration official urging Congress to consider possible solutions to gun violence in the wake of the Florida shooting. "I will say personally, I think the gun violence - it's a tragedy what we've seen yesterday, and I'd urge Congress to look at these issues," Mr Mnuchin said yesterday at an unrelated hearing in the House of Representatives on the White House's budget request for Fiscal Year 2019. The Treasury Department later told Politico that Mr Mnuchin was not stating his opinion on whether Congress should consider passing new gun control laws. He was responding specifically to a question from Democratic Representative John Lewis about the availability of funds in the budget to address the issue of gun violence, the department said.

Gun violence has become a regular occurrence at US schools and universities. There has been an average of one school shooting per week since 2014, according to Everytown for Gun Safety, a research and advocacy group that lobbies the government for stricter gun control laws. The group also said there have been 18 school shootings in the first 45 days of 2018. In January, a 15-year-old gunman killed two students at a Benton, Kentucky, high school.



As they have in the past, Democratic lawmakers responded to the Florida school shooting with calls for expanded background checks. They also want to create a committee to examine gun violence. Attempts to pass stricter gun laws have gone nowhere in recent years. "We hope that we will have more than a moment of silence," said House Minority Leader Nancy Pelosi.

Shortly afterwards, House Speaker Paul Ryan gave the same response to the shooting that the top House Democrat had predicted. "In a few moments when this vote closes we are going to go upstairs and hold a moment of silence for the victims of this shooting," the Wisconsin Republican said at his weekly press conference.

Like Mr Trump, Mr Ryan also brought up the issue of mental health, saying it is often associated with mass shootings and also appears to be related to Wednesday's attack. "We passed legislation on mental health," he said. "We passed legislation cleaning up the instant background check system," he added, placing blame on the Senate for not acting to address loopholes. When asked if he would be willing to establish a select committee on gun violence, Mr Ryan said: "I think Congress should do its job. We passed mental health legislation two years ago." The top Republican said that the law is just being implemented, but added: "The question is, are those laws where they need to be, is it being implemented correctly?"

Former President Barack Obama even made a rare foray into the political fray. "We are grieving with Parkland. But we are not powerless. Caring for our kids is our first job," he tweeted. "And until we can honestly say that we're doing enough to keep them safe from harm, including long overdue, commonsense gun safety laws that most Americans want, then we have to change."

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Japan Economic Newswire

February 16, 2018 Friday 3:05 AM GMT

### **U.S. studying possible return to TPP through renegotiation: Mnuchin**

LENGTH: 282 words

DATELINE: WASHINGTON, Feb. 15

President Donald Trump's administration is actively discussing the possibility of rejoining the Trans-Pacific Partnership free trade deal on condition that the United States renegotiate it with better terms, Treasury Secretary Steven Mnuchin said Thursday.

Citing Trump's suggestion last month in Davos, Switzerland, that he would consider rejoining the TPP if the United States is able to strike a "substantially better deal," Mnuchin said, "The president's priority is bilateral, but I think he is open-minded."

"In Davos, he commented that if we could renegotiate the TPP, he would consider going into multilateral," Mnuchin said in a congressional hearing. "And we are in active discussions."

"I assure you we are in active discussions on enhancing our ability for exports and creating more fair trade for American companies," he told the House Ways and Means Committee.

However, Japan and the 10 other remaining TPP signatories are reluctant to renegotiate the deal they sealed with the administration of Trump's predecessor Barack Obama.

The 11 members have agreed to promote a revised version of the TPP without the United States -- or a so-called TPP 11 -- and they are planning to sign the new pact on March 8 in Chile with an eye on bringing it into force next year.

Mnuchin said he is actively involved in trade negotiations, including a possible return to the TPP, and that he is meeting weekly with U.S. Trade Representative Robert Lighthizer and other members of the Trump administration's economic team.

Soon after taking office in January last year, Trump withdrew the United States from the TPP, then a 12-nation free trade agreement, that he blasted as costing American jobs.

==Kyodo

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The New York Times

February 16, 2018 Friday

## In Pursuit of Peace, Friction With Israel

BYLINE: By MARK LANDLER

SECTION: Section A; Column 0; Foreign Desk; Pg. 10

LENGTH: 1219 words

WASHINGTON -- Even before Prime Minister Benjamin Netanyahu's legal setback this week, a rare fissure had opened up between him and President Trump. The White House rebutted reports that he and the Americans had discussed annexing parts of the West Bank, and Mr. Trump voiced fresh concerns about Israel's openness to a peace accord.

White House officials insisted on Wednesday that the recommendation of bribery and fraud charges against Mr. Netanyahu would have "no impact on the timing or content" of a peace plan. But Mr. Trump has not rallied publicly to the Israeli leader's defense, and veterans of Middle East diplomacy said his troubles could pose an unpredictable new obstacle to Mr. Trump's peacemaking efforts.

For a president who has embraced Mr. Netanyahu at every turn, the pushback on Israel was striking. Coming two months after Mr. Trump alienated the Palestinians by recognizing Jerusalem as the capital of Israel, it suggests that the administration is recalibrating its approach to the two sides as it wrestles with when, and how, to present a peace proposal.

Secretary of State Rex W. Tillerson said on Wednesday in Amman, Jordan, that the plan was "fairly well advanced" and added, "It'll be up to the president to decide when he feels it's time and he's ready to put that plan forward."

The lack of visible progress, and the cone of silence, surrounding the peace initiative have raised questions about how much of a plan the White House really has. Several officials, however, said that the proposal being devised by two of Mr. Trump's aides, Jared Kushner and Jason D. Greenblatt, was detailed and substantive, and that Mr. Trump's willingness to risk friction with Mr. Netanyahu over it showed that he was more, not less, committed.

Certainly, Mr. Trump is not missing chances to press his case. Aides recount, for example, that last month, when he reached Treasury Secretary Steven Mnuchin on his cellphone in Davos, Switzerland, Mr. Mnuchin relayed that he was in a meeting with King Abdullah II of Jordan. Mr. Trump requested to speak to the king, whom he then asked for help in dealing with the aggrieved president of the Palestinian Authority, Mahmoud Abbas.

There are no signs that Mr. Abbas is softening. The Palestinians broke ties with the administration in December, after Mr. Trump recognized Jerusalem as the capital and announced plans to move the American Embassy from Tel Aviv. They complained bitterly that the United States had forfeited its role as a credible broker between them and the Israelis.

Their fury only deepened when Mr. Trump declared last month at a meeting with Mr. Netanyahu that he had taken Jerusalem "off the table." Palestinians have long aspired to have East Jerusalem as the capital of a Palestinian state. Mr. Abbas set off on a tour of world capitals, including Moscow, to see whether he could find another leader for the peace process.

Administration officials said they were confident that the Palestinians would recognize their lack of options and return to the fold eventually. But after swinging so heavily toward Israel, they also seem to realize the need to restore a semblance of balance to the statements made by administration officials.

Mr. Trump's tone first changed on Sunday, when he told a right-wing newspaper, Israel Hayom, that he was concerned about the growth of Jewish settlements on the West Bank. "Settlements," he said, "are something that very much complicates and always have complicated making peace."

Asked what he meant by "taking Jerusalem off the table," the president said, "Jerusalem is the capital of Israel, and as for specific boundaries, I would support what both sides agreed to" -- language drafted by Mr. Greenblatt to keep open at least the veneer of a negotiated settlement.

While Mr. Trump criticized the Palestinians for "not looking to make peace," he added, "I am not necessarily sure that Israel is looking to make peace."

Mr. Trump has issued statements like those before, but officials noted that in this case, he was making them to a Hebrew-language paper read by the Israeli right. Among the paper's key investors is Sheldon G. Adelson, the Las Vegas casino magnate who is one of Mr. Trump's biggest donors and a driving force behind the Jerusalem decision.

"They have some messages that need to be delivered to the Israeli side," said Daniel B. Shapiro, who served as Barack

Obama's ambassador to Israel. "It may presage that the president means what he says: that he would expect Israel to put some chips on the table."

On Monday, after reports in the Israeli news media that Mr. Netanyahu had told members of his Likud Party that he had discussed with the United States a plan for Israel to annex territory in the West Bank, the White House gave an unusually blunt denial.

"The United States and Israel have never discussed such a proposal," said a White House spokesman, Josh Raffel, "and the president's focus remains squarely on his Israeli-Palestinian peace initiative."

Analysts said Mr. Netanyahu's reference to talks with the United States reflected his legal troubles. He was trying to head off legislation annexing West Bank territory. But he was also trying to shore up support among hard-line members of his party in advance of the recommendation that he be charged with bribery, fraud and breach of trust.

How those legal travails will affect Mr. Netanyahu's approach to a peace deal is hard to predict, analysts said, though some said they expected him to emphasize security issues over peacemaking for the next few months -- a strategy that could lead to further friction with Mr. Trump.

"The rebuke of Bibi is quite unprecedented in the annals of the Trump-Bibi relationship," said Martin S. Indyk, who was Bill Clinton's ambassador to Israel, using Mr. Netanyahu's nickname. "This is about their desire to preserve their credibility for the peace process, having damaged it so much with the Jerusalem announcement."

The White House noted that Mr. Trump plans to meet with Mr. Netanyahu next month when the prime minister takes part in the annual meeting of the American Israel Public Affairs Committee, the nation's most powerful pro-Israel lobbying group. The meeting was long planned, said Mr. Raffel, who noted that the two men have a "tremendous relationship."

Analysts said the White House would need more than a few sharp-edged statements toward Israel to persuade the Palestinians that the process was not stacked against them. In private, administration officials are scathing about Mr. Abbas and the Palestinian leadership.

The Palestinian Authority faces other potential blows in Washington, like a congressional cutoff of American economic aid because of its funding of terrorism and the closing of the Palestine Liberation Organization's office in the capital.

The United States is working with Saudi Arabia and other Arab countries to line up hundreds of millions of dollars in financial support for the Palestinians. But even that might not prove sufficient to persuade them to sign Mr. Trump's deal.

"They've so dug themselves in on Jerusalem," said Aaron David Miller, a former Middle East negotiator. "They're going to have to figure out how to give the Palestinians more than 20 cents on the dollar."

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The Washington Times

16 February 2018

### **Alex Azar, Trump health secretary, open to government gun violence study**

BYLINE: Tom Howell Jr. and Sally Persons

SECTION: POLITICS

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The Trump administration's health secretary said he is open to having the government study the roots of gun violence in the wake of the latest mass shooting at a high school, breaking with a long-held interpretation of federal law.

Secretary Alex Azar's announcement Thursday appeared to stake out bipartisan ground in a debate that has grown frustratingly divided and calcified with each killing spree.

For more than two decades, the Centers for Disease Control and Prevention has said federal law prohibits it from researching gun violence in any way that might be used to justify gun control measures.

Mr. Azar, though, said the law which is renewed each year as part of a spending bill "does not in any way impede our ability to conduct our research mission. It's simply about advocacy."



"We're in the science business and the evidence-generating business, and so I will have our agency certainly be working in this field as they do across the whole broad spectrum of disease control and prevention," he told the House Energy and Commerce Committee.

A day before his testimony, a gunman killed 17 students and adults and left 14 others wounded at a Florida high school.

Police arrested Nikolas Cruz, who had been expelled from the school.

A fuller portrait emerged Thursday of Mr. Cruz, a loner who worked at a dollar store, joined the school's ROTC program and posted photos of weapons on Instagram. At least one student said classmates joked that Mr. Cruz would "be the one to shoot up the school."

Mr. Cruz, a 19-year-old orphan whose mother died last year, was charged Thursday with murder in the attack at Marjory Stoneman Douglas High School in the sleepy community on the edge of the Everglades. It was the nation's deadliest school attack since a gunman left a bloody scene at an elementary school in Newtown, Connecticut, more than five years ago.

"We're going to have a real conversation about two things: How do we make sure when a parent is ready to send their child to school that in Florida that parent knows that child is going to be safe. No. 2, how do we make sure these individuals with mental illness do not touch a gun?" Florida Gov. Rick Scott, a Republican, said at a press conference.

Attorney General Jeff Sessions announced a cross-government effort to take on the issue, saying mass shootings like the one in Parkland, Florida, must end.

"Today we met with, this morning, our office of legal policy to work with our partners at Health and Human Services, the Department of Education and across this administration to study the intersection of mental health with criminality and violence, and to identify how we can stop people before these heinous crimes occur," Mr. Sessions said at the Major County Sheriffs of America conference in Washington.

Democrats, though, said that ignores the availability of firearms, which they said are the common thread in the mass shootings.

House Minority Leader Nancy Pelosi, California Democrat, said the debate could find its way into the spending bills that Congress must pass by March 23, or lawmakers could form a select committee to work on a separate gun control bill.

"I would rather pass gun safety legislation than win the election," Mrs. Pelosi said.

Rep. John Lewis, Georgia Democrat, asked Treasury Secretary Steven T. Mnuchin if there was money in the upcoming budget to deal with the "proliferation of gun violence."

"I will say personally I think the gun violence it's a tragedy what we've seen yesterday, and I'd urge Congress to look at these issues," Mr. Mnuchin said at a Ways and Means Committee hearing on the president's 2019 budget request.

Republicans were peppered with questions from reporters who suggested that they have not been proactive in trying to combat school shootings.

House Speaker Paul D. Ryan, Wisconsin Republican, rejected those accusations and pointed to two bills that the House passed on background checks and mental illness. He said the Senate never took up the bills.

Mr. Ryan said existing laws should be re-examined before Congress creates additional gun restrictions.

"The question is: Are those laws where they need to be? Is it being implemented correctly?" he said at a weekly press event on Capitol Hill.

The Senate has two bipartisan proposals to restrict access to weapons.

One plan from Sen. Joe Manchin III, West Virginia Democrat, and Patrick J. Toomey, Pennsylvania Republican, was drafted in 2013 in the wake of the Sandy Hook shooting and aims to expand background checks. It failed to clear the Senate.

Another proposal from Sen. Susan M. Collins, Maine Republican, and Patrick J. Leahy, Vermont Democrat, tries to restrict illegal purchases and trafficked firearms.

Ms. Collins said background checks and her bill to stem illegally acquired guns, combined with an approach to address mental health issues, need to be part of the solution.

"So those are three very practical steps that we can and should take and that are overdue," she said to reporters.

On the House side, three Democrats pushed the Gun Violence Restraining Order Act that would allow family members or law enforcement to petition for the temporary removal of firearms if they believe someone is in crisis. The bill was first proposed in May.

Democrats resisted calls to add more armed security officers.

"The fact is we can't make our school armed camps. That's not practical, and it's not reflective of our open society," Sen. Bill Nelson, Florida Democrat, said on Fox News.

A new element to the gun debate is social media. Mr. Cruz had a social media presence that warned of his passion for guns and violence.

The FBI acknowledged that they were notified about a comment Mr. Cruz left on a YouTube channel page last year: "I'm going to be a professional school shooter."

FBI agent Robert Lasky, who heads the bureau's Miami division, said authorities were unable to identify the user who left the comment.

But one lawmaker said the issue of monitoring or restricting what people can post online could cross into dangerous territory and jeopardize personal freedoms.

"The First Amendment is pretty darn important. That's why it's the First Amendment, and the Second Amendment as well. It seems like whenever we have one of these tragedies take place there's always folks who want to infringe on fundamental liberties that we as Americans enjoy," Rep. Jim Jordan, Ohio Republican, said on Fox News.

[#x2981] David Sherfinski contributed to this article, which is based in part on wire service reports.  
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## **Big Tech Fights Backlash With White House Lobbying Blitz**

By Ben Brody, Naomi Nix, and Bill Allison  
February 16, 2018 4:00 AM  
Bloomberg

The world's biggest technology providers saw an opening and a threat late last summer as the White House prepared a report that could influence billions of dollars in government spending on computing contracts.

