



PUBLIC RELATIONS

Research and Messaging: World Economic Forum Annual Meeting

Davos 2019

Overview

To prepare [CLIENT NAME REDACTED] for the World Economic Forum (WEF) Annual Meeting in Davos, Dukas Linden Public Relations has prepared the following document which outlines the key themes and storylines that are being covered by financial news media, as well as topics that are likely to be top-of-mind for global political, business and civil society leaders attending the event.

We believe these topics are likely to arise in conversations at Davos, as well as in high-level discussions amongst global leaders throughout the remainder of the year.

In order to build this document, our team conducted an audit of the top financial and political news outlets, and analyzed stories that [CLIENT NAME REDACTED] may find it helpful to familiarize herself with. In addition to the media audit, we utilized sources including, but not limited to: academic papers; reports from financial firms such as EY and McKinsey; intergovernmental organizations; think tanks; the WEF website and social media. Sources are linked and embedded throughout the document.

The main components of the document are:

- A summary of the themes that we anticipate will drive the WEF meeting in Davos (p.2)
- The top five themes impacting the financial services industry (p.6)
- A detailed Q&A section on other popular topics of discussion (p.11)

The Dukas Linden team would be glad to discuss this document with the [CLIENT NAME REDACTED] leadership team at their convenience, and we wish them safe travels.

Top Themes For the 2019 WEF Annual Meeting in Davos

- The theme for this year’s World Economic Forum is “Globalization 4.0: Shaping a Global Architecture in the Age of the Fourth Industrial Revolution.” Last year’s WEF Annual Meeting was highlighted by President Donald Trump’s attendance, and many interpreted the theme – “Creating a Shared Future in a Fractured World” – as directed toward his administration’s policies on trade and foreign relations. Thus far, such sentiments have not been expressed about this year’s conference theme, and, due to the ongoing U.S. government shutdown, President Trump and his top officials [are not expected](#) to attend.
- After reviewing the [official WEF overview](#) of the event, we believe top issues of discussion will likely include:
 - The fragility of existing global governance institutions in the face of increased nationalism, protectionism and populism.
 - Ensuring that globalization responds to regional and national needs.
 - How to harness the “Fourth Industrial Revolution” (4IR) to reduce economic inequality, both between nations and within them.
 - Developing new frameworks for nations to cooperatively address global issues, including the future of work, economic growth and social inclusiveness.
 - The need for more effective institutions and methods to address the threat of climate change.

Taken together, these issues reflect the WEF’s goal to foster dialogue and develop solutions to address the challenges of technological advancement and its impact on governments, markets, the global economy and individuals.

Essentially, this year’s focus is on the perceived decay of the post-World War II order, its inability to adapt to recent societal changes, and the need to reimagine longstanding global institutions and multilateral organizations. A related goal is to maximize the benefits of 4IR and Globalization 4.0 and mitigate the risks of both.

These issues are further detailed below.

- **The “Fourth Industrial Revolution” and “Globalization 4.0”:**
 - [The Fourth Industrial Revolution](#) is a concept introduced by WEF founder Klaus Schwab in 2015 that describes the ways in which advancements in technology – especially artificial intelligence, automation, energy, biotech, robotics and

nanotechnology – will significantly disrupt labor markets, governmental institutions and the relationship between humans and work.

- [Globalization 4.0](#) describes how 4IR will necessitate changes to formal institutions governing international trade due to the increasing interconnected nature of governments, corporations and people across borders – especially in labor markets. Trade disputes, protectionism, and economic nationalism suggest that many are losing faith in the Bretton Woods System and free trade; new global structures will be required to regulate emerging technology and manage its associated risks.
- While the last three decades have seen a steady [decline](#) in manufacturing jobs among OECD countries, which some attribute to [trade policy](#) and others attribute to [automation](#), there is less certainty about which sectors will be most impacted by 4IR and new technologies. There is a [debate](#) as to whether low- or middle-skill jobs will experience the sharpest decline, although there is a consensus that high-skill jobs will be the least impacted.