Amazon.com Inc., Oracle Corp., Alphabet Inc.'s Google and Microsoft Corp. all sought to make their voices heard as a key advisory panel named by President Donald Trump drafted recommendations on modernizing federal use of cloud services and other technology.

Their outreach was aimed at the American Technology Council -- headed by a onetime Microsoft finance chief Chris Liddell -- and took the form of letters spelling out how the administration ought to reshape its tech policy.

That effort to influence the Trump advisory panel is one small part of the industry's push to make its presence felt more deeply in Washington before a new, self-proclaimed business-friendly administration. Even as lawmakers and regulators increase scrutiny of the tech sector, the letters show how companies are jousting indirectly with each other for what could be lucrative new work with the government.

It continues a long trend of increased lobbying activity by tech giants. According to a Bloomberg analysis of Senate disclosures dating back to 2000, lobbying of the White House and its key bureaus by U.S. tech companies has increased steadily, with an acceleration in the past six years.

Read more about the industry's political activities in The Influence Game series.

In 2000, only Microsoft, Apple Inc., and Oracle disclosed lobbying then-President Bill Clinton's White House, including offices potentially representing his closest advisers. Disclosures filed with the government show that, in 2017, lobbyists working for Airbnb Inc., Amazon, Apple, Facebook Inc., Google, Microsoft, Oracle, Twitter Inc. and Uber Technologies Inc. sought to influence parts of the Executive Office of the President -- which includes Trump's inner circle and key bureaus such as the ATC, the Office of Management and Budget, the Office of Science and Technology Policy and the Council of Economic Advisers.

"The biggest tech companies have shifted gears and put a lot resources into lobbying and into the executive branch in particular," said Craig Holman, a government affairs lobbyist for nonprofit Public Citizen. Oracle declined to comment,

while other tech companies didn't respond to requests.

The companies are pressing the White House on a range of topics. Google, Amazon, Facebook and Apple all lobbied on immigration in 2017, for instance, with Google specifying that it worked on issues related to Trump's proposed travel bans. Apple disclosed lobbying the White House on tax as the administration and Congress crafted a new law that changed taxes on offshore cash held by U.S. companies. Apple has since decided to repatriate hundreds of billions of dollars and pay about \$38 billion in tax on the money.

Trump too is working to foster relationships with technology companies. In March, he created the White House Office of American Innovation, run by his son-in-law Jared Kushner. The initiative aims to collect ideas from business leaders in different industries to help the White House modernize the government's technology, develop a "workforce of the future" program and address the opioid epidemic.

In the simmering battle over the government's IT procurement strategy, tech companies presented divergent perspectives.

Ken Glueck, an Oracle policy executive, warned ATC's Liddell in a letter that the administration's efforts to modernize the government's IT systems "are not only likely to fail, but also put the taxpayer at substantial security risk." A copy of the letter was posted online by the General Services Administration, which oversees procurement.

Oracle signed more than \$400 million in unclassified contracts with the federal government in the last five fiscal years, according to Bloomberg Intelligence analyst James Bach.

Oracle "is trying to preserve its market share," said Lydia Leong, an analyst at Gartner. "Obviously they also see the opportunity to grow."

By contrast, two Amazon executives wrote in a separate letter that the company strongly supports the administration's push to boost innovation, modernize federal IT systems and migrate to commercial cloud infrastructure. Amazon's cloud division has already won a multi-year CIA contract, while an affiliate landed a separate \$950 million cloud contract with the Pentagon earlier this month. Oracle and other tech companies and trade groups have questioned the Amazon cloud security model and said there's insufficient competition in awards like these.

Amazon, which has grown its lobbying operation faster and more widely than competitors in recent years, has been positioning itself carefully in Washington. Lobbying disclosures show that former Trump Florida campaign finance chairman Brian Ballard approached the White House as an outside lobbyist on Amazon's behalf over tax issues and also lobbied Vice President Mike Pence's office on trade and taxes for the online retailer. Former Trump campaign official Robert Wasinger also worked for Amazon on online sales tax matters as an outside lobbyist for the company. Amazon also disclosed lobbying on aviation and copyright issues at the White House.

Oracle has stepped up too. Oracle's Safra Catz was one of the first Silicon Valley CEOs to embrace Trump, and was said to have been considered for a spot in his administration. The company also hired Josh Pitcock, a former chief of staff to Pence, as a government affairs executive, according to Politico. Its corporate political action committee and executives gave a combined \$29,300 to Representative Devin Nunes, who has emerged as one of the president's top defenders in Congress.

The tech giants' White House outreach didn't begin under Trump: Tech workers and executives donated heavily to Barack Obama's campaign and started paying more attention to the White House after he was elected. The Obama administration often partnered with tech leaders on policy initiatives such as educating consumers on computer viruses or resettling refugees fleeing the Syrian civil war. In 2009, Obama tapped former Virginia Secretary of Technology Aneesh Chopra to become the nation's first ever Chief Technology Officer. Silicon Valley fostered the relationship too and some former executives joined his administration.

Now tech companies are treading less-friendly waters in Washington. Companies including Google, Facebook and Twitter are being criticized by lawmakers on both sides of the aisle for a plethora of issues ranging from their dominance of certain markets to allowing their platforms to be exploited by Russian operatives spreading misinformation to influence elections. Some lawmakers have slammed Apple for courting Chinese authorities and for slowing down older iPhones to avoid abrupt shutdowns.

"I call it the bipartisan Silicon Valley squeeze," said Bret Swanson, a visiting fellow at the American Enterprise Institute. "Silicon Valley going back 20 to 15 years, always had a halo around its head. For the first time it is exposed to real political pressures."

These days, with unpredictable tweets and policy decisions coming from the White House, any lobbyist needs to be finding a way to engage, said Frank Baumgartner, a political science professor at The University of North Carolina at Chapel Hill.

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## Trump Wants Sales Tax Applied to Online Purchases, Mnuchin Says

By Toluse Olorunnipa

February 15, 2018 12:36 PM Updated on February 15, 2018 10:29 PM

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Bill pending to allow states to collect tax on internet sales

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Supreme Court 1992 ruling exempted out-of-state retailers

Bloomberg

President Donald Trump “feels strongly” that the U.S. should permit collection of state and local sales taxes on purchases made over the internet, Treasury Secretary Steven Mnuchin said on Thursday.

Mnuchin, speaking at a hearing before the House Ways and Means Committee, said he has spoken with Trump about the issue, and that the president “does feel strongly” that state and local taxes should be applied to the purchases.

The prospect of an collecting sales tax on online purchases has been a long-standing point of contention between internet-based retailers and their brick-and-mortar rivals. Trump has previously gone after internet giant Amazon.com Inc., saying last year that it does “great damage to tax paying retailers.”

Brent Gardner, chief government affairs officer for Americans for Prosperity, a political network led by billionaire industrialists Charles and David Koch, blasted the idea of requiring online retailers to collect state and local sales taxes as tantamount to creating “new taxes on everyday consumer goods such as items purchased over the internet” that would “disproportionately impact those who can least afford it.”

Amazon began collecting sales taxes on purchases in all states that levy them earlier last year, despite an exemption that allows online retailers to avoid collecting them in places where they don’t have a physical presence. But Amazon still avoids charging shoppers sales taxes when they buy from one of its third-party vendors -- sales that make up about half the company’s volume.

Follow the Trump Administration’s Every Move

Untaxed third-party sales might provide an advantage over brick-and-mortar retail chains, which have their own robust online operations but have to collect sales tax on all purchases in states where they have physical presences. Many large chains have stores in almost every state.

At the federal level, several bipartisan bills have been introduced to allow states to mandate collection of the taxes, with the most recent one re-introduced last year and endorsed by Amazon. A previous bill passed the Senate.

Legislation introduced last year by Kristi Noem, a South Dakota Republican, would permit states to collect taxes on most online sales but require them to provide free software to in-state businesses allowing them to figure out the tax rate in the buyer’s home jurisdiction.

Since a 1992 Supreme Court ruling established the precedent for exempting online retailers from sales taxes, various states have enacted “Amazon laws” to tax online sales the same way that brick-and-mortar sales are taxed. The Supreme Court ruling said states couldn’t require out-of-state retailers to collect sales taxes from consumers unless those retailers had a physical presence -- through branches, warehouses or employees -- where the consumers were located.

The court may revisit the issue in a case it is hearing this year in which South Dakota challenges the 1992 ruling.

Largely because of that ruling, which predated the rise of widespread online retailing, states miss out on as much as \$13 billion a year in sales taxes from online and catalog purchases, according to a 2017 study by the federal Government Accountability Office.

— With assistance by Spencer Soper, Matthew Townsend, and Lynnley Browning

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## The stock market correction two weeks later: How it happened, and if it can happen again

- Experts remain at odds over just how a correction that sent the major averages down more than 10 percent happened.
- Most trace the beginning to Feb. 2, when the Labor Department reported a long-awaited jump in average hourly earnings. Inflation fears followed.
- The conversation comes down to fundamental vs. technical, and both sides have a reasonable case as to what triggered the big move down.
- Despite all the rollicking and rumbling, the market has come back nicely even if it faces an uncertain future.

•"Although the technical salt in the market's wounds may be getting washed out, enthusiasm for the 'all clear' sign should be curbed," said Liz Ann Sonders of Charles Schwab.

Jeff Cox | @JeffCoxCNBCcom  
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A monitor displays the day's numbers as traders and financial professionals work on the floor of the New York Stock Exchange (NYSE) at the closing bell, February 2, 2018 in New York City.  
Getty Images

A monitor displays the day's numbers as traders and financial professionals work on the floor of the New York Stock Exchange (NYSE) at the closing bell, February 2, 2018 in New York City.

The recent stock market correction started as a murmur and turned into a roar, then went away almost as soon as it came.

In its wake, though, comes a reckoning for investors: The days of low-volatility markets are over and a new day has come in which bizarre intraday moves and a far less predictable environment will become the norm.

Wall Street experts remain at odds over just how it all happened. Most trace the beginning to Feb. 2, when the Labor Department reported an unexpected yet long-awaited jump in average hourly earnings. Yet there's a case to be made that the underpinnings arose two days earlier when the Federal Reserve indicated a subtly more aggressive stance on interest rate hikes, while at least one analyst believes Treasury Secretary Steven Mnuchin's comments on the dollar a continent away helped stir things up.

Regardless, here's where we are: The market has changed in ways that participants will struggle to understand. In the new paradigm, inflation replaces deflation as a major concern, a Fed closely aligned with the market's interests will now chart its own course, and what's good for Main Street may run counter to what's desired on Wall Street.

Those upset with the kind of rapid-fire moves that happened during the correction must get used to them.

"You need to understand how stock markets trade. It's a fragmented system," said Joe Saluzzi, a principal, at Themis Trading. "These rapid moves are going to keep happening. For some, these moves are an opportunity. For others, it's a panic opportunity."

Those are considerations on the horizon. To grasp them, though, one must first look in the rear-view mirror.

Dissecting the correction

Where should we start? Was it the nonfarm payrolls report that indicated the wage increase, the Fed meeting with the hawkish message, or should we go way back and look at the foundation of the bear market that turned bull in March 2009?

Any would be a valid jumping off point (including the Mnuchin-dollar angle), but the raw effects remain most relevant: In early February, stock prices started falling and government bond yields went up, disconnecting a relationship precious to stocks. While the equity side of the ledger rallied for all these years, fixed income stayed in check as the Fed sought to create a "wealth effect" in which financial riches would cascade through the broader economy.

The linchpin for all of it was that inflation also would hold steady as the Goldilocks economy — not too hot, not too cold — chugged along.

On Friday, Nov. 2, the low-inflation narrative started to crack, and markets reacted strongly.

The Bureau of Labor Statistics reported that along with another nifty 200,000 payrolls gain came a 2.9 percent annualized earnings gain. Markets that already had gotten restless from comments Mnuchin had made at the World Economic Forum that were seen as pro-weak dollar, so the mood for selling was already in place.

Major indexes tumbled that day, with the Dow industrials shedding an ominous 666 points, or 2.5 percent. Bond yields jumped, with the 10-year Treasury note hitting a four-year high.

Things only got worse the following Monday.

On that day, the market would see the first of two 1,000-point-plus drops, and this was about more than inflation. Huge bets that volatility would stay low suddenly went horribly wrong as the CBOE Volatility Index, or VIX "fear gauge," soared to levels not seen since the financial crisis. Those who had used exchange-traded notes to make the low-volatility play got crushed, and one of the biggest securities in the space faced liquidation.

Afternoon trading would see bizarre moves reminiscent of the 2010 "Flash Crash" as the Dow saw successive 100-point declines happen seconds apart.

Turmoil continued through the week as a correction that everyone had been asking for finally arrived, and suddenly no one wanted it. Trading volume soared through the week before the market reached its low point on Feb. 9, with the major averages all in correction mode on 10 percent drops.

But what really happened?

Theories abound

Market watchers remain at odds over what tripped the sell switch. Primarily, the conversation comes down to fundamental vs. technical, and both sides have a reasonable case.

In the days since the correction began — the market's recouped more than half the downside since the low point — a volley of explanations has been bandied around in analyst notes.

"Anytime the stock market falls like it has over the last couple of weeks, investors rush to find the reason for the decline, and usually there are no shortage of opinions as to why the market did whatever it did." Raymond James analyst Andrew Adams said. "This most recent correction has been no exception."

Occam's Razor is a philosophical concept positing that when confronted with a question that has multiple potential answers, use the simplest one. In that vein, Adams offers up a big-picture look:

"In truth, plenty of sellers likely sold for no other reason than others were selling and the market was going down!" he wrote. "The point is that it is often difficult to determine 'the why' when it comes to stock market moves, considering the market is made up of many unique buyers and sellers who have their own motivations, time horizons, and strategies."

Then there's a theory considerably more complicated.

Banking analyst Dick Bove, at the Vertical Group, sees the seeds for the correction as being planted earlier by officials in the Trump administration.

"The market decline began on January 26, 2018. There were two events that precipitated this decline: The first is the comments by Treasury Secretary Mnuchin suggesting that he would let the market set the price of the dollar. The second on January 30, was the State of the Union address," Bove said.

"These two sets of comments frightened many because they suggested to holders of United States debt that the government would let the value of Treasury holdings fall at the same time as the country would be seeking more money to pay for expansionary plans in infrastructure rebuilding and defense."

Whether simple or complex, the issues led up to market upset not seen since the latter days of the financial crisis.

The volatility argument

The Raymond James 30,000-foot view is that the markets saw a "reversion to the mean" that saw an overextended stock market, off to its fastest start ever, in need of a splash of cold water to the face.

"Concerns over inflation and higher interest rates may have helped trigger the initial decline, but that was just one of the factors that contributed to the ultimate fall," Adams said.

That's true enough. There were many players in this game, and the ones most often pointed to are those who made a fortune betting against market volatility, then lost it just as quickly in a few hectic sessions.

Traders in exchange-traded notes, the most notable ones being the ProShares Short VIX Short-Term Futures and the VelocityShares Daily Inverse VIX Short-Term ETN, had billions at stake in the volatility game. Both use leverage to bet on market volatility and are seen as a root cause of the correction.

Oftentimes a market selloff will push the VIX higher, but in this case the opposite looks to have happened.

"This correction was led by the surge in volatility — in other words, the spike in volatility caused equity prices to plunge; not the other way around," said Liz Ann Sonders, chief investment strategist at Charles Schwab.

The demise of the low-volatility trade could be seen as a watershed moment for this bull market, the second-longest in history.



"The low-inflation and low-volatility era is likely in the rear view mirror," Sonders added. "The bull market, although likely still intact, will be met with sharper bouts of volatility and greater frequency of pullbacks/corrections."