- **Climate Change and Environmental Risks:**

- The World Economic Forum’s [2019 Global Risks Report](#) identifies threats to the environment as a top concern for the WEF’s multistakeholder community, including potential impacts such as: extreme weather events, biodiversity loss, rising sea levels and water crises as a result of drought.
- The WEF report draws heavily on a report published by the U.N.’s Intergovernmental Panel on Climate Change (IPCC), including the IPCC’s estimate that the international community has just [12 years](#) to act in order to prevent global temperatures from rising more than the 1.5 degree Celsius threshold established by the 2015 Paris Agreement.
- The report emphasizes that increased geopolitical tensions make it more challenging to secure global cooperation to confront these climate challenges, and highlights the impact of President Trump’s decision to withdraw the United States from the Paris Agreement (such as maintaining its effectiveness across the globe).
- If the United States formally withdraws as planned – on November 4, 2020 – it will become the only U.N. member nation not party to the treaty.
- [The Paris Agreement](#) focuses on reducing greenhouse gas emissions, developing adaptation mechanisms to reduce the vulnerability of social and biological systems to rising global temperatures, and mobilizing financing to support these efforts.

- [Critics](#) tend to point to the lack of formal binding mechanisms for treaty members, although some critics in the U.S. were most concerned about the financing mechanism through which developed nations are required to provide funds to assist developing nations in their efforts to reduce greenhouse gas emissions. In fact, the latter critique informed President Trump's [decision](#) to withdraw from the agreement.

- **Reforming the International Monetary System:**

- One of the WEF's aims is to serve as a platform for building a more efficient, resilient and equitable international financial system – one that is well-equipped to adapt to rapid technological change and harness that momentum to achieve inclusive growth rates globally.
- Segments of the WEF community remain relatively bullish on the future usefulness of innovations such as cryptocurrencies and blockchain technologies, especially to address perceived inadequacies of the current system in regard to banking and trade. That said, many stakeholders acknowledge the need for regulation to address the [risks](#) of money laundering, fraud and terrorist financing as new technologies gain acceptance.
- One key area the WEF has targeted is socioeconomic inequality, especially in the context of boosting inclusive economic growth. In a [white paper](#), a WEF committee analyzed the economic growth of 103 countries. The report concludes: “*GDP growth cannot in and of itself be relied on to generate inclusive socioeconomic progress and broad-based improvement in living standards.*” The authors suggest that income redistribution mechanisms in advanced economies are capable of ensuring inclusive economic growth; however, those suggestions have been underdeveloped due to a lack of attention by policymakers or political viability.
- While many point to the need to reform international monetary and financial systems to adapt to technological change, there are few concrete policy proposals or suggestions for structural change available for review. A [white paper](#) prepared by a WEF committee points to a sort of paradox: while financial activity is less centralized than ever before, it is also more interconnected.

- **Decentralization Trends:**

- Many believe the US dollar's days as the dominant reserve currency are [coming to an end](#) and that the euro and Chinese yuan will become equally important reserve currencies. Some also point to the decline in importance of paper/flat money and the rise of cryptocurrencies, as well as the introduction of other

“fintech” products that will shift the locus of financial activity from banks and traditional institutions to individuals and corporations.

- Integration trends stand out, as financial activity in all its forms has become deeply interconnected as a result of emerging technologies that connect consumers, institutions and businesses on a global scale. China, India, and emerging Asia are increasingly integrated – and influential – members of the global economy, and we are approaching a tipping point at which universal access to financial services will be a reality instead of a goal. That said, globalization and closer integration has provoked backlash, particularly amongst populations “left behind” by certain cross-border policies and trends.
- The risks to a decentralized but deeply interconnected financial system are clear, according to the WEF report: each locus of financial activity is vulnerable to disruption – be it cyber attacks, asset bubbles, or market shocks – and disruption in one area could easily spread to the rest of the tight network. Without universal cooperation on regulatory standards, cybersecurity capabilities, and other policy measures, the risk of disruption is higher than in a system that is fairly well-centralized.

Top Five Themes Impacting the Financial Services Industry

Given that [CLIENT NAME REDACTED] core business focus is on existing or potential clients working in, or adjacent to, the financial services industry, we felt it important to highlight the most important and prevalent themes in financial services media coverage. What follows below are the themes which have driven recent headlines and that are likely to be top-of-mind for leaders working in banking, consumer finance, asset management and other related areas.

Theme #1: Rising Interest Rates & Growth Fears:

- Despite some [calls from politicians](#) for the Federal Reserve to slow its pace of interest rate hikes, the [U.S. economy remains strong](#), and while the Fed has not disavowed its current course for 2019, it has indicated that it will proceed in a patient and measured manner. In fact, there's little reason to be concerned [about inflation](#), giving Chairman Jerome Powell and the Fed room to slow the pace of rate increases amidst [poor market reactions](#) to current monetary policy. The Fed's thinking seems to be guided by the following factors:
 - There have been calls for the Fed to begin a rate-rising cycle, so that in the event of a recession it [would have room to cut rates](#) to stimulate economic growth.
 - An era of loose monetary policy always ran the risk of creating damaging economic bubbles, which is exactly what happened in U.S. equities. Rising rates now will help [diminish the risk](#) of an bubble "bursting" and damaging the broader economy.
 - Although the Fed is forecasting two rate hikes in 2019, [much will depend](#) on whether economic conditions turn for the worse due to the business cycle or, more ominously, the damaging effects of policy and political decisions (see below).
- Though much depends on U.S. economic conditions, uncertainty abroad regarding items such as [Brexit](#), a weak [banking system in Europe](#) or [growth in China](#) could also force a course correction. Other areas of concern include:
 - As of late last week, the U.S. government remained shut down. This has [caused uncertainty](#) for businesses, consumers, and workers, and could reverse recent strong economic growth. Even after the shutdown is resolved, it will remain a signal of the ongoing dysfunction in Washington and the potential for future turmoil. Jamie Dimon signaled [just that concern](#) last week, noting that consumer worries could drive down financial activity.

- Despite a detente of sorts in December, [trade hostility toward China](#) is ongoing, and just last week the [World Economic Forum](#) warned that an expansion of a trade war is a top global risk. Last year the [IMF lowered](#) its global expectations for growth due in part to worries over trade, and many companies are [blaming](#) weaker results on the dispute. That said, [some believe](#) that a permanent solution to the row between China and the U.S. could actually extend market and economic confidence. In the meantime, Bloomberg predicted that tensions between China and the U.S. [could overshadow](#) other activities in Davos.
- Debt in a [number of areas](#) could pose risks if not alleviated, or if it continues to spread. For instance, corporate debt could [drive down](#) other asset prices in the event of a recession or other economic shock, compounding financial woes for companies, consumers and the U.S. government. Consumer debt, such as mortgages and student loans, has reached [an all-time high](#) in the U.S.; although it is not causing distress now, consumers are using more of their income to service their debt.

Theme #2: Market Volatility:

- Driven by tighter monetary policy, [slowing earnings](#), and political uncertainty, a long run of generally-uninterrupted growth in equity markets appears to be coming to an end. Although there is nothing inherently wrong with a market undergoing downswings and upswings, continued market volatility could signal less confidence in the business world toward current conditions and may negatively impact consumer confidence.
- There are multiple views as to what is driving negative market sentiment. The most frequently-voiced theories include:
 - [Earnings uncertainty](#) means investors are less likely and willing to hold their equities over a medium- or long-term horizon.
 - After bouts of volatility began to spike late last year, many market observers [pointed the finger](#) at algorithms and machine-based trading, in which market cues signalled buying or selling regardless of the investing wisdom behind each trade. However, some contend that this is an overly simplistic explanation, and that broader market forces are driving even algo-initiated trading. In fact, [some argue](#) that the use of newer technologies in 2019 might actually help *alleviate* stock market volatility.
 - [Headline risk](#) can [quickly drive](#) market sentiment and movements, such as an unexpected statement by a political figure or a sudden geopolitical development.

- Some have been [quick to blame](#) the rise of index funds and ETFs for outsized moves, but there has been little data to support this thesis; indeed, both index funds and ETFs make up only small portions of the overall market.
- At least one Fed official has suggested that the Fed [unwinding its balance sheet](#) is behind market jitters, [necessitating](#) a pause in the rate hike cycle.
- There have been consequences to the recent volatility. For instance, we know that investors are holding [high levels of cash](#) through mechanisms such as money market funds, banks have seen trading [revenues drop](#), and safer assets have strengthened. Interestingly, [hedge funds](#) and other stock pickers, who have seen significant investor outflows due to the rise of passive indexes and ETFs, stand to bounce back in 2019 as volatility leads to more investing options.