#### Inflation rears its head

For investors, that new environment will pose challenges. Prior to February, it had been two years since the last correction and the longest time span ever without a 3 percent or 5 percent move.

While it would be easy to call this simply a technical correction where the market was overbought and had to pull back, there were fundamental drivers.

Most notable among them was the inflation/interest rate factor. Percolating inflation in the form of the wage increase reported two Fridays ago coupled with rising price pressures as reported in the consumer price index Wednesday feed a very fundamental fear that the low rates behind bull market are fading away.

At the center of that storm is the Fed, which has kept rates low since 2008 but is expected to get considerably more aggressive over the next two years. Worries that the central bank would tighten even more than expected also helped create a perfect correction storm.

"The bloom is off the rose for this bull market,," said David Rosenberg, chief economist and strategist at Gluskin Sheff. "The sea-change we are seeing in real-time as it pertains to monetary, fiscal and trade policy is a whole new chapter, and an uncertain one at that."

There's another tangential element that likely contributed to the sell-off. Jerome Powell's first business day as Fed leader happened Feb. 5, and it's almost a rite of passage for the market to test new chairmen.

Powell is expected to be fairly dovish when it comes to rates, but he still represents an unknown for which the market must account.

#### Looking inside the market

In addition to the fears of a new day, the modern market has another nemesis with which to contend: the machines. Programmed trading is becoming an increasingly significant factor, and it likely helped amplify the downturn.

That was particularly the case in the Nov. 5 decline, a 1,175-point manic trip that rekindled "Flash Crash" fears and had market participants wondering just how much damage could occur before the panic selling ended.

Saluzzi, the Themis Trading official, said the action is probably just a preview of what investors can expect as trading gets more and more driven by algorithms and their accompanying programmed trades. Selling has always begat selling, but in the current environment things can get out of hand in seconds.

"That was a structural event. It was right around 3:08 in the afternoon on Monday," Saluzzi said. "It burned a hole through the market."

But while the market may have been burned, it wasn't broken. The sell-off, aggressive as it was, didn't even trip the 7 percent circuit breakers the market has built in to prevent major crashes. (There also are accelerated stopping points at 13 percent and 20 percent.)

#### What's ahead

Does that mean more of these kinds of events are likely in the future? Absolutely.

"Nothing broke technically, but you still had rapid rollercoaster moves, which are unsettling," Saluzzi, of Themis Trading, said. "That's not going to change. Anytime there's stress in the market, you're going to see moves like that."

Getting used to a world where the markets can gain and lose hundreds of points in seconds won't be easy for investors.

But there's reason for hope: Despite all the rollicking and rumbling, the market has come back nicely even if it faces an uncertain future. In the current climate, most strategists are advising a tactical approach that doesn't include freaking out at gyrations.

"One important driver of the market sell-off was that investor sentiment had become too complacent these past two years and bullish sentiment prevailed as the major equity market indexes trudged higher to record price gains, along with the absence of volatility," said John Lynch, chief investment strategist at LPL Financial.

Indeed, sentiment indicators showed strong levels of bullishness, and exchange-traded funds saw their biggest single month of investor cash in January. Now that some of that froth has been burned off, investors can assess the damage.

For its part, Schwab was advising customers earlier this week to wait for two straight up days, strength into the close and a VIX below 20. Each condition has been met, and the market has had a strong week after its bout with the correction flu.

Overall, though, it's probably still a time to be cautious.

"The net is that we have moved into a more mature phase of the cycle — both in terms of the economy and markets," Sonders said. "So although the technical salt in the market's wounds may be getting washed out, enthusiasm for the 'all clear' sign should be curbed."

Jeff Cox

Finance Editor

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The Daily Mail

### **Steven Mnuchin calls on Congress to 'look at these issues' of gun violence - but then his office walks it back**

- Treasury Secretary Steven Mnuchin briefly looked like a gun control supporter after comments he made in front of lawmakers Thursday
- 'It's a tragedy what we've seen yesterday, and I urge Congress to look at these issues,' Mnuchin said before the House Ways and Means Committee
- He was speaking to Rep. John Lewis, a Georgia Democrat, about whether there was money in the White House's proposed budget to address gun violence
- Later the spokesman for the Treasury Department said Mnuchin was merely 'addressing Congressman Lewis' question about availability of funds'
- President Trump made a statement to the nation today about Wednesday's school shooting in Florida but never once mentioned the word 'guns'

By Nikki Schwab, U.S. Political Reporter For Dailymail.com

Published: 19:01 EST, 15 February 2018 | Updated: 22:56 EST, 15 February 2018

Treasury Secretary Steven Mnuchin seemed to be making a rare break from Republican orthodoxy by suggesting Congress take action on gun control – until his office said that's not what he meant.

'It's a tragedy what we've seen yesterday, and I urge Congress to look at these issues,' Mnuchin had said Thursday at a House Ways and Means Committee meeting.

At issue was whether there was enough money in the White House budget request to address gun violence, a question posed to Mnuchin by Rep. John Lewis, a Georgia Democrat.

'I'm not aware of that level of detail in the budget for me to be an expert to attest on that,' Mnuchin said, according to Politico's account.

Then he made the offending statement.

'I will say, personally, I think the gun violence – it's a tragedy what we've seen yesterday, and I urge Congress to look at these issues.'

The statement was a departure from how President Trump has reacted to Wednesday's school shooting in Parkland, Florida, which left 17 students and teachers dead.

The president tweeted Thursday morning about the shooter being 'mentally disturbed' and encouraged 'neighbors and classmates' to report 'erratic behavior' to the authorities.

Then, speaking in the Diplomatic Reception Room, Trump condemned the 'terrible violence, hatred and evil,' and also criticized the 'culture.'

'We must also work together to create a culture in our country that embraces the dignity of life, that creates deep and meaningful human connections, and that turns classmates and colleagues into friends and neighbors,' Trump said.

Not once did Trump utter the word 'guns.'

Mnuchin not only said the word but he indicated something should be done about the Voldemort of devices

Mnuchin not only said the word, but he indicated something should be done about the ownership of devices.

His office said, however, that that's not the case.

'Secretary Mnuchin was directly addressing Congressman Lewis' question about availability of funds in the budget to address the issue of gun violence,' said Treasury spokesman Tony Sayegh.

'He also reflected the feelings shared by all Americans that yesterday's school shooting was a profound tragedy,' Sayegh added.

Read more: <http://www.dailymail.co.uk/news/article-5397695/Mnuchin-calls-gun-control-walks-back.html#ixzz57HM9ED00>

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## Treasury

### [China Holdings of U.S. Debt Rose in 2017 by Most in Seven Years](#)

By Sarah McGregor and Katherine Greifeld

February 15, 2018 4:00 PM Updated on February 15, 2018 5:24 PM

→

Its ownership of U.S. securities increased \$126.5b in 2017

→

Japan's holdings of Treasuries fell \$29.3b last year

Bloomberg

China increased its holdings of U.S. Treasuries last year by the most since 2010, in a signal its demand for American debt remains resilient.

The value of China's holdings of U.S. bonds, notes and bills rose by \$126.5 billion to \$1.18 trillion in December from a year earlier, according to Treasury Department data released Thursday in Washington. China remains the largest non-U.S. holder of debt followed by Japan, whose holdings fell for the fifth straight month in December, to \$1.06 trillion after ending 2016 at \$1.09 trillion.

China's Treasury holdings are coming under extra scrutiny after a signal earlier this year that America's largest creditor may be easing bond-buying amid rising trade tensions.

Chinese officials said last month that as part of a foreign-exchange review, the government is considering slowing or halting purchases of U.S. Treasuries as they became less attractive relative to other assets. A pullback could complicate plans by the U.S. to ramp up borrowing to finance widening budget deficits and efforts by the Federal Reserve to limit market turbulence from gradually unwinding its balance sheet.

Last year's holdings data "suggests to me that they're not making any sort of policy change here," said Thomas Simons, a money-market economist at Jefferies LLC. "They're still buying Treasuries to try to prevent the yuan from appreciating."

That might be a "losing battle," according to Simons, given the weakness of the greenback, which plunged around 9 percent last year based on the Bloomberg dollar index. The yuan has advanced 2.6 percent against the U.S. currency in 2018, after last year recording its first annual gain since 2013.

### China Officials Are Said to View Treasuries Less Attractive

Threats by U.S. President Donald Trump to crack down on trade with China have sparked concerns that the Asian nation could use American debt as a tool for retaliation.

China's foreign-exchange holdings clocked a 12th straight monthly increase in January, climbing to \$3.16 trillion, lifted by a strong yuan and the use of capital controls to help stabilize outflows.

Belgium's ownership of Treasuries, often seen as a home to China's custodial accounts, was little changed at \$119.2 billion in December from a year earlier.

U.S. Treasury holdings of U.S. securities increased \$126.5 billion in 2017, the most since 2010. Japan's holdings fell \$29.3 billion last year.



Japan's holdings fell \$22.6 billion in December to \$1.06 trillion, the lowest level since 2011. Against a backdrop of increased borrowing by the U.S. to fund its growing budget deficit, waning demand from Japan will further stress the Treasuries market, according to Simons.

"Given the expected trajectory of issuance over time, it's not great that one of your biggest holders is stepping back a bit," said Simons.

Net foreign purchases of U.S. equities totaled \$35.1 billion in December, up from \$12.6 billion a month earlier. The data cover last year's stock market rally, which extended into January before market volatility fueled by inflation worries in February wiped out some of those gains. Total net sales of corporate bonds were \$1.25 billion, compared with \$28.7 billion in purchases a month earlier.

— With assistance by Mark Tannenbaum, and Benjamin Purvis

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The Wall Street Journal

### [Latvian Bank Pushes Back Against U.S. Allegations](#)

[The bank said it was open to cooperation with U.S. authorities, but denied allegations of bribery](#)

By Samuel Rubinfeld

Feb 16, 2018 6:05 am ET

A Latvian bank denied some of the allegations lodged against it by the U.S., and said it is working with U.S. authorities to address their concerns.

The U.S. Treasury Department earlier this week accused Riga, Latvia-based ABLV Bank of laundering billions of dollars in illicit funds. The U.S. said the bank was "innovative and forward leaning" in its approaches to avoiding financial regulations.

ABLV on Thursday struck back, saying in a lengthy statement that it believes the U.S. allegations are based on assumptions and information unavailable to the bank. It said it is still checking into the allegations, however.

The bank said it has contacted officials at the U.S. Treasury Department to start negotiations and provide any information at its disposal to correct the record.

"We have always been, and always will be, open to cooperation with U.S. authorities, and are ready to provide any necessary information and open unlimited access to the bank's information for the officials of the U.S. Department of the Treasury, including conducting inspections," the statement said.

A U.S. Treasury Department spokesman declined to comment on ABLV's statement.

Among the allegations lodged by the U.S. was that the bank's management used bribery to influence Latvian officials when challenging enforcement actions and perceived threats to its business. ABLV said the bribery allegation was "absolutely unacceptable," and said it filed a complaint with the Latvian anti-graft authorities to check the information.

"Neither the bank, nor the bank's employees, have ever conducted any act of bribery regarding any official," the statement said, adding that the accusation "causes significant damage" to the bank's reputation.

In recent years, the bank said, it "put forth tremendous effort" toward improving its internal control systems, noting that it had U.S.-based consultants carry out independent inspections regarding its anti-money-laundering and counterterrorism financing compliance.

ABLV also said it is working closely with the Financial Integrity Network, an organization of former U.S. officials who help governments and companies assess illicit-financing threats. A spokesman for the organization didn't respond to a request for comment.

Write to Samuel Rubinfeld at [Samuel.Rubinfeld@wsj.com](mailto:Samuel.Rubinfeld@wsj.com). Follow him on Twitter at [@srubinfeld](https://twitter.com/srubinfeld).

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[China has boosted its huge stash of U.S. government debt](#)

CNNMoney (Hong Kong)  
by Daniel Shane @CNNMoney  
February 16, 2018: 2:40 AM ET

America's biggest foreign creditor is opening its wallet wider.

China's holdings of U.S. government debt swelled to \$1.18 trillion by the end of 2017, up \$127 billion from a year earlier, according to Treasury Department data published Thursday. That's an annual increase of 13%, the biggest since 2010.

China remains the top foreign holder of U.S. Treasury debt, a position it's held for most of the past decade. The second biggest is Japan, with just over \$1.06 trillion. But it spent much of the second half of 2017 reducing its holdings.

Last month, Bloomberg reported that China was looking to cut back on the amount of U.S. government debt it buys, citing unidentified sources. The report, which rattled markets, was denied by Chinese authorities.

The data published Thursday only cover the period through the end of December, so they don't include the recent bout of turmoil in the U.S. government bond market triggered by fears that inflation – and therefore interest rates – may rise quicker than previously expected.

The amount of Treasuries held by China at the end of December was down somewhat from the recent high of \$1.2 trillion in August. But despite month-to-month fluctuations, the trend is generally upward.

China's growing U.S. debt portfolio last year marked a sharp reversal from 2016, when it spent most of the year selling Treasuries as part of attempts to prop up its currency, which was being weakened by huge amounts of money flowing out of the country.

Those worries have now eased. The Chinese yuan has soared in value by almost 10% against the dollar since the start of 2017.

China's stash of U.S. government debt has expanded over a period in which trade tensions between the two countries have started to increase.

The U.S. trade deficit in goods with China hit \$375 billion last year, according to the Commerce Department, the largest with any trading partner. President Trump has been vocal about slashing that deficit.

Some experts suggested that the Bloomberg report last month about the possibility of China slowing or halting its purchases of Treasuries could be "a proverbial shot across the bow" from Beijing.

Investors worry that if China purchases fewer Treasuries, the U.S. government will have to find alternative buyers. It may also have to increase the rate of interest it pays.

But many analysts were skeptical Beijing would risk using its U.S. debt holdings as a political weapon in a trade dispute, pointing out that doing so could backfire in various ways, such as hurting global economic growth and therefore China's own industries.

CNNMoney (Hong Kong)

First published February 16, 2018: 2:40 AM ET

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Press Tribune Newspaper

[Roseville-based Rabobank agrees to pay over \\$360M](#)

Bank deliberately concealed illicit funds from regulators

By: Andrew Westrope, Editor

Rabobank National Association, a Roseville subsidiary of a multinational Dutch bank, is on the hook for over \$360 million in fines for dodging regulations of illicit funds, according to a news release last week from the U.S. Department of Justice.

On Feb. 7, Rabobank pleaded guilty to conspiracy to defraud the United States and to corruptly obstruct an examination of a financial institution. This plea was an admission that deficiencies in Rabobank's anti-money-laundering program allowed hundreds of millions of dollars in untraceable cash, from Mexico and elsewhere, to be deposited in rural bank branches in Imperial County between 2009 and 2012, then transferred or used without notification to federal regulators as required by law.

The news release said Rabobank executives actively tried to hide this from investigators during a 2012 examination of Rabobank's anti-money-laundering program by the Department of the Treasury's Office of the

Examination of Rabobank's anti-money-laundering program by the Department of the Treasury's Office of the Comptroller of the Currency (OCC). Executives sought to avoid more regulatory sanctions like the ones imposed on Rabobank in 2006 and 2008 for nearly identical incidents.

Court documents say that when the treasury department's OCC started to examine Rabobank in early 2013, some of the company's executives gave the OCC false and misleading information. Rabobank also demoted or terminated two employees who raised questions about the anti-money-laundering program.

As part of its plea agreement, Rabobank will forfeit \$368,701,259.

Rabobank made the guilty plea less than two months after one of its former vice presidents, George Martin, entered into a deferred prosecution agreement with the United States for his role in Rabobank's insufficient anti-money-laundering program, which did not meet requirements of the Bank Secrecy Act.