Theme #3: Policy and Regulation:

- Though it appeared that full-scale overhauls of financial regulation were always unlikely ([except at the margins](#)) under a unified Republican government, those predictions are currently all but void. Now that Democrats have assumed leadership of key oversight committees in the House, such as the Committee on Financial Services under the [leadership](#) of Rep. Maxine Waters, efforts to further loosen restrictions will run into Democratic opposition.
- In fact, financial oversight and regulation will likely remain an important topic for at least the next two years as Democratic candidates launch campaigns for President – and might become a topic of debate in the party itself over the [appropriate type of relationship](#) between lawmakers and the financial services sector.
- There is little doubt that tax reform had a positive impact on the U.S. economy, playing a part in strong economic growth and lower unemployment. However, in 2019 there remain key questions to be resolved regarding the new law, including [rules for qualified opportunity zones](#) and whether to [restore the deduction](#) for state and local taxes.
- Meanwhile, there will be calls for a number of more progressive tax policies, including [higher](#) corporate rates, higher [marginal rates](#), and a [restoration](#) of higher estate taxes. There will certainly be [hearings held](#) on proposed changes, but with a Republican-controlled Senate, and Washington focused on hearings related to the Trump administration, we're unlikely to see any traction toward the passage of new laws. Rather, tax policy will be a central focus of discussion during the Democratic primary campaign.
- One topic which has received quite of a bit of attention in recent months is the lower number of companies choosing to raise capital by “going public” through initial public offerings (“IPOs”). Although some major IPOs (Uber, Lyft) have been [slowed](#) by the

government shutdown, a longer-term concern is that companies will [choose to remain private](#) as access to capital from sources other than the public markets enables them to avoid various governance and/or regulatory burdens.

- [Congress has considered](#) allowing companies to more openly gauge interest from investors prior to an UPO, and Wall Street [last year asked](#) for loosened reporting requirements.
- Many [corporate leaders](#) have also questioned whether quarterly reporting of financial results is restricting a focus on long-term strategy and growth; in response, the SEC has [elicited comment](#) from companies on the subject. It seems likely that reform in capital markets, including the IPO process, will remain a subject of study and discussion in the year ahead.
- One topic of discussion likely to stage a comeback in 2019 is whether or not to place a [“fiduciary standard” on broker-dealers](#) offering investment advice to clients, and if they should be required to act in clients’ best interest. Although a rule proposed by the Obama-era Labor Department [fell in court](#), there will remain much debate by industry and consumer advocates as to whether the SEC itself should propose the standard.

Theme #4: Emerging Digital Products and Risks

- Perhaps no topic remains as confounding, or more in the eye of the public, than the ongoing digitization of financial services and how to best safeguard data from criminal and malicious cyber attacks. A survey [conducted in advance](#) of the World Economic Forum found that “mass data fraud and theft” remains a top concern for global leaders, particularly as it relates to critical infrastructure.
 - Financial services companies face a number of cyber challenges. Last month, the Financial Stability Oversight Council in its annual report [warned](#) that a financial system reliant on technology could undergo a cyber attack, bringing with it possible negative repercussions for the global economy.
 - In response to high-profile threats and attacks, more financial institutions are [increasing their spend](#) on cybersecurity protection; that said, given the global nature of the financial system, more coordination is required to prevent cross-border threats. At least one initiative by U.S. trade groups is attempting to craft a [common profile](#) to make sure institutions respond to threats and attacks according to agreed-upon best practices.
 - Both [investors](#) and [consumers](#) are paying attention to financial cybersecurity, raising real reputational risks for any institution that fails to safeguard client data.

- While recognizing the ongoing challenges all institutions face in fully securing data, the SEC has shown a willingness to [police financial companies](#) that fail to do so. In fact, in addition to ongoing investments in precautionary infrastructure and remaining vigilant against threats, the SEC has [emphasized the importance](#) of policies and procedures. All companies – but particularly those involved in financial services – must demonstrate that they are staying up-to-date with evolving threats and reacting in real time to safeguard customer information and assets.
- That said, regulators themselves (and the U.S. government) face significant cybersecurity issues. After the SEC’s own EDGAR filing system was compromised, Chairman Jay Clayton [noted](#), *“This action illustrates that the SEC faces many of the same cybersecurity threats that confront exchange-listed companies, other SEC-registered entities and market participants of all types. No system can be entirely safe from a cyber intrusion.”* No company should assume, however, that they will receive any leniency as a result of these comments. Instead, recent events highlight that companies should take extra care to monitor their communications and filing procedures, as well as which individuals are responsible for transmitting sensitive information.