"When Rabobank learned that substantial numbers of its customers' transactions were indicative of international narcotics trafficking, organized crime, and money-laundering activities, it chose to look the other way and to cover up deficiencies in its anti-money laundering program," said Acting Assistant Attorney General John Cronan in a public statement. "Worse still, Rabobank took steps to obstruct an examination by its regulator into those same deficiencies. The integrity of our financial system depends on prompt reporting by banks and other financial institutions of suspicious, potentially criminal transactions, and on these entities' truthfulness and transparency with their regulators."

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Mortgage Professional America

[Tax reform drives Fannie Mae net income decline in Q4](#)

HomeNews

by Francis Monfort16 Feb 2018

Recently passed tax reform legislation was the primary driver of the year-over-year and quarter-over-quarter declines in Fannie Mae's net income.

The company reported a fourth-quarter net loss of \$6.53 billion, compared with net income of \$3.02 billion in the third quarter. For the full year, the net income was \$2.46 billion, down from \$12.3 billion in 2016.

Fannie Mae said both declines were primarily driven by a \$9.96 billion provision for federal income tax in the fourth quarter following a remeasurement of its deferred tax assets. As a result, the company recorded a net worth deficit of \$3.7 billion as of Dec. 31, 2017. Given the deficit, Fannie Mae expects the Federal Housing Finance Agency to submit a request to Treasury to cover the deficit.

Fannie Mae's pretax income was \$18.45 billion in 2017, compared with \$18.33 billion in 2016.

"Our 2017 results demonstrate that the fundamentals of our business are strong. While the fourth quarter was affected by a one-time accounting charge, we expect to benefit from a lower tax rate going forward," President and CEO Timothy Mayopoulos said.

The company said it expects its future net income will benefit from the lower federal corporate income tax rate. Fannie Mae expects its effective tax rate to be approximately 20% in 2018.

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[Tractor maker Deere reports 23 percent jump in first-quarter revs](#)

Reuters Staff

(Reuters) - U.S. farm equipment maker Deere & Co (DE.N) on Friday reported a 23 percent jump in first-quarter revenues as its key markets improved, but recorded a net loss after a charge related to U.S. tax reform legislation.

Revenues rose to \$6.91 billion in the quarter ending Jan. 28 from \$5.63 billion last year. Total equipment sales rose 27 percent to \$5.97 billion.

Shares rose 1.6 percent to \$169.50 in premarket trading.

The Moline, Illinois-based company said it expects a 29 percent increase in equipment sales in fiscal 2018, helped by its acquisition of Germany's Wirtgen Group last year and a favorable currency effect.

Equipment sales are expected to go up by 30 percent to 40 percent in the second quarter.



“Deere has continued to experience strong increases in demand for its products as conditions in key markets show further improvement,” said chief Executive Officer Samuel R. Allen.

It posted a quarterly net loss of \$535.1 million, or \$1.66 per share, including a \$965 million charged related to U.S. tax reform. Adjusted net income was \$430.0 million, or \$1.31 per share.

A year earlier it recorded net income of \$199.0 million, or 62 cents per share.

Deere has battling weak demand for farm equipment for the past four years as global oversupplies pushed down prices, sending U.S. farm incomes plunging.

The company said it expects higher demand to lift industry sales for agricultural equipment in the United States and Canada, its biggest market, by 10 percent this year.

Reporting by Rajesh Kumar Singh; Editing by Edmund Blair and Jeffrey Benkoe

Our Standards: The Thomson Reuters Trust Principles.

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The Financial Times

[Deere lifts equipment sales outlook after revenues jump](#)

Mamta Badkar

February 16, 2018

US tractor maker Deere & Co on Friday boosted its equipment sales outlook and reported upbeat quarterly revenues citing strengthening conditions in the world's agricultural and construction equipment markets.

The Illinois-based company boosted its outlook for 2018 company equipment sales, now projecting an increase of about 29 per cent, up from the 22 per cent growth it had forecast in November. Equipment sales are projected to soar 30 to 40 per cent in the second quarter.

That came alongside a 23 per cent increase in worldwide net sales in the fiscal first quarter to \$6.9bn, ahead of expectations for \$6.4bn.

The gains come after a period of protracted weakness in crop prices that hurt farm income. To grow its business, the company has also bet on so-called agtech by purchasing Silicon Valley start-up Blue River Technology last year, which uses machine learning to make agricultural spraying equipment more precise and cost-effective.

“Deere has continued to experience strong increases in demand for its products as conditions in key markets show further improvement,” said chief executive Samuel Allen. “Sales gains for the quarter, however, were moderated by bottlenecks in the supply chain and logistical delays in shipping products to our dealers.”

However, the company that has recently chalked up a string of upbeat earnings swung to a net loss as a result of the enactment of the US Tax Cuts and Jobs Act. Deere reported a net loss of \$535.1m or \$1.66 a share in the three months ended January 28, compared with a profit of \$199m or 62 cents a share in the year ago period. Those figures reflected a writedown of net deferred tax assets of \$715.6m and \$216.6m in repatriation taxes following the passage of the tax reform package.

Stripping those out, the company reported profits of \$430m or adjusted earnings of \$1.31 a share, ahead of analysts' estimates of \$1.20 a share, according to analysts surveyed by Reuters.

Looking ahead the company also expects net income of \$2.1bn this year, including an unfavourable impact of \$750m from tax reform. “Although net income for the quarter and full year are being affected by the upfront costs of US tax reform legislation, we believe the changes will reduce the company's overall tax rate and be beneficial in the future,” said Allen.

Deere shares, which are up more than 6 per cent year-to-date, were up 1.6 per cent in pre-market trade.

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Forbes

[Your 2017 Tax Return Is Your Last Chance To Claim These 5 Tax Deductions](#)

Andrew Josuweit , Contributor

I write about student loans and Millennial personal finance.

Opinions expressed by Forbes Contributors are their own.

If you haven't started working on your 2017 tax return, it's time to get going. The IRS started accepting the first tax return filings at the end of January.

This tax season, however, is complicated by the recent overhaul of the U.S. tax code. In some cases, the rules for 2017 are completely different from the rules that are in effect for your 2018 earnings and beyond.

Thanks to the Tax Cuts and Jobs Act (TCJA), your 2017 return could be your last chance to claim some key tax benefits. Here's a look at some major tax deductions the TCJA is phasing out after 2017.

## **5 Tax Deductions That Were Cut Or Changed In Tax Reform**

### **1. Personal Exemptions**

Under previous tax law, a filer could claim a \$4,050 personal exemption for themselves, their spouse and each dependent they claimed on their return.

To help compensate, the standard deduction was almost doubled — to \$12,000 for single filers in 2018, up from \$6,350 in 2017 (and increased to \$24,000 from \$12,700 for married couples filing jointly).

Some filers will benefit more from the higher deduction than they would have from the personal exemption, but others won't. Families with multiple children and single parents could benefit less from the higher standard deduction than they would have from the personal exemption.

If you live in an area with high income, sales and property taxes, you might be paying more in 2018 and beyond. Previous rules allowed filers to deduct the full amount of either their state income taxes or their state and local sales taxes as well as property taxes.

The TCJA, however, lumps the three together and caps them at \$10,000. For borrowers in areas with high taxes, not being able to fully write them off could result in a higher tax bill.

### **3. Mortgage Interest Deductions**

The mortgage interest deduction saw some small tweaks in the new tax reform bill. For mortgages originated before Dec. 15, 2017, filers can deduct interest paid on home loan balances of up to \$1 million. For newer mortgages, this cap drops to \$750,000, which is likely to affect homebuyers in high-cost areas, such as New York City and San Francisco.

Additionally, under former rules, interest on home equity loans or lines of credit was tax-deductible too. But this deduction will no longer apply starting in 2018. This could make home equity loans a less attractive way to borrow for home improvement, college, debt consolidation or other purposes.

### **4. Alimony Payments**

Under the old tax rules, filers could deduct alimony payments made to an ex from their income. Additionally, the recipient of these payments had to treat them as taxable income.

Under the new tax reform bill, the payer can no longer deduct paid alimony from their taxable income. The recipient also doesn't have to claim alimony as taxable income. However, these changes affect only new divorce agreements executed in 2019 or later.

### **5. Moving Expenses**

Another deduction on the chopping block was the moving expenses deduction. This deduction allows you to write off "reasonable moving expenses" incurred if you moved more than 50 miles and relocated for work, according to the IRS.

If you moved in 2017, you barely made the cutoff, as this deduction was suspended starting December 31, 2017, through 2025. Unfortunately, filers moving in 2018 will miss out on claiming a moving expenses deduction.

## **Education Tax Benefits Make The Cut**

One area of federal tax code that went untouched in the reform: educational tax write-offs. College students, graduates and their parents can benefit from writing off educational expenses and student loan interest in 2017, 2018 and beyond.

For example, the American opportunity credit remains one of the best tax write-offs available to students and

For example, the American opportunity credit remains one of the best tax write-offs available to students and their parents. With this credit, a filer can get up to \$2,500 back on their return by claiming qualified educational expenses.

The student loan interest deduction, in particular, was in jeopardy. Early versions of the TCJA bill cut this deduction, which allows filers to write off up to \$2,500 in interest paid on student loans they legally own. Both federal and private student loans are eligible for the interest deduction, which helps keep both options affordable for borrowers.

American companies, taxpayers and institutions are still learning and understanding the changes to our tax code and the many ways they can affect us. Make sure you claim the deductions you're eligible for in 2017, especially if it's the last year they're available.

Lastly, learn about what's included in the TCJA and what's not. Look ahead and make sure you're aware of the deductions that are now defunct. Plan your expenses accordingly and make choices that align with what's most advantageous under current tax law.

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### [Deere Raises Sales Forecast Amid Signs of Farm Recovery](#)

By Lydia Mulvany

February 16, 2018 6:32 AM Updated on February 16, 2018 7:47 AM

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Tractor maker sees full-year net revenues rising about 25%

→

Posts surprise first-quarter loss after tax-related writedown

Bloomberg

Deere & Co., the world's largest farm machine maker, raised its full-year sales forecast, and there's reason to believe that good news will keep coming.

After a prolonged slump for crop prices that slashed farmer income, fundamentals are starting to rebound, according to Farha Aslam, an analyst at Stephens Inc. There's a chorus echoing that view. Bunge Ltd. Chief Executive Officer Soren Schroder said this week that there are early signs of a recovery for the markets. An index measuring sentiment in rural agricultural communities rose to the highest since 2014 in February, while a Federal Reserve Bank of Kansas City report showed farmland prices are starting to stabilize.

Green shoots for the farm economy can only help Deere, which is already on an upswing as corporate farmers begin to replace older equipment. Cuts to inventory and output during the downturn are now adding to the company's positive outlook as it produces more of its iconic green-and-yellow machines to meet demand.

A turnaround in the farm economy "would kick-start demand to an even greater extent," said Matt Arnold, an analyst with Edward Jones & Co. in St. Louis. Sentiment in agriculture "can change on a dime. A weather event could prompt an upswing in grain prices and income, and it's been a long time since we've seen one of those."

Deere said Friday in a statement that equipment sales are projected to increase by about 29 percent in the financial year that lasts through October, and by as much as 40 percent in its fiscal second quarter.

It also said net revenues will increase by about 25 percent in fiscal 2018, up from a prior view of about 22 percent. It forecast full-year net income, excluding the impact of tax-related adjustments, of \$2.85 billion. That exceeds the average estimate of 18 analysts surveyed by Bloomberg for \$2.7 billion.

The company reported a surprise first-quarter loss of \$535 million, which included the writedown of net deferred tax assets following U.S. taxation reform.

"Although net income for the quarter and full year are being affected by the upfront costs of U.S. tax reform legislation, we believe the changes will reduce the company's overall tax rate and be beneficial in the future," said Deere CEO Sam Allen in the statement.

Outside of agriculture, Deere expanded its construction equipment unit last year with the acquisition of Wirtgen Group, a roadbuilding company, amid a global boom in building. Deere's construction and forestry segment saw a 57 percent increase in sales in first quarter.

"The construction business is low-margin for Deere, so wasn't meaningful to earnings in the past," said Karen Ubelhart, an analyst for Bloomberg Intelligence. "But now it is," given the Wirtgen acquisition.

Deere shares rose 1.6 percent to \$169.50 at 7:40 a.m. before the start of regular trading in New York.



Other highlights from the earnings report:

- Worldwide sales of agriculture equipment are forecast to increase by about 15 percent for the 2018 fiscal year.
- Industry-wide, agricultural equipment sales in the U.S. and Canada will rise 10 percent, and gain about 5 percent in the European Union due to improving conditions in the dairy and livestock sectors.
- South American sales of tractors and combines across the industry will increase as much as 5 percent, driven by Argentina.
- Deere's financial services arm is expected to bring in net income of \$840 million for the year, of which \$320 million is attributable to changes brought on by tax reform.

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### [Trump tax cut boosts Sears to profit, but sales slide continues](#)

Nathan Bomey, USA TODAY Published 8:52 a.m. ET Feb. 16, 2018

President Trump's tax cut may have extended the life of ailing department-store chain Sears Holdings.

Sears got a fourth-quarter boost of as much as half a billion dollars from the tax reform package, lifting the retailer into profitable territory, according to a new Securities and Exchange filing.

The company said it expects to record net income of between \$140 million and \$240 million for the period ended Feb. 3. That would mark a sharp swing from a \$607 million net loss in 2016's fourth quarter, which included a \$381 million write-down in the value of the Sears brand.

It may be only a temporary respite from red ink. Sears sales continue to plunge despite closing several hundred of the company's worst-performing stores.

Sales at stores open at least a year fell 15.6% for the quarter, which included the critical holiday shopping period. That included an 18.1% decline for Sears locations and a 12.2% drop for Kmart.

Sears noted that its earnings before factoring in interest, taxes, depreciation and amortization would range from a \$10 million loss to a \$10 million profit for the fourth quarter.

"This year-over-year improvement continues to demonstrate that the restructuring actions taken in 2017, including the closure of unprofitable stores, have resulted in meaningful improvement in our performance," Sears said in its public filing.

The one-time tax boost from Trump's tax cut will total between \$445 million and \$495 million. The company is also likely to benefit from the overall corporate tax rate cut from 35% to 21%, which is especially beneficial to retailers.

Still, ongoing structural challenges continue to drag down the company. As its business continues to deteriorate, the company was forced to further write down the value of its trade name by \$50 million to \$100 million, according to the filing.

Follow USA TODAY reporter Nathan Bomey on Twitter [@NathanBomey](#).

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USA TODAY

### [Tax-reform changes will alter home-owning rationale for some](#)

Russ Wiles, The Republic | [azcentral.com](#) Published 7:00 a.m. ET Feb. 16, 2018

The nation's homeownership rate recently rose on an annual basis for the first time in what seems like forever. If this trend continues, it will be swimming upstream against some of the changes brought about by income-tax reform.

Many factors affect homeownership aside from tax policy. They include pride of ownership, stability of location and relatively predictable financial obligations — mortgage payments remain constant over the life of a fixed-rate loan, the most common variety, unlike rents, which tend to increase over time.

That said, taxes play an important role and could slightly erode the argument in favor of ownership, according to a recent paper by the Urban Institute.

Researchers Laurie Goodman and Edward Golding examined the ownership vs. renting question under the new tax rules that, for the most part, kicked in at the start of 2018. They looked at the situation for four hypothetical families earning different incomes under various assumptions. Those assumptions included making a down payment equal to 20% of a home's value, taking out a mortgage with an interest rate of 4% and enjoying annual housing appreciation of 3%.

The new tax law caps income deductions on large mortgages (those above \$750,000 in debt, taken out after Dec. 15, 2017) for people who itemize. It also limits total deductions of state and local taxes, including property taxes, for people who itemize at \$10,000 annually. Either or both factors could hurt homeowners from a tax standpoint, especially those with high incomes and large loans.

On the other hand, income-tax rates are dropping for a lot of people, and the standard deduction is rising, helping to offset the loss of itemized deductions.

“While most taxpayers will pay lower taxes, allowing them to save for a home more easily if they choose, the increased standard deduction means fewer taxpayers will itemize,” the researchers wrote. “The reduction in tax rates also suggests less of a benefit for those who do itemize.”

The net result: Renting becomes a bit more attractive on balance.

Still, the researchers don’t expect people to forsake homeownership to rent if they can afford to do both, except at the margin.

“Because homeownership is generally more affordable than renting, and there are other benefits to homeownership ... the impact on homeownership rates will likely be small,” they concluded.

The nation’s homeownership rate ended 2017 at 64.2%, continuing a modest recovery from the cyclical low of 62.9% in 2016. But it’s still well below the peak rate of 69.2% that was reached in 2004.

### Home-equity confusion

Tax reform also curtailed a key benefit of home-equity loans — the ability to deduct interest on loans taken out starting this year — but plenty of Americans don’t seem to realize this. Just 4% of 1,000 respondents in a survey conducted in late January by financial website LendEDU accurately replied that this benefit has been curtailed.

In fact, one-third of respondents incorrectly thought the tax benefits on home-equity loans improved.

These loans use a home as security or collateral and are fairly popular — in part because they feature lower interest rates than you might pay on other types of loans, especially credit-card balances. In fact, home-equity loans often are used to consolidate other types of higher-interest debt. Tax-deductible interest on home-equity debt was another benefit, at least through last year.

Drawbacks include the fees and paperwork involved in applying for a home-equity loan and, worse, the potential risk of losing your home if you can’t make the payments.

Actually, the new rules on home-equity loans are a bit more complicated than they seem. While interest no longer is deductible if the proceeds are used to consolidate debts or for other non-housing reasons, it can be deducted if the money is used to improve a home substantially, the National Association of Realtors said.

The more things change ...

The final tax-reform legislation made fewer changes affecting homeownership than some of the proposals under consideration — and clearly fewer than many in the real estate industry feared.

One significant rule that was left unchanged pertains to capital gains. The legislation retained the ability of homeowners to exclude a portion of their capital gains if they live in their residences for at least two of the five years prior to sale. A proposal would have lengthened that to five years in eight, requiring longer stays for homeowners if they hoped to exclude taxes on housing profits. Up to \$250,000 in gains can be excluded for individuals and \$500,000 for married couples filing jointly.

Also, mortgage interest generally remains deductible on second homes (up to certain dollar limits), and homeowners may continue to deduct interest on previously existing mortgage debt (as of mid-December 2017) that they later refinance. In addition, some of the provisions affecting rental real estate weren’t altered, such as the ability to make “like kind,” tax-deferred exchanges of rental homes (or other real property) under Section 1031 of the Internal Revenue Code.

### Widening affluence gap

One reason the nation’s wealth gap has widened in recent years reflects rising prices in the stock market and for housing — and the fact that a large swath of Americans didn’t own such assets and thus weren’t able to share in the gains. With home prices and now mortgage interest rates increasing again, affordability could become more of a problem. Over the past year, median home prices have climbed 4% compared to a household income gain

or a problem. Over the past year, median home prices have climbed 4%, compared to a householder-income gain of 2%.

Prosperity Now, a progressive group in Washington, D.C., sees this as a particular problem for African-American and Latino households. Those groups have average homeownership rates of 41% and 46%, respectively, compared to 58% for Asian-Americans and 71% for whites.

The group said it worries that racial wealth gaps could widen because of economic trends and because of tax reform, which it considers more favorable to affluent households and corporations than to low-income families.

Reach the reporter at [russ.wiles@arizonarepublic.com](mailto:russ.wiles@arizonarepublic.com) or 602-444-8616.

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The New York Times

[U.S. Condemns Russia for Cyberattack, Showing Split in Stance on Putin](#)

By MARK LANDLER and SCOTT SHANE FEB. 15, 2018

WASHINGTON — The United States on Thursday joined Britain in formally blaming Russia for a huge cyberattack last June that was aimed at Ukraine but crippled computers worldwide, a highly public naming-and-shaming exercise that could further fray relations with Moscow.

The White House threatened unspecified “international consequences” for the attack, which it said “was part of the Kremlin’s ongoing effort to destabilize Ukraine and demonstrates ever more clearly Russia’s involvement in the ongoing conflict.”

The statement, issued by the press secretary, Sarah Huckabee Sanders, said the attack, known by the name NotPetya, was “reckless and indiscriminate” and spread rapidly, “causing billions of dollars in damage across Europe, Asia and the Americas.”

NotPetya, which had the characteristics of a ransomware attack, had been widely identified by cybersecurity experts as coming from Russia, so the attribution was no surprise. But the decision of the United States and Britain to nearly simultaneously condemn the Russian military is noteworthy.

It underscores the dichotomy between the administration’s consistently tough stance toward Russia on issues involving Ukraine and President Trump’s continued reluctance to criticize President Vladimir V. Putin over anything else.

In December, the White House approved the sale of lethal defensive weapons to the Ukrainian military for its battle against Russian-backed forces in eastern Ukraine. Yet Mr. Trump continues to soft-pedal allegations that Russia interfered in the 2016 presidential election, even after the nation’s intelligence agencies concluded that it did — an assessment that intelligence chiefs reiterated in Senate testimony this week.

Administration officials declined to say what steps the United States would take against Russia. But they could include both sanctions against Russian officials involved in the attack and covert measures — any of which would be likely to fray an already fragile relationship.

The administration’s public statement echoed one in mid-December when it publicly blamed North Korea for a damaging ransomware attack known as Wannacry. In that case, however, the United States did not follow up with stiff penalties, in part because North Korea was already under heavy sanctions for its nuclear and ballistic missile programs.

“President Trump has used just about every lever you can use, short of starving the people of North Korea, to change their behavior,” the homeland security adviser, Thomas P. Bossert, said at the time. “So we don’t have a lot of room left here to apply pressure.”

Punishing other nations for cyberattacks has proven exceedingly difficult, particularly when the players are as sophisticated as North Korea and Russia. The Russian government flatly denied the allegations that it carried out the attack.

“We think they have no basis and no foundation, and this is nothing else but the continuation of the Russo-phobic campaign,” the Kremlin’s spokesman, Dmitry Peskov, told reporters.

The administration had planned to issue the statement a day earlier to coincide with that of the British, according to a senior official, but delayed it after the deadly school shooting in Parkland, Fla.

The White House statement made no mention of an embarrassing related fact: The NotPetya attacks took



advantage of vulnerabilities identified by the National Security Agency and then made public by a group calling itself the Shadow Brokers.

The Shadow Brokers, which some officials believe to be a front for Russian intelligence, obtained many of the N.S.A.'s most valuable hacking tools, either by breaking into the agency's computer networks or with the help of an insider. The group has posted much of the stolen malware on the web; North Korea's hackers probably used the tools in their attack.

In a ransomware attack, the victim's files are encrypted, locking them out of their own computer systems, until they pay a ransom. Cybersecurity researchers estimate that criminals made more than \$1 billion through these attacks last year, with victims ranging from the chief executives of major companies to small businesses and private individuals.

While the motive for many ransomware attacks is financial, Russia's involvement suggests it was part of a broader strategy to destabilize Ukraine that dates back to Russia's annexation of Crimea in 2014.

The NotPetya attack originated in Ukraine, according to security researchers, apparently timed to strike a day before a holiday marking the 1996 adoption of Ukraine's first constitution. It eventually spread to 64 countries, including Poland, Germany, Italy, and Russia itself.

The administration's action came as intelligence agencies warned that Russia was already meddling in the American midterm elections, using bots and other fake accounts on social media to spread disinformation.

"We expect Russia to continue using propaganda, social media, false-flag personas, sympathetic spokespeople and other means of influence to try to exacerbate social and political fissures in the United States," Dan Coats, the director of national intelligence, told the Senate Intelligence Committee at its annual hearing on worldwide threats.

"There should be no doubt that Russia perceives its past efforts as successful and views the 2018 U.S. midterm elections as a potential target for Russian influence operations," Mr. Coats added.

Nicole Perlroth and David E. Sanger contributed reporting

A version of this article appears in print on February 16, 2018, on Page A22 of the New York edition with the headline: U.S. Condemns Russia for Computer Attack, Showing Split in Stance Toward Putin. Order Reprints| Today's Paper|Subscribe

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The New York Times

[S.E.C. Blocks Chinese Takeover of Chicago Stock Exchange](#)

By EMILY FLITTERFEB. 15, 2018

A federal securities regulator on Thursday struck down the proposed \$20 million acquisition of a Chicago-based trading hub, the Chicago Stock Exchange, by a Chinese-owned company.

The Securities and Exchange Commission said it blocked the deal because of a lack of transparency in the details, including an inability to identify who exactly would control the exchange.

The proposed deal, in which a subsidiary of the Chongqing Casin Enterprise Group was to buy the exchange, drew sharp criticisms from Republican and Democratic lawmakers, who said it could put the security and stability of United States financial markets at risk.

President Trump has railed against the proposed acquisition. During a presidential debate in South Carolina in 2016 after the deal was announced, he said: "China bought the Chicago Stock Exchange — China, a Chinese company. They are taking our jobs. They are taking our wealth. They are taking our base."

Lawmakers applauded the S.E.C.'s action on Thursday.

"This has been a long fight, and I am grateful that we have a president who recognizes the security threats from Chinese government-affiliated ownership of the Chicago Stock Exchange," Representative Robert Pittenger, Republican of North Carolina, said in an emailed statement. "Recall, the Obama administration was misguided and fully endorsed this transaction."

Other Chinese-backed deals have come under scrutiny, including a partnership between Goldman Sachs and China's sovereign wealth fund, the China Investment Corporation; a hotel buying spree by the Chinese insurance

company Anbang; and an effort by Huawei Technologies to purchase a stake in 3Com, an American maker of internet routers and networking equipment.

Supporters of the Chicago Stock Exchange proposal said it could help bring more Chinese companies to United States financial markets. And it would also have helped revive a marketplace where activity was dwindling. The Chicago Stock Exchange handles only a small fraction of the stock trades that take place every day.

A spokesman for the Chicago Stock Exchange declined to comment. Representatives of Chongqing Casin could not be reached for comment.

The proposed acquisition had been approved in late 2016 by the Committee on Foreign Investment in the United States, which reviews deals for national security concerns. The deal had been recommended for approval by the S.E.C. staff, but was delayed by the chairman, Jay Clayton, a Republican and a Trump appointee.

In its decision to reject the deal, the S.E.C. said the proposal left too many unanswered questions about who would ultimately have control over big decisions at the exchange. The S.E.C. said it was also not sure it would have access to the exchange's books and records after the deal.

The commission said it did not consider broader criticisms of the deal's potential impact on market security or whether Chongqing Casin had ties to the Chinese government. In an order made public on Thursday, the commission said it was "not necessary" to consider those concerns, because the structure of the deal itself was problematic enough on its own.

Follow Emily Flitter on Twitter: @FlitterOnFraud

A version of this article appears in print on February 16, 2018, on Page B4 of the New York edition with the headline: S.E.C. Blocks Chinese Deal for Exchange. Order Reprints| Today's Paper|Subscribe

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The Financial Times

[US blocks Chinese-led takeover of Chicago exchange](#)

[SEC concerned that foreign ownership would stymie its access to bourse's records](#)

Nicole Bullock in New York

February 16, 2018

US regulators have rejected the sale of the Chicago Stock Exchange to a Chinese-led consortium in what could be the final twist in a controversial deal.

The exchange, which trades about 1 per cent of US equities daily, had hoped the sale would boost its presence by catering to Chinese listings in the US and Chinese investment in US-listed shares.

The prospect of Chinese ownership sparked widespread political opposition when the deal was proposed in 2016. In a Republican presidential debate that year, Donald Trump, then a candidate for the party's nomination, cited it as an example of the loss of American competitiveness.

The Securities and Exchange Commission voted against the transaction after it had been left in limbo last summer when the commission delayed an earlier SEC approval pending further review.

In a regulatory document released on Thursday, the SEC said it had rejected the deal over concerns that it conflicted with rules governing exchanges.

The SEC said payments and agreements within the takeover vehicle risked creating a structure that would not comply with ownership and voting limitations, while the extent of foreign ownership raised questions of whether the SEC would have enough access to "books and records" of the exchange and its owners.

The securities regulator distanced itself from worries over "the involvement of the Chinese government or the impact of Chinese foreign investment" in a US exchange or in US markets, as voiced in a public comment period.

"It is not necessary for us to consider either the relevance of such foreign investment concerns to our statutory review of this proposed rule change or the merits of the concerns themselves," the SEC said, noting that it already has sufficient reason to reject the acquisition.

Officials for the Chicago exchange declined to comment but it has the ability to appeal against the decision.

The investment group making the bid initially would have left the exchange 49.5 per cent owned by Chinese investors and included a father and son who were respectively domiciled in China and the US. Amid mounting concerns about the extent of Chinese involvement, some investors dropped out last November, leaving NA Casin Group and Castle YAC — the Chinese investors in the group — with 40 per cent of the bidding consortium.

Exchange management as well as Raptor, a private investment company of James Palotta, the president and chairman of AS Roma and co-owner of the Boston Celtics; Saliba, a private company of Anthony Saliba, who is the former chief executive of LiquidPoint, a Chicago-based options technology company; and Penserra, a trading, investment banking and asset management company, are the other members of the takeover vehicle.

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The Financial Times

[US Bancorp fined over \\$600m for transaction failings](#)

[Regulators charge bank for 'wilful' shortcomings in its anti-money laundering programme](#)

Ben McLannahan in New York

February 15, 2018

US Bancorp has been fined more than \$600m by US regulators and charged with two criminal violations of the Bank Secrecy Act over “wilful” failings in its anti-money laundering programme over a period of more than five years.

The Minneapolis-based bank, America’s fifth-biggest by assets, operated its AML programme “on the cheap” by limiting staffing, said the Department of Justice, and imposing hard caps on the number of alerts generated by its transaction monitoring systems.

US Bancorp was well aware that these practices were improper, and resulted in the bank missing “substantial numbers” of suspicious transactions from 2009 to 2014, said the DoJ.

Notable flaws included waving through transactions connected to Scott Tucker, a former professional race car driver who ran a payday lending empire from a complex outside Kansas City, and was sentenced to more than 16 years in prison last October. A federal jury in Manhattan found that Tucker’s company illegally charged as much as 700 per cent interest on short-term loans to millions of people, using sham partnerships with Native American tribes to skirt state usury laws.

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Our culture of ethics and integrity demands that we do better  
Andy Cecere, US Bancorp chief executive

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After reports of Tucker’s questionable business practices emerged in 2011, one AML investigator described him in reports to supervisors as “quite the slippery individual” who “really does hide behind a bunch of shell companies”. Nonetheless, US Bancorp’s main banking subsidiary failed to timely report suspicious banking activities for the next two years, according to the DoJ.

US Bancorp has entered into a two-year deferred prosecution agreement with the US Attorney’s Office in the Southern District of New York, which fined it \$453m. Other penalties came from the Office of the Comptroller of the Currency (\$75m), Financial Crimes Enforcement Network (\$70m) and the Federal Reserve (\$15m), for a total of \$613m.

The DoJ cited a December 2009 memo from an AML officer to the head of compliance, which noted that AML staff were “stretched dangerously thin” and warned that “a regulator could very easily argue” that the bank should be testing more suspicious transactions to see if reports to FinCEN were necessary.

The bank then carried out tests on transactions that fell just outside its thresholds for alerts, to see if those thresholds should be adjusted so that more transactions were investigated. The answer was yes: in November 2011, AML staff concluded that during the previous year, between 30 per cent and 80 per cent of transactions were dubious by those tougher standards. But rather than increase staffing or change thresholds to flag more suspicious activity — as repeatedly requested by some employees within the AML division — the bank decided to scrap below-threshold testing altogether.