Theme #5: Antitrust and Technology Giants:

- An emerging global concern is the power of large technology companies and whether monopolistic tendencies are [harming](#) economic growth, worker mobility and innovation. More broadly, commentators have [warned that competition](#) is on the decline, along with a [corresponding retreat](#) by regulators when it comes to antitrust enforcement.
- For technology firms such as Google, Amazon, Facebook and Apple, a resulting [consumer backlash](#) has raised the prospect of further regulation and diminished profitability. Moreover, the Trump administration has long signaled a hostility to “big tech” and may [follow-through](#) on further antitrust enforcement, signaling a year of concern for some of the world’s biggest companies.
- Since the 1970s, a key feature of U.S. antitrust enforcement has been that monopolies should only be addressed if customers are financially harmed. However, [a rising theory](#) is that companies such as Amazon may forego profits but still hold outsized economic power thanks to their control over resources such as data or product choice.
- The political consequences of concern over tech monopolies have been swift and widespread. Populism is [on the rise](#) due to concerns over market power, on both the right and left. While some argue that anti-competitive markets are [harming democracy](#), others believe that the theme could become a [key item of debate](#) between right and left and subject to democratic resolution.

Q&A on Key Topics

Cybersecurity, Digitization and Fintech:

Q: How can the financial services industry prepare to face even more disruptive technologies in 2019?

A: Successful firms will be able to identify potential partnerships with fintech platforms and move quickly to integrate the technology into their product offerings, either by acquiring the rights to use a technology or buying a platform outright.

Q: How can companies protect themselves from cyber attacks?

A: Cybersecurity is a process of continuous improvement. Firms are never done – hackers become more sophisticated and new software begets new vulnerabilities. Further, the expanding Internet of Things (IOT) has [increased access points](#) and vulnerabilities, widening the surface area for attack. Constant vigilance is the “name of the game”, and firms should schedule regular reviews of their protocols and protective systems.

Q: What are the biggest challenges for firms seeking to protect themselves?

A: The financial sector is a leading target for cyber attacks, and every firm has valuable data that can be exploited by hackers. Recognizing that this is a business issue, not just an IT issue, is a challenge. Accordingly, one of the biggest imperatives for companies is developing a strategy for protecting the business, data, and clients before something happens, instead of focusing on how to manage the potential fallout.

- According to a recent report by [Deloitte](#), while having an adequate budget for cybersecurity is important, how a program is organized and governed is equally, if not more, impactful. Financial services firms must work to develop governance strategies that include C-suite level engagement and specific operational roles for executives. Further, ensuring that all employees know their role in defending the organization from attack and developing multiple lines of defense for both frontline cybersecurity and cyber risk management are important.
- The [Deloitte](#) report indicates that publicly traded companies generally spend more on cybersecurity than their privately owned counterparts, which is a red flag for fast-growing companies in particular.
- [According to I.S. Partners](#), another big challenge for firms is that threats are everywhere and changing rapidly. Hackers and cybercriminals are constantly changing their tactics to stay ahead of the latest cybersecurity trends and

techniques. As a result, companies will need to decide whether to rely on in-house capabilities or partner with a firm that can better keep track of new challenges and protect their data.

- A [World Bank report](#) from earlier last year highlights another challenge for the financial sector: cybersecurity regulation. As cyber risk increases, regulatory and supervisory practices have been developed to mitigate the chances of attack. It is important that firms stay on top of the latest regulations and ensure that their systems meet compliance standards. This is another area where outside cybersecurity consultants can provide assistance.

Q: What can firms do if they are attacked?

A: A [Deloitte paper](#) on cyber crisis management concludes that “advising on a cyber crisis often comes down to properly managing a cyber incident before, during and after it unfolds.” According to the paper:

- The first step is having a plan in place. Companies cannot make up a response “on the fly” – they must follow a protocol that is integrated across the entire business. Companies need to rapidly quarantine the attack, which requires internal coordination and fast response times. The company must also ensure that transparent lines of communication with stakeholders, regulators, and outside cybersecurity firms remain open before, during and after the incident.
- According to a [report by EY](#), the plan should include PR, regulatory, legal, operations, risk management, and digital business components. The best way to respond to an attack is by having a tested and proven rapid response plan in place.
- The next step is to root out the problem. Where was the vulnerability? How can the company ensure this doesn’t happen again? Are there more systemic failures or deeper vulnerabilities?
- Once those questions are answered, the lessons learned can be applied to improve the plan for the future.

Q: What trends are you seeing in fintech as 2019 begins?