The DoJ said staff at the bank tried to hide these short-cuts from examiners at the OCC, the bank’s primary regulator. The AML officer described the bank’s AML programme to another senior manager as an effort to use “smoke and mirrors” to “pull the wool over the eyes” of the OCC.

“We regret and have accepted responsibility for the past deficiencies in our AML programme,” said Andy Cecere, US Bancorp’s chief executive, on Thursday. “Our culture of ethics and integrity demands that we do better.”

US Bancorp noted that it had installed new leaders in its AML team since 2014 and had instituted “a more transparent and frequent” reporting and escalation process to the board and executive management.



Assuming the bank's continued compliance with the agreement to reform its AML programme, the DoJ agreed to defer prosecution for a period of two years, after which time it will seek to dismiss the charges.

Last month the \$462bn-in-assets bank warned investors that a big settlement was on the way, saying it had taken a \$608m charge in the fourth quarter for regulatory and legal matters. That was more than offset by a \$910m benefit from the effects of tax reform.

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The Financial Times

[How to read the regime change at the US Federal Reserve](#)

[It would be a mistake to presume the bank will ride to the rescue if equities tumble](#)

GILLIAN TETT

Gillian Tett

February 15, 2018

Economists do not usually worry about Hershey kisses. This week, however, they should — and not just because of Valentine's Day.

Earlier this month Hershey, the confectionery giant, revealed that its fourth-quarter adjusted margins had fallen 1.8 per cent because an unexpected shortage of truck drivers increased US freight costs. This has not hurt chocolate lovers; the price of the iconic Hershey kisses has barely moved.

But the bottleneck highlights a theme about price squeezes that investors cannot ignore. Last week, equity markets were rocked by news that US hourly earnings rose 2.9 per cent in January, the highest level since 2009. This week, inflation data delivered another surprise: the headline US consumer price index was 2.1 per cent in January, above predictions.

Seasonal factors accounted for some of this, with higher petrol prices and apparel costs. But it is striking that price growth was fairly broad-based, and echoes the message from a host of companies — ranging from Clorox and Colgate to Ventas and Weyerhaeuser — about the appearance of price pressures.

"I have been on the dovish side but now I am shifting," one highly influential former US central banker recently observed. "There may be inflation coming back."

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Jay Powell last year stressed that it is "not the Fed's job to stop people from losing money"

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Should investors worry? Not in relation to the "real" economy; these numbers are low by the standards of economic history. And if a 2 per cent figure had tumbled out a couple of years ago, officials at the US Federal Reserve might have been relieved. In the aftermath of the 2008 financial crash, the main bogeyman was deflation — not inflation.

It also seems unlikely that these inflation numbers alone will change Fed policy. In December, Fed governors said they were expecting to raise rates three times in 2018. The fact that bond yields have edged higher — rising above 2.9 per cent this week — is entirely consistent with this view.

The important implication of this data lies not with current policy, however, but the putative question of whether there is a so-called "Fed put" underpinning the equity markets. In recent years, it has been widely presumed that if equity prices were to plunge, the Fed would try to loosen policy to stem the fall, to prevent damaging collapses in confidence.

Of course, none of the recent chairs — Janet Yellen, Ben Bernanke or Alan Greenspan — ever admitted there was a Fed put, since the central bank is supposed to target CPI and employment, not asset prices. But in practical terms the Fed has often stepped in or, more accurately, sat on its hands and not raised rates when markets were weak. The China shock three years ago was a case in point.

These days, with a new governor — Jay Powell — in charge, nobody knows exactly where policy will head next. But Mr Powell does not seem a natural dove: he has previously said that he is concerned that loose monetary policy has created bubbles in fixed income, and last year stressed that it is "not the Fed's job to stop people from losing money".

His colleagues do not seem dovish right now either. This week Bill Dudley, head of the New York Fed, dismissed the equity market falls as "small potatoes".

It is also important to note that the staff of the mighty Fed — who appear to be rising in power now, since Mr

Powell is not an economist — are determined to keep the institution immune from political pressure. Every time President Donald Trump tweets about the stock market, this determination rises.

This means that it will be hard for the Fed to sit on its hands if inflation keeps rising — even if equity markets tumble. Or to put it another way, in the past the Fed might have tolerated the idea that there was a “put”, since price pressures were weak. Now, the Fed put is withering away, or has been reset at a much lower level.

Maybe this does not matter. After all, share prices have stabilised in recent days and the dominant narrative on Wall Street now is that last week’s wild swings were temporary shocks caused by volatility-linked products.

Many investors also think (or hope) that inflationary pressures will stay muted, since prices remain soft in some sectors. At Hershey, to name one example, higher freight costs went hand in hand with lower global cocoa prices.

The key point is that 10 years after the Great Financial Shock, a regime change is now under way, in terms of the intellectual framework of the Fed. It would be a mistake to presume that Mr Powell will ride to the rescue if share prices do slide. Even (or especially) in an era when Mr Trump has made stock prices a bellwether of his success.

[gillian.tett@ft.com](mailto:gillian.tett@ft.com)

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The Wall Street Journal

[SEC Rejects Sale of Chicago Stock Exchange](#)  
[Proposed investors in deal included Chinese companies](#)

By Dave Michaels

Updated Feb. 15, 2018 9:13 p.m. ET

WASHINGTON—The Securities and Exchange Commission on Thursday rejected the sale of the Chicago Stock Exchange to a group that would have included Chinese investors, capping a two-year battle over a deal that sparked political opposition in Congress.

The SEC’s commissioners voted against the transaction six months after the agency’s staff recommended approving the sale. The decision is a rare move by the SEC to choose who isn’t allowed to control a U.S. stock exchange, even one that handles less than 1% of trading volume.

Critics of the sale, including lawmakers from both parties, said letting a Chinese company take a major stake in a U.S. stock exchange would create a backdoor for the Chinese government to influence American financial infrastructure. The Chicago company repeatedly said the Chinese government wasn’t involved in the deal, but a political fight erupted that prompted two of the initial Chinese investors to withdraw from the group in October.

A spokesman for the exchange declined to comment. Under U.S. law, the exchange’s parent company, CHX Holdings Inc., could appeal the SEC’s decision in federal appellate court. It also could refile its application with the SEC with a revised group of proposed investors.

The group of investors who sought to buy the exchange had wanted to reinvent the struggling venue as a bridge between U.S. and Chinese markets, and a Western listings outpost for Chinese firms.

In an order rejecting the deal, the SEC said the exchange hadn’t met the burden of proof to show it could stick to rules that limit the control of any one stockholder over an exchange. A father-and-son duo who proposed owning a piece of the exchange—the father from China and the son based in the U.S.—had agreed to limit their combined voting power to follow those rules.

The SEC also said it couldn’t count on having access to the records of exchange owners based in China, if it needed to obtain them.

SEC Chairman Jay Clayton made the decision to freeze his staff’s plan to approve the sale after consulting about the subject with the White House, people familiar with the matter said in September. Officials at the White House, which has clashed with China on trade, urged Mr. Clayton to pause the approval, the people said.

A spokesman for Mr. Clayton declined to comment at the time. Natalie Strom, a White House spokeswoman, said at the time that the Trump administration respects the SEC’s independence. “The White House does not direct the actions of the SEC,” she said.

The lead investor in the deal, Chongqing Casin Enterprise Group Co. , would have owned 20% of the exchange's parent company. Chongqing Casin is controlled by Shengju Lu, whose son Jay Lu would have owned a 19.5% stake in the company.

Two other China-based firms, Chongqing Jintian Industrial Co. and Chongqing Longshang Decoration Co. , had agreed to invest about \$8 million as part of a consortium that offered \$20 million to purchase the exchange, rising to \$25 million if the exchange hit future revenue targets. The firms' managers dropped out in the fall due to political criticism of the deal in Congress and the slow approval process at the SEC, people familiar with the matter said.

Their withdrawal left Casin Group as the only China-based investor in the group. Proposed U.S. investors included Raptor Group, the family office of former hedge-fund manager Jim Pallotta; and Anthony Saliba, a current board member of CHX Holdings who runs an options-trading and technology firm, Matrix Holding Group.

The SEC was repeatedly pressured to block the sale by lawmakers including Rep. Robert Pittenger (R., N.C.), who said the regulator couldn't reasonably expect to monitor the involvement of owners based in China. Sens. Jon Tester (D., Mont.) and Tim Scott (R., S.C.) also came out against the sale.

A firm called Exchange Capital LLC, which has lobbied Congress for months to put pressure on regulators to block the deal, previously said it wanted to buy the Chicago bourse if Chongqing Casin's bid fell through, according to lobbyists and others familiar with the matter.

SEC officials declined to disclose how the vote of the five-member commission broke down.

Write to Dave Michaels at [dave.michaels@wsj.com](mailto:dave.michaels@wsj.com)

Appeared in the February 16, 2018, print edition as 'SEC Blocks Sale of Exchange To Chinese.'

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The Wall Street Journal

[States Worry You May Claim 529 Tax Exemption for K-12 School Tuition](#)  
[Officials fear big hit to tax revenues by letting more parents use the savings plans for education costs](#)

By Michelle Hackman

Feb. 16, 2018 6:30 a.m. ET

State officials across the country are increasingly worried that a provision in the new tax law extending college savings accounts to K-12 expenses will blow an unexpected hole in their budgets.

The federal government created modern 529 savings plans in the mid-1990s that allow families to put away money for education and allow it to grow tax-free. As an added incentive, more than 30 states offer their own tax breaks to people who put money into the accounts.

In December, as part of a broad tax overhaul, Congress expanded the accounts to cover up to \$10,000 a year in expenses for kindergarten through 12th grade.

State budget officials are now concerned that a large number of parents will use 529 accounts to pay private-school tuition, giving them a new write-off for their state taxes.

That could result in potentially millions of dollars in lost tax revenue at a time when most states are struggling to close budget deficits.

"I'm worried that families could use these accounts to avoid paying state taxes," said Illinois state treasurer Mike Frerichs, a Democrat. "This is only going to put a deeper hole in the budget."

The dispute is in part between state and federal officials, but it also often breaks down along party lines. Many Republicans favor tax breaks for families who send children to private or religious schools, which they see as a way to help parents, while Democrats worry that such breaks subsidize wealthy people and exclusive schools.

[States Worry You May Claim 529 Tax Exemption for K-12 School Tuition](#)

The expansion of 529 savings accounts, added to the tax bill at the last moment through an amendment from Sen.



Ted Cruz (R., Texas), was a victory for advocates of private-school choice, who have struggled to push through other priorities such as a national voucher program.

Fifty senators voted against Mr. Cruz's amendment, including two Republicans, forcing Vice President Mike Pence to break the tie in favor of the measure. Opponents of the policy view the expansion as a backdoor way of creating a voucher system, as it directs public resources toward private, often religious schools.

The Cruz provision is projected to cost the federal government \$500 million over nearly a decade, but it could cost the states much more, research suggests. Across the country, about 6.3 million children attended private elementary or secondary schools in 2017, compared with 52 million children enrolled in public schools.

Some critics say the GOP-led Congress is essentially imposing a social policy on the states—a criticism Republicans have frequently directed at Democrats.

"It's not federalist at all," said Nat Malkus, deputy director of education policy at the American Enterprise Institute, a center-right think tank. "I don't think that the federal government should be cavalierly making problems for states by messing with state taxes."

Some proponents of expanding tax benefits to private schools, including Education Secretary Betsy DeVos, also say the Cruz approach isn't the most efficient, since it will primarily benefit wealthier families who can already afford to send their children to private schools.

"It's a step in the right direction," Mrs. DeVos told reporters in December. "But it doesn't address the needs of parents who are from lower incomes, and does not empower them in significant ways."

Some red states have embraced the change. In Missouri, state officials have launched a social-media campaign to tell residents they can use 529 accounts, and the state's \$8,000-a-person tax deduction, for primary and secondary school expenses.

"Anything we can do to make education more affordable and let people save more of their own money is a good thing in my book," said Missouri's state treasurer, Eric Schmitt, a Republican.

Other states are expressing concern, some more publicly than others. In Indiana, where the state offers a \$1,000 tax credit to anyone putting money in a 529 account, the state could lose \$117 million a year, according to an estimate from Mr. Malkus. Pennsylvania could stand to lose \$92 million.

New York is one of eight to specify that its education tax breaks go solely for college expenses. But pressure is growing on state officials from some parents and lawmakers to open up the state's \$10,000 tax deduction to private K-12 expenses.

Some state officials fear that they take that step, parents of the 465,000 New York children enrolled in private schools could simply deposit money intended for tuition into a 529 account and withdraw the money days later, rather than letting the money accrue over time to use for college expenses. The change could cost New York \$120 million a year, according to Mr. Malkus's estimate.

The New York State Division of the Budget didn't respond to a request for comment.

Some states contend Mr. Malkus's estimates of their potential tax losses are high, but he stands by his work.

In several other states that don't automatically extend tax benefits in accordance with the new federal law, state lawmakers have proposed legislation to do so. So far this year, bills have been proposed in Wisconsin, Alabama, Illinois and Iowa, among others.

Iowa's state treasurer, Mike Fitzgerald, a Democrat, said he has concerns about his state's bill, but added that publicity around the federal changes is creating political pressure. "The press is telling everyone, 'Look at this sweetheart deal you've got now,' " he said.

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Politico

[Chinese thwarted in bid to buy Chicago Stock Exchange](#)

By PATRICK TEMPLE-WEST  
| 02/16/2018 09:46 AM EST

The Securities and Exchange Commission on Thursday rejected the proposed acquisition of the Chicago Stock

Exchange by a Chinese-led group of investors, halting a deal that had sparked an uproar on Capitol Hill and was criticized by Donald Trump during the presidential campaign.

In an order on its website, the SEC said key parts of the deal were flawed. Those concerns were significant enough that the agency said it did not even need to address fears about Chinese government interference in U.S. markets, the main objection from critics.

"We have concluded that the Exchange has not met its burden to show that approval of the proposed rule change is appropriate," the agency said. "Accordingly, it is not necessary for us to consider either the relevance of such foreign investment concerns to our statutory review of this proposed rule change or the merits of the concerns themselves."

The deal, initially proposed in February 2016, would have had China's Chongqing Casin Enterprise Group Co. as the lead investor in the exchange through a subsidiary, North America Casin Holdings.

What makes the SEC rejection so striking is that U.S. officials had already decided that the purchase would not pose a national security threat. In December 2016, under then-President Barack Obama, the Committee on Foreign Investment in the United States, an interagency group that examines proposed acquisitions for potential security risks, approved the deal.

Lawmakers from both parties disagreed with the committee's assessment, and Rep. Robert Pittenger (R-N.C.), who led a two-year, bipartisan effort to pressure regulators to block the deal, welcomed the SEC decision.

"This has been a long fight, and I am grateful we now have a president who recognizes the national security threats of allowing a Chinese government-affiliated company to own the Chicago Stock Exchange," Pittenger said in a statement. "The Obama Administration was misguided and fully endorsed this transaction."

While Trump has been mostly silent about the acquisition of the iconic stock exchange since he became president, days after the deal was announced in early 2016, candidate Trump blasted the proposal as an illustration of how the U.S. is losing its competitiveness to China.

"China bought the Chicago Stock Exchange — China, a Chinese company," Trump said in a nationally televised debate in South Carolina. "They are taking our jobs. They are taking our wealth. They are taking our base,"

The Chicago Stock Exchange, or CHX, handles just 0.5 percent of the \$22 trillion U.S. equities market. But with the Chinese investment, CHX — one of the nation's oldest exchanges — might have been able to open an exchange in China, its CEO has said. Separately, CHX eventually wants to list Chinese companies in the U.S.

The SEC had telegraphed its decision months ago. In August 2017, after Jay Clayton, Trump's nominee to lead the SEC, took his seat as chairman, the agency delayed a likely green light for the deal. The SEC's staff had initially signed off on the acquisition, a move that usually signals a done deal.

The exchange could appeal the SEC's decision, but it is uncertain if it will do so. A spokesman declined to comment after the SEC ruling. A rival group of unnamed investors is also interested in acquiring CHX.

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Administration

The New York Times

[In Pursuit of Peace, Trump Generates Rare Friction With Netanyahu](#)

By MARK LANDLER FEB. 15, 2018

WASHINGTON — Even before Prime Minister Benjamin Netanyahu's legal setback this week, a rare fissure had opened up between him and President Trump. The White House rebutted reports that he and the Americans had discussed annexing parts of the West Bank, and Mr. Trump voiced fresh concerns about Israel's openness to a peace accord.

White House officials insisted on Wednesday that the recommendation of bribery and fraud charges against Mr. Netanyahu would have "no impact on the timing or content" of a peace plan. But Mr. Trump has not rallied publicly to the Israeli leader's defense, and veterans of Middle East diplomacy said his troubles could pose an unpredictable new obstacle to Mr. Trump's peacemaking efforts.

For a president who has embraced Mr. Netanyahu at every turn, the pushback on Israel was striking. Coming two months after Mr. Trump alienated the Palestinians by recognizing Jerusalem as the capital of Israel, it

suggests that the administration is recalibrating its approach to the two sides as it wrestles with when, and how, to present a peace proposal.

Secretary of State Rex W. Tillerson said on Wednesday in Amman, Jordan, that the plan was “fairly well advanced” and added, “It’ll be up to the president to decide when he feels it’s time and he’s ready to put that plan forward.”

The lack of visible progress, and the cone of silence, surrounding the peace initiative have raised questions about how much of a plan the White House really has. Several officials, however, said that the proposal being devised by two of Mr. Trump’s aides, Jared Kushner and Jason D. Greenblatt, was detailed and substantive, and that Mr. Trump’s willingness to risk friction with Mr. Netanyahu over it showed that he was more, not less, committed.

Certainly, Mr. Trump is not missing chances to press his case. Aides recount, for example, that last month, when he reached Treasury Secretary Steven Mnuchin on his cellphone in Davos, Switzerland, Mr. Mnuchin relayed that he was in a meeting with King Abdullah II of Jordan. Mr. Trump requested to speak to the king, whom he then asked for help in dealing with the aggrieved president of the Palestinian Authority, Mahmoud Abbas.

There are no signs that Mr. Abbas is softening. The Palestinians broke ties with the administration in December, after Mr. Trump recognized Jerusalem as the capital and announced plans to move the American Embassy from Tel Aviv. They complained bitterly that the United States had forfeited its role as a credible broker between them and the Israelis.

Their fury only deepened when Mr. Trump declared last month at a meeting with Mr. Netanyahu that he had taken Jerusalem “off the table.” Palestinians have long aspired to have East Jerusalem as the capital of a Palestinian state. Mr. Abbas set off on a tour of world capitals, including Moscow, to see whether he could find another leader for the peace process.

Administration officials said they were confident that the Palestinians would recognize their lack of options and return to the fold eventually. But after swinging so heavily toward Israel, they also seem to realize the need to restore a semblance of balance to the statements made by administration officials.

Mr. Trump’s tone first changed on Sunday, when he told a right-wing newspaper, Israel Hayom, that he was concerned about the growth of Jewish settlements on the West Bank. “Settlements,” he said, “are something that very much complicates and always have complicated making peace.”

Asked what he meant by “taking Jerusalem off the table,” the president said, “Jerusalem is the capital of Israel, and as for specific boundaries, I would support what both sides agreed to” — language drafted by Mr. Greenblatt to keep open at least the veneer of a negotiated settlement.

While Mr. Trump criticized the Palestinians for “not looking to make peace,” he added, “I am not necessarily sure that Israel is looking to make peace.”

Mr. Trump has issued statements like those before, but officials noted that in this case, he was making them to a Hebrew-language paper read by the Israeli right. Among the paper’s key investors is Sheldon G. Adelson, the Las Vegas casino magnate who is one of Mr. Trump’s biggest donors and a driving force behind the Jerusalem decision.

“They have some messages that need to be delivered to the Israeli side,” said Daniel B. Shapiro, who served as Barack Obama’s ambassador to Israel. “It may presage that the president means what he says: that he would expect Israel to put some chips on the table.”

On Monday, after reports in the Israeli news media that Mr. Netanyahu had told members of his Likud Party that he had discussed with the United States a plan for Israel to annex territory in the West Bank, the White House gave an unusually blunt denial.

“The United States and Israel have never discussed such a proposal,” said a White House spokesman, Josh Raffel, “and the president’s focus remains squarely on his Israeli-Palestinian peace initiative.”

Analysts said Mr. Netanyahu’s reference to talks with the United States reflected his legal troubles. He was trying to head off legislation annexing West Bank territory. But he was also trying to shore up support among hard-line members of his party in advance of the recommendation that he be charged with bribery, fraud and breach of trust.

How those legal travails will affect Mr. Netanyahu’s approach to a peace deal is hard to predict, analysts said, though some said they expected him to emphasize security issues over peacemaking for the next few months — a



strategy that could lead to further friction with Mr. Trump.

“The rebuke of Bibi is quite unprecedented in the annals of the Trump-Bibi relationship,” said Martin S. Indyk, who was Bill Clinton’s ambassador to Israel, using Mr. Netanyahu’s nickname. “This is about their desire to preserve their credibility for the peace process, having damaged it so much with the Jerusalem announcement.”

The White House noted that Mr. Trump plans to meet with Mr. Netanyahu next month when the prime minister takes part in the annual meeting of the American Israel Public Affairs Committee, the nation’s most powerful pro-Israel lobbying group. The meeting was long planned, said Mr. Raffel, who noted that the two men have a “tremendous relationship.”

Analysts said the White House would need more than a few sharp-edged statements toward Israel to persuade the Palestinians that the process was not stacked against them. In private, administration officials are scathing about Mr. Abbas and the Palestinian leadership.

The Palestinian Authority faces other potential blows in Washington, like a congressional cutoff of American economic aid because of its funding of terrorism and the closing of the Palestine Liberation Organization’s office in the capital.

Write A Comment

The United States is working with Saudi Arabia and other Arab countries to line up hundreds of millions of dollars in financial support for the Palestinians. But even that might not prove sufficient to persuade them to sign Mr. Trump’s deal.

“They’ve so dug themselves in on Jerusalem,” said Aaron David Miller, a former Middle East negotiator. “They’re going to have to figure out how to give the Palestinians more than 20 cents on the dollar.”

A version of this article appears in print on February 16, 2018, on Page A10 of the New York edition with the headline: In Pursuit of Peace, Friction With Israel. Order Reprints| Today's Paper|Subscribe

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Other News

The Washington Post

[Kim Yo Jong does not accurately represent North Korea. Here is the reality.](#)

By Marc A. Thiessen

February 16 at 7:54 AM

Watching the media fawning over the North Korean delegation at the PyeongChang Olympics, I recalled a picture that my old boss, Defense Secretary Donald Rumsfeld, kept under the glass of a table in his office — a satellite photo of the Korean Peninsula at night. At the bottom, awash in light, is the free and democratic South. Meanwhile, the North is in complete darkness, save for a tiny pinprick of light in Pyongyang. The two countries, Rumsfeld would often point out, have the same people and the same natural resources. Yet one is glowing with the light of freedom, innovation and enterprise, while the other is enveloped in the total darkness of human misery.

Keep that darkness in mind while watching North Korea’s Olympic charm offensive over these two weeks. Kim Yo Jong, a sister of Kim Jong Un, is not the “North Korean Ivanka.” She is the deputy director of the Propaganda and Agitation Department, a senior leader of the most brutal repressive totalitarian regime on the face of the Earth. As one defector told The Post last year, “It’s like a religion. From birth, you learn about the Kim family, learn that they are gods, that you must be absolutely obedient to the Kim family.”

Any perceived disloyalty to the Kim family can result in a visit in the middle of the night from the Bowibu — the North Korean secret police — that could send not just the offender but also three generations of his or her relatives to labor camps for life. North Korea’s system of “reeducation” camps, which was recently mapped by satellite by the Committee for Human Rights in North Korea, is the most extensive in the world. Under three generations of Kims, hundreds of thousands have been imprisoned and killed in these prisons. People in the camps undergo the most brutal forms of torture and punishment imaginable, including being hung on hooks over open fires, while women raped by camp guards undergo forced abortions and prisoners who die of starvation are fed to dogs.

Yet the camps are simply prisons within a larger prison. The entire country is one giant gulag. Because of widespread malnutrition, North Koreans are between 1.2 and 3.1 inches shorter than South Koreans, and because of economic mismanagement, 97 percent of the roads are unpaved. According to my American Enterprise Institute colleague Nicholas Eberstadt, up to 1 million North Koreans died of starvation in famine that followed the collapse of the Soviet Union. “It was the only time in history that people have starved en masse in an

urbanized, literate society during peacetime,” he writes. North Korea’s people starve while the regime pours its resources into its messianic quest to deploy nuclear missiles capable of reaching and destroying American cities.

Gruesome executions are not limited to the camps. Ten thousand spectators were forced to watch as 11 North Korean musicians were lashed to the barrels of antiaircraft guns, which were then fired one by one. “The musicians just disappeared each time the guns were fired into them,” one witness said, “Their bodies were blown to bits, totally destroyed, blood and bits flying everywhere. And then, after that, military tanks moved in and they ran over the bits on the ground where the remains lay.”

Even among the elites, there is no safety. In 2016, North Korea’s vice premier for education was executed for not keeping his posture upright at a public event. Defense Minister Hyon Yong Chol was reportedly pounded to death with artillery fire for the crime of falling asleep at a parade. And if you wonder why those North Korean cheerleaders stay in such perfect sync, maybe it’s because they remember 21 cheerleaders being sent to a prison camp just for speaking about what they saw in South Korea.

This is the brutality that Kim Yo Jong represents. Yet despite this cruel reality, media outlets could not help fawning over the North Korean delegation. Reuters declared Kim Yo Jong the “winner of diplomatic gold at Olympics.” CNN gushed how “with a smile, a handshake and a warm message in South Korea’s presidential guest book, Kim Yo Jong has struck a chord with the public.” NBC even tweeted a photo of the North Korean cheerleaders with the heading “This is so satisfying to watch.” Seriously?

Instead of normalizing the regime, this should be an opportunity to educate the massive Olympic audience about the realities of life in North Korea under the murderous Kim crime family that is pursuing the ability to threaten American cities with nuclear destruction.

Marc Thiessen writes a twice-weekly column for The Post on foreign and domestic policy and contributes to the PostPartisan blog. He is a fellow at the American Enterprise Institute, and the former chief speechwriter for President George W. Bush. □ Follow @marcthiessen

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The New York Times

[Diplomats in Cuba Suffered Brain Injuries. Experts Still Don’t Know Why.](#)

By GINA KOLATA FEB. 15, 2018

A group of American diplomats stationed in Havana appear to have symptoms of concussion without ever having received blows to their heads, medical experts have found.

The diplomats originally were said to have been victims of a “sonic attack,” a possibility that the Federal Bureau of Investigation reportedly ruled out in January.

The experts’ report, published late Wednesday in the journal JAMA, does not solve the mystery, instead raising even more questions about what could have caused the brain injuries.

The incidents occurred in 2016, when 18 of the 21 affected diplomats reported they heard strange sounds in their homes or hotel rooms. The noises were loud and sounded like buzzing or grinding metal, or piercing squeals or humming, the diplomats recalled.

Many said they felt increased air pressure, as if they were riding in a car with the windows rolled partway down. Three diplomats said they felt a vibration.

All but one reported immediate symptoms: headache, pain in one ear, loss of hearing. Days or weeks later, other symptoms emerged, including memory problems, an inability to concentrate, mood problems, headaches and fatigue.

The State Department asked researchers at the University of Pennsylvania to investigate. Their report confirmed neurological problems in the diplomats, including signs of what appear to be concussions.

“The study was conducted by the top concussion research team in the world utilizing state-of-the-art methods,” said C. Edward Dixon, a professor of neurological surgery at the University of Pittsburgh, who was not involved in the research. The findings suggest “a significant brain insult,” he said.

Other experts were less convinced, noting inherent weaknesses in such a study despite the expertise of the group conducting it. It would be premature, they said, to conclude there is a mysterious new medical syndrome with an unknown cause.

The study’s lead author, Dr. Douglas H. Smith, director of the Center for Brain Injury and Repair at the

University of Pennsylvania, emphasized that there is much more to learn.

“This is a preliminary report,” he said. “We thought it was important to get it out from a public health standpoint.”

But, he added, the patients’ symptoms were notable. “Uniformly, everyone who saw these patients was absolutely convinced,” he said. “It looked like concussion pathology. Processing speed, inability to remember — those are such classic symptoms we see in concussion.”

“We all believe this is a real syndrome,” Dr. Smith added. “This is concussion without blunt head trauma.”

Like concussion patients, some of the diplomats improved on their own, while others recovered only after therapy to regain balance or cognition. “Many went from being miserable to returning to work,” Dr. Smith said.

Dr. Smith and his colleagues do not think audible sound caused the injuries, as sound in an audible range does not damage the brain. Perhaps, they speculated, a device that produced another sort of harmful energy also produced an audible sound. Low-frequency infrasound, high-frequency ultrasound and microwaves have all been shown to damage the brain, the researchers noted.

One drawback to the report is that there was no comparison group, said Karen Postal, immediate past president of the American Academy of Clinical Neuropsychology.

The researchers relied on a battery of cognitive tests that determined cognition had been weakened or impaired if scores were below the 40th percentile. But scores between the 25th and 75th percentiles are considered normal, Dr. Postal noted.

A control group would have shown whether the diplomats who were posted in Cuba did better or worse than other subjects similar to them — ideally others in the State Department who also reported sleep problems, which can interfere with thinking.

“It is common for non-brain-injured people to have one or two low scores when given a large set of tests,” Dr. Postal said. “These test results may represent normal variability.”

Dr. Christopher Muth, a neurologist at Rush University Medical Center in Chicago, wrote an accompanying editorial noting that the report should be viewed with caution.

The diplomats were examined an average of 203 days after the purported incidents, and it is not known if they spoke to one another about their symptoms.

“With certain symptoms, you have to take the word of people describing the symptoms,” Dr. Muth said in a telephone interview.

At the same time, the examiners knew the patients had been complaining of neurological symptoms, he noted. Some of the findings depend on the doctor’s subjective interpretation, which could have been biased.

Since many of these symptoms are common in the general population, “you don’t necessarily have to evoke a whole new syndrome to explain them,” Dr. Muth said. “At the same time, no one clear diagnosis immediately comes to mind that can fully explain all of the reported findings.”

Dr. Lee Schwamm, vice chairman of the neurology department at Massachusetts General Hospital, also was unconvinced by the findings.

“I don’t want anyone to think these patients are making this up,” he said. The patients “deserve a tremendous amount of compassion and evaluation.”

But weaknesses in the study — which are no fault of the researchers — give him pause. The fact that more than 200 days passed before the subjects were evaluated raises the risk of “recall bias,” he said: the patient’s memory of the initial exposure becomes less reliable.

“We need to keep open the possibility that in a state of heightened vigilance and anxiety, it is quite natural for individuals to develop the same symptoms,” he added. “Sometimes a suggestion can provoke symptoms.”