A: We anticipate a growing amount of [M&A activity](#) in fintech this year, as startups gain ground and banks look to absorb excess capital. Consider the booming mobile payments market. Square was recently named [2018 company of the year](#) by Yahoo! Finance and Venmo’s [payment volume rose by 78%](#) in the third quarter. 2019 has already delivered one the largest FinTech deals ever – Fiserv’s [\\$22 billion acquisition](#) of mobile payment processor First Data just last week.

Q: What are some of the challenges facing fintech startups?

A: Arguably the [two biggest challenges](#) facing fintech startups, and digital financial services as a whole, are regulation and cybersecurity. [A study conducted by the WEF](#) in advance of this year's meeting identified "mass data fraud and theft" as a key concern for economic leaders. While large companies have teams that can handle compliance for a growing number of global and U.S. cybersecurity regulations, small fintech startups often only have one or two individuals who can share the burden of ensuring compliance. This issue can be especially acute when cutting edge startups develop technology that outpaces the oversight capabilities of regulators.

Q: What are you hearing from firms that are worried about digitization?

A: The challenge is to figure out how to reap the benefits of automation and digital technology while holding onto one's core value proposition. Businesses know they can reduce costs by automating some of their work, but in many industries, the technology is still new and understanding the cost/benefit of differentiating yourself - with technology that isn't perfect - is a real challenge.

Gender Diversity and #MeToo:

Q: Does the financial services industry have a problem with gender diversity? If so, how do you think this should be resolved?

A: Yes, and there are a number of ways that the financial services industry can work to increase gender diversity at all levels of an organization.

- The [2017 WEF Global Gender Gap Report](#) found that although 46% of financial services employees are women, only 15% of executives are female. Additionally, [BoardEx data](#) demonstrates that women have only 24.6% representation on S&P 500 boards.
- However, the status quo may be changing, albeit slowly. In September, California became the first U.S. state to [require public companies](#) to have at least one female boardmember by 2019 and as many as three by 2021. The law may be [challenged in court](#) on equal protection grounds. Still, other [states have also tackled a slew of issues](#) related to the movement. In the wake of #MeToo, many states have passed or introduced legislation to limit non-disclosure agreements, provide access to rape kits for victims and expand statutes of limitations for sex crimes.
- A report from Investment News Research and State Street Global Advisors [in early 2018](#) found that financial firms can promote gender equality by

“transforming workplace culture, increasing flexibility, and creating a system that is transparent around compensation and promotions.”

Q: Do you believe that sexual harassment is as common in the financial services industry as it appears to be in media and entertainment?

A: Sexual harassment can occur in any industry, and while we can’t speak to the news about the media and entertainment industries, we do believe that the issue should be taken very seriously by financial services firms.

- In a [Bloomberg Businessweek article](#), reporter Max Abelson referenced several women in the financial services industry who claimed to have experienced harassment. Abelson concluded that the financial services industry “is unusually savvy about keeping disputes with employees out of the public eye.” We expect that will change, and companies should be prepared for that change.
- Ana Duarte-McCarthy, former chief diversity officer at Citigroup, told Abelson that Wall Street firms were ahead of the curve on anti-harassment training, but that the arbitration system “creates the potential for a cloak of invisibility.”
- We believe that financial firms that strive for diversity and employ good governance practices are structurally more capable of ensuring a respectful and inclusive work environment.

Q: What does [CLIENT NAME REDACTED] do to promote diversity?

A: At [CLIENT NAME REDACTED], we [believe](#) that our success is dependent on our ability to respect and value diversity of experience, talent and thought. For this reason, diversity and inclusion is a strategic priority for the firm.

- [CLIENT NAME REDACTED] maintains a [diversity and inclusion program](#) that has over 750 members to create a welcoming, inclusive and equitable environment for our employees. [CLIENT NAME REDACTED] CEO also joined a group of 330 CEOs as a member of CEO Action for Diversity and Inclusion.
- [CLIENT NAME REDACTED] was named a 2018 “Best Place to Work for LGBT Equality” for the [X] consecutive year, and the firm received a perfect score on the 2018 Corporate Equality Index (CEI), a national benchmarking survey and report on corporate policies and practices related to LGBT workplace equality, administered by the Human Rights Campaign Foundation.
- [CLIENT NAME REDACTED] holds [celebration events](#) for a wide variety of affinity groups. These events include activities for Black History Month,

Hispanic Heritage Month, Veteran's Day, Asian Pacific American Heritage Month and the Chicago and Indianapolis Pride Parades.

Policy and Regulation

Q: What does the picture for deregulation look like now that Democrats control the House?

A: Although the results were mostly [marginal](#), President Trump undertook an effort to deregulate industry during the first two years of his presidency. Tax reform has been the most notable achievement to date, but he has also undertaken efforts to loosen regulations from outfits such as the Environmental Protection Agency through [rulemaking](#). With Democrats in control of the House and a number of [key committees](#) including Appropriations and Financial Services, his deregulatory efforts will meet more opposition over the next two years. Chatter has already begun in Washington, and on the campaign trail, about how Democrats may go about rolling back some of President Trump's [tax reform measures](#). Without control of the Senate, however, Democrats do not have enough power to make meaningful changes to the tax code.

Q: How has tax reform affected the U.S. economy?

A: Tax reform and increased federal spending undoubtedly provided stimulus to the U.S. economy in 2018, which hit a [GDP growth rate of 3%](#). However, the [government shutdown](#) that began 2019 and uncertainty about the U.S. - China [trade war](#) have the potential to dramatically slow growth. Looking forward to 2020, Democrats have already begun discussing how to roll back measures of the tax reform bill including raising [corporate](#) and [estate](#) taxes. This will likely be a hot button issue on the campaign trail as the U.S. prepares for what will be an extremely divisive presidential election.

Q: What is the state of climate change regulation in the United States? What impact has it had on markets?

A: The Trump Administration has taken sweeping action over the last two years to scale back regulations intended to combat climate change. One of the more public and notable examples is the President's announcement of his intention to [withdraw from the Paris Climate Agreement](#). More recently, the Administration has proposed a plan to [roll back certain regulations on newly constructed coal power plants](#) that require them to include systems to capture the carbon dioxide they produce.

- While the Administration has continuously attempted to roll back environmental regulations, it is unclear how successful those efforts have actually been. The Environmental Protection Agency has been [embroiled in turmoil](#) since the Trump presidency began. Former EPA Director Scott Pruitt resigned in July

after a storm of ethics investigations, and President Trump’s nominee to fill the role, Andrew Wheeler, only just had his confirmation hearing last week.

- Moving forward, it appears the Administration will continue its commitment to deregulation. [During his confirmation hearing](#) Wheeler, a former energy lobbyist, advocated for deregulation measures such as the power plant emissions plan detailed above. He also failed to mention climate change in his opening remarks. When pressed, he said it was “a huge issue that has to be addressed globally,” but declined to call it the greatest crisis facing the planet, as many had hoped. However, with [Democrats in control of the House](#) until at least 2020, the President may now face greater opposition to his efforts to deregulate.
- It is difficult to speculate what effects the President’s deregulation efforts have had on markets or the economy. However, one [report](#) from early last year indicated that the President’s attempts at deregulation, environmental and otherwise, have contributed to increased business confidence and improved economic growth.

Q: What does [CLIENT NAME REDACTED] do to combat climate change?

A: [CLIENT NAME REDACTED] offers clients in its [energy consulting program](#) a number of clean energy and sustainability programs. [CLIENT NAME REDACTED] works to support industry, corporate, financial, utility, and government clients in the pursuit of sustainability, decarbonization and circularity. [CLIENT NAME REDACTED], the managing director and leader of [CLIENT NAME REDACTED] global energy practice, also recently [spoke at the Companies vs. Climate Change Conference](#) at the end of November and would be happy to discuss the topic further.

Government and Politics

Q: What is your opinion on the Federal Government shutdown? When do you think it will end?

A: Regardless of political viewpoint, [the longest government shutdown in U.S. history](#) has clearly had negative effects on markets and economic growth. [800,000 federal employees are not being paid](#) and just last week [the White House doubled the estimated cost of the partial shutdown](#), stating that “for every week the government remains closed, the economy will lose 0.1 percentage points of growth.” The shuttering of the SEC has also halted regulatory activity and [created a backlog](#) that will delay a growing list of IPOs.

- I cannot say when the shutdown will end, but it appears that both sides are no closer to a deal today than they were when the shutdown began.

Q. Will the President be indicted by the Special Counsel?

A: It's difficult to say at this point. However, Attorney General nominee William Barr did [commit to allowing the Special Counsel to finish its investigation](#) during his confirmation hearing in front of the Senate Judiciary Committee last week. Given this, and the mounting scrutiny of the Trump campaign after [Paul Manafort inadvertently revealed information](#) regarding previously undisclosed interactions with Russia in 2016, it appears Robert Mueller will be allowed to complete his work. Whether or not he decides to indict President Trump is anyone's guess.