Send e-mails to [kolata@nytimes.com](mailto:kolata@nytimes.com)

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The Financial Times

[China's accession to WTO has been a boon, not an error](#)

[The US economy has enjoyed significant benefits from its inclusion](#)

Andy Rothman

February 15, 2018

It was a mistake for the US to support China's membership into the World Trade Organisation and negotiating new trade deals with Beijing is a waste of time. That, at least, is the flawed view of the Trump administration's Office of the US Trade Representative.

In a January 2018 report, USTR declared that "the US erred in supporting China's entry into the WTO" and that high-level bilateral talks designed to advance market access "have largely failed". This is a remarkable change in perspective.

A little more than a year ago, under the Obama administration, the very same agency wrote that "data confirms a dramatic expansion in trade and investment among China and its many trading partners, including the US, since China joined the WTO", noting that exports of American goods to China have increased by 500 per cent since 2001, "positioning China as the US's largest goods market outside of North America".

In January 2017, USTR stated that after joining the WTO, "the Chinese government took many steps to implement China's numerous commitments", which "unquestionably deepened China's integration into the WTO's rules-based international trading system". USTR also said that bilateral talks in the prior year [2016] had resulted in "significant progress" on a wide range of "key trade and investment issues".

China's WTO accession has delivered

In my view, China's 2001 entry into the WTO has delivered benefits to a wide range of Americans and Chinese.

China's inclusion in the WTO has been a boon to many American companies. During the 15-year period when US exports to China rose by 500 per cent, our exports to the rest of the world were up by only 90 per cent.

Exports to China are especially important to American farmers. China is their largest overseas market and since China's WTO accession, the value of US agricultural exports to China has risen by 1,000 per cent. Shipments of American soybeans, for example, rose 13-fold.

While it is true that US firms continue to battle against non-tariff barriers and non-transparent government regulatory policy in China, many American companies have done well in that market. Boeing, for example, has over the last five years delivered more aircraft in China than in the US. The American Chamber of Commerce in China recently reported that nearly three-quarters of their member companies are profitable, the highest proportion in three years.

Exports to China create American jobs

You've probably read reports that imports from China led to 2.4m US job losses. But those jobs were lost over a more than 10-year period, while another study found that US exports to China directly and indirectly supported 1.8m new jobs in just one year, 2015.

Another overlooked point is that imports from China are good for American household budgets. A study by economists at the New York Fed and other institutions concludes that "US consumers gained from China's WTO entry through lower prices on varieties of manufactured goods".

Structural change in China

The Trump administration's USTR report makes one other significant gaffe, claiming that "the state's role in the [Chinese] economy has increased". In fact, China's WTO accession has driven structural changes in that country's own economy, which have given Chinese people a better standard of living and more personal (although not yet political) freedom.

The absence of political rights and the rule of law are serious long-term problems, but Chinese people have the freedom to run their own lives to a degree that was unimaginable just 25 years ago. And, in my view, continued expansion of personal freedom and wealth creation will inevitably lead to more political rights.

For many years, China's economy was dependent on investment. Today, domestic consumption accounts for the majority of economic growth and more than half of GDP.

When I first worked in China during the early-1980s, there were no private companies. But small.

When a firm moved to China during the early 2000s, there were no private companies. But today, entrepreneurial private firms now account for 85 per cent of urban employment and all new job creation.

Since 2001, per capita urban household income rose by 431 per cent in China. As a result, spending by Chinese consumers — which was equal to only 27 per cent of US retail sales a decade ago — was equal to 90 per cent of American consumer spending in 2017, and is likely to surpass US retail spending by the end of the decade.

This has opened up opportunities for many publicly listed American companies. General Motors sells more vehicles in China than it does in the US, and China accounts for about 20 per cent of GM's global earnings. China contributes 19 per cent of Apple's revenue. Nike shoe sales in China rose 19 per cent over the past quarter and accounted for about 15 per cent of total revenue. China contributes roughly 15 per cent of global earnings for firms such as Nvidia, Dolby and Tesla.

Challenges remain, but engagement will deliver more than protectionism

Despite all of this progress, many challenges remain. China, for example, continues to restrict market access for foreign firms in sectors such as technology, pharmaceuticals, financial services and accounting. The Trump administration should focus on this, rather than on reducing the US trade deficit with China. The trade deficit has little impact on US employment and is determined by balances between savings and investments, rather than by trade policy.

Protectionist policies by the Trump administration would not further open Chinese markets for US firms. Rather, such steps would lead to retaliation, which would reduce US exports and harm the many American jobs they support. Protectionism would hurt American families, because imports have resulted in more affordable prices for many consumer goods.

Andy Rothman is Investment Strategist at Matthews Asia, an asset management firm.

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The Wall Street Journal

[Turkey and U.S. Promise to Work Together Over Tensions, But Offer Little Concrete](#)  
[Secretary of State Rex Tillerson says NATO allies will 'lock arms,' but they appear at odds over conflicting strategies in Syria](#)

By Felicia Schwartz

Feb. 16, 2018 6:57 a.m. ET

ANKARA, Turkey—Secretary of State Rex Tillerson on Friday said the U.S. and Turkey won't "act alone any longer," but the North Atlantic Treaty Organization allies fell short of immediate concrete steps to improve what the top U.S. diplomat described as a "crisis point" in relations.

The two countries instead pledged to form groups that will begin meeting by next month to work through shared concerns over their differing strategies in Syria and other tensions.

"We're not going to be U.S. doing one thing, Turkey doing another...we're going to lock arms, we're going to work through the issues that are causing difficulties," Mr. Tillerson said, alongside Turkey's foreign minister Mevlut Cavusoglu after a series of engagements between senior Trump administration officials and Ankara over the week.

The allies still appeared to be at loggerheads over Turkey's actions in Afrin, the enclave in northern Syria where Turkey has launched an offensive on forces allied with Kurdish troops backed by the U.S.

Mr. Tillerson urged restraint in Afrin. Mr. Cavusoglu, meanwhile, said the U.S. and Turkey could only begin to work together in Syria once the main Syrian Kurdish militia, known as YPG, a key ally in the U.S. fight against Islamic State, is moved out of the nearby city of Manbij.

"We're going to address Manbij first, that's one of the things we're going to work on," Mr. Tillerson said. There are U.S. troops in Manbij working with Syrian Democratic Forces, and U.S. officials are concerned Turkey could advance there.

Mr. Cavusoglu said further cooperation on Syria wouldn't happen without movement on the U.S. side. "We can take steps with the USA based on trust, but first, the YPG needs to withdraw."

One possibility is co-location of American and Turkish troops in Manbij, officials said, but discussions are at an

...the possibility of a return to civilian rule...  
early stage.

In 2016 during the Obama administration, the U.S. had promised that Syrian Kurdish fighters it supports wouldn't cross west of Euphrates as they advanced on Islamic State positions heading both south and west, but they ultimately did, with U.S. backing.

"The United States made commitments to Turkey previously, we've not completed fulfilling those commitments...Manbij is going to receive priority," Mr. Tillerson said.

After Mr. Tillerson and Turkish President Recep Tayyip Erdogan met for 3 1/2 hours late Thursday. Mr. Erdogan and Mr. Tillerson reached agreement on most points that evening, with officials hammering out some details before the joint press conference.

The officials worked late into the night, dispatching their aides to continue discussions without them early Friday morning. Mr. Tillerson then met with Mr. Cavusoglu on Friday morning. But they released only a short joint statement after the press conference that said little about what they would actually do to calm soaring tensions, particularly over Syria.

Mr. Tillerson's meetings followed others this week by Defense Secretary Jim Mattis and National Security Adviser Lt. Gen. H.R. McMaster with their Turkish counterparts. Mr. Mattis and his counterpart exchanged detailed plans on Thursday in Brussels about what to do in northern Syria, an official familiar with the meeting said.

Amid public and official outrage against U.S. policies in Turkey, Mr. Cavusoglu said Ankara and Washington were no strangers to rocky relations. The two NATO allies previously overcame disputes at critical junctures, he said, adding, "Turkey and the U.S.A. have for many years advanced their strategic partnership by deepening it."

In a sign of the charged atmosphere, several dozen protesters from a nationalist party chanted anti-American slogans and waved Turkish flags outside the Ankara Palas, where Mr. Tillerson and Mr. Cavusoglu were meeting.

—Julian E. Barnes in Munich and Emre Peker in Brussels contributed to this article.

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## RE: UKRAINE-EO13661-2016-337481-1

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**From:** (b)(6)  
**To:** (b)(6)  
**Date:** Tue, 20 Feb 2018 11:44:29 -0500

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OK. Thanks.

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**From:** (b)(6)  
**Sent:** Tuesday, February 20, 2018 11:43 AM  
**To:** (b)(6)  
**Subject:** RE: UKRAINE-EO13661-2016-337481-1

Hi (b)(6)

Today will be a little busy because (b)(6) is coming on board, but tomorrow should be better.

Thanks,

(b)(6)

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**From:** (b)(6)  
**Sent:** Tuesday, February 20, 2018 11:28 AM  
**To:** (b)(6)  
**Subject:** FW: UKRAINE-EO13661-2016-337481-1

(b)(6)  
Please let me know when you have a moment.  
Thanks,

(b)(6)

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**From:** (b)(6)  
**Sent:** Tuesday, February 20, 2018 9:52 AM  
**To:** (b)(6)  
**Subject:** UKRAINE-EO13661-2016-337481-1

PRE-DECISIONAL AND DELIBERATIVE  
PRIVILEGED – ATTORNEY-CLIENT COMMUNICATION

Gentlemen,

(b)(5)

(b)(5)

Thanks.  
(b)(6)

**RE: UKRAINE-EO13661-2016-337481-1**

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**From:** (b)(6)  
**To:** (b)(6)  
**Date:** Wed, 21 Feb 2018 09:03:46 -0500  
**Attachments:** SWIFT Kalashnikov.pdf (1 MB)

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LAW ENFORCEMENT SENSITIVE NO FOIA

(b)(6),

(b)(5)

(b)(5)

I will be pleased to abide by the decision taken.

Thanks,  
(b)(6)

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**From:** (b)(6)  
**Sent:** Tuesday, February 20, 2018 9:52 AM  
**To:** (b)(6)  
**Subject:** UKRAINE-EO13661-2016-337481-1

PRE-DECISIONAL AND DELIBERATIVE  
PRIVILEGED – ATTORNEY-CLIENT COMMUNICATION

Gentlemen,

(b)(5)

(b)(5)

Thanks,  
(b)(6)

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<https://www.nytimes.com/.../the-first-woman-to-translate-the-odyssey-into-english.html>

2018-08-116: 008999

**RE: UKRAINE-EO13661-2016-337481-1**

---

**From:** (b)(6)  
**To:** (b)(6)  
**Date:** Wed, 21 Feb 2018 11:00:23 -0500

Hi (b)(6):

Sure.

---

**From:** (b)(6)  
**Sent:** Wednesday, February 21, 2018 10:52 AM  
**To:** (b)(6)  
**Subject:** RE: UKRAINE-EO13661-2016-337481-1

May I stick my head in the door for 30 seconds?

---

**From:** (b)(6)  
**Sent:** Wednesday, February 21, 2018 10:04 AM  
**To:** (b)(6)  
**Subject:** RE: UKRAINE-EO13661-2016-337481-1

Hi (b)(6):

Good morning, (b)(6) and I were wondering that if (b)(5)  
(b)(5)

Thank you,

(b)(6)

---

**From:** (b)(6)  
**Sent:** Wednesday, February 21, 2018 9:04 AM  
**To:** (b)(6)  
**Subject:** RE: UKRAINE-EO13661-2016-337481-1

~~LAW ENFORCEMENT SENSITIVE~~ NO FOIA

(b)(6),

(b)(5)

(b)(5)

(b)(5)

(b)(5)

I will be pleased to abide by the decision taken.

Thanks,

(b)(6)

---

**From:** (b)(6)  
**Sent:** Tuesday, February 20, 2018 9:52 AM  
**To:** (b)(6)

**Subject:** UKRAINE-EO13661-2016-337481-1

PRE-DECISIONAL AND DELIBERATIVE  
PRIVILEGED – ATTORNEY-CLIENT COMMUNICATION

Gentlemen,

(b)(5)

(b)(5)

Thanks,

(b)(6)



RE: UKRAINE-EO13661-2016-337481-1

---

From: (b)(6)  
To: (b)(6)  
Date: Thu, 22 Feb 2018 10:17:33 -0500

PRE-DECISIONAL AND DELIBERATIVE  
PRIVILEGED – ATTORNEY-CLIENT COMMUNICATION

(b)(6),

(b)(5)

(b)(5)

Thanks.  
(b)(6)

---

From: (b)(6)  
Sent: Wednesday, February 21, 2018 6:43 PM  
To: (b)(6)  
Subject: RE: UKRAINE-EO13661-2016-337481-1

Hi (b)(6):

Thank you for sharing your thoughts on this case. With respect to your second point, I had thought (b)(5)

(b)(5)

(b)(5)

This brings us to your first point about

(b)(5)

(b)(5)

(b)(6)

---

From: (b)(6)  
Sent: Wednesday, February 21, 2018 10:22 AM  
To: (b)(6)  
Subject: RE: UKRAINE-EO13661-2016-337481-1

PRE-DECISIONAL AND DELIBERATIVE  
PRIVILEGED – ATTORNEY-CLIENT COMMUNICATION

I am happy to discuss this further, but want to make two points about (b)(5)  
(b)(5)

1) (b)(5)

(b)(5)

2) (b)(5)

(b)(5)

(b)(5)

---

**From:** (b)(6)  
**Sent:** Wednesday, February 21, 2018 10:04 AM  
**To:** (b)(6)  
**Subject:** RE: UKRAINE-EO13661-2016-337481-1

Hi (b)(6):

Good morning. (b)(6) and I were wondering that if (b)(5)  
(b)(5)

Thank you,

(b)(6)

---

**From:** (b)(6)  
**Sent:** Wednesday, February 21, 2018 9:04 AM  
**To:** (b)(6)  
**Subject:** RE: UKRAINE-EO13661-2016-337481-1

LAW ENFORCEMENT SENSITIVE NO FOIA

(b)(6),

(b)(5)

(b)(5)

(b)(5)

(b)(5)

I will be pleased to abide by the decision taken.

Thanks,

(b)(6)

---

**From:** (b)(6)  
**Sent:** Tuesday, February 20, 2018 9:52 AM  
**To:** (b)(6)  
**Subject:** UKRAINE-EO13661-2016-337481-1

PRE-DECISIONAL AND DELIBERATIVE  
PRIVILEGED – ATTORNEY-CLIENT COMMUNICATION

Gentlemen,

(b)(5)

(b)(5)

Thanks.  
(b)(6)



Bates Nos. 2018-08-116:  
009005-009011

Pending Consultation with  
Department of State

## RE: Press

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**From:** (b)(6)  
**To:** (b)(6)  
**Date:** Tue, 27 Feb 2018 14:35:34 -0500  
**Attachments:** April 28, 2014.pdf (222.46 kB); July 16, 2014.pdf (172.65 kB); July 29, 2014.pdf (161.3 kB); March 17, 2014.pdf (156.01 kB); March 20, 2014.pdf (238.62 kB); September 12, 2014.pdf (170.72 kB); April 11, 2014.pdf (162.53 kB); March 20, 2017.pdf (173.7 kB); November 14 2016.pdf (42 kB); September 1 2016.pdf (55.37 kB); December 20 2016.pdf (50.94 kB); December 22 2015.pdf (54.65 kB); January 26, 2018.pdf (2.96 MB); July 30 2015.pdf (49.09 kB); June 20 2017.pdf (61.58 kB); March 11 2015.pdf (51.26 kB)

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Minus June 20, 2014

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**From:** (b)(6)  
**Sent:** Tuesday, February 27, 2018 2:18 PM  
**To:** (b)(6)  
**Sub**

Here are mine. You can send when ready.