Q. What do you make of Trump?

A: There is a lot that is unprecedented about his presidency. The ongoing government shutdown is certainly harmful to the economy in the short term, and obviously we are dealing with a "new normal" for policy and communications under this administration. However, for our clients, it has generally been a favorable environment. My colleagues in Washington, D.C., can certainly offer more perspective on the policy and political outlook, if you would like.

Q. Who do you believe will win the Democratic nomination in 2020?

A: It's nearly impossible to speculate about an election that is well over a year away. It is evident, however, that Democrats will have no shortage of candidates to choose from. Six candidates including [Elizabeth Warren, Tulsi Gabbard, Kirsten Gillibrand, and Julian Castro have already announced](#) their intentions to run, and a number of notable names including Sherrod Brown, Joe Biden and Michael Bloomberg appear to be considering the possibility of running.

Q. Will President Trump be reelected in 2020?

A: It's very hard to speculate about an election that is so far away, especially without knowing who President Trump will be running against. President Trump's approval rating is lower [than other recent presidents](#) at this point in their presidency, but there really is no telling what the political and economic landscape will look like in November 2020.

Q. Will President Trump be impeached?

A: It appears increasingly unlikely that the President will be impeached before 2020. Although House Democratic Rep. Brad Sherman has stated he will [introduce articles of impeachment](#) on the House floor, Speaker of the House Nancy Pelosi has [publicly stated that impeachment would be divisive](#). Even if the House was able to move forward with impeachment, the attempt would likely be unsuccessful given the Republican majority in the Senate and [limited public support](#) for impeachment.

Q. What are your thoughts on Brexit? Will Parliament reach a deal before the March 29 deadline?

A: It is my hope that Parliament will come to a solution before the deadline for a no-deal Brexit on March 29th. Parliament's [vote to reject a deal](#) last Tuesday complicates the situation. However, a no-deal exit from the EU would likely bring about [economic consequences](#) for both the U.K. and Europe as a whole. There has also been speculation that Prime Minister Theresa May could call a [second referendum](#).

Investment Environment

Q: What is your outlook for stocks and bonds in 2019?

A: While we are always monitoring the markets and economic landscape, our firm is not positioned to speculate on the investment environment, and we don't offer a firm-wide view on investing (beyond what it may mean for the compliance and operational improvement purposes of clients). I also don't generally offer my own personal market/investing views.

- That said, the market outlook for 2019 seems unpredictable at this point. Political and economic uncertainty as a result of [Brexit](#), the [U.S. government shutdown](#), the ongoing [trade war with China](#), and a weak [banking system in Europe](#) have contributed to slowing economic growth and market volatility. Without knowing how or when these issues will resolve themselves, it is hard to say where the market is headed from here.

Q: What is [CLIENT NAME REDACTED] outlook for bitcoin and other cryptocurrencies in 2019?

A: While we are not positioned to speculate on bitcoin's price or investment thesis, we do believe that the cryptocurrency space would benefit from some clear and coordinated regulation, and that authorities are closely watching the space.

- Last year, Treasury Secretary Steven Mnuchin [expressed](#) his concern that cryptocurrencies may be used to conduct money laundering, and stated that he was working with other regulators to address the issue.
- Last month, Congressmen Warren Davison and Darren Soto [introduced bipartisan legislation](#) to prevent over-regulation in the cryptocurrency space. The bill, entitled "The Token Taxonomy Act" would provide a definition of crypto assets and digital tokens that would exclude them from recognition as a security. Recently, blockchain projects have left the U.S. market to pursue opportunities in regions with more lenient policies. By providing clear

regulatory guidelines, the bill hopes to encourage blockchain projects to remain in the U.S.

- [EU regulators](#) have called for uniformity in the regulation of crypto assets across the continent. Regulation would aim to eliminate crypto-friendly havens with less stringent regulations and subject crypto projects to anti-money laundering legislation.
- The Paris-based Financial Action Task Force (FATF) [announced on October 19, 2018](#) that all companies in the G7 will be subject to new crypto regulations. The group can impose limits on trade and cooperation with countries that don't maintain the AML and CFT rules set by FATF.

Q: How has the trade war with China affected the investment environment in the U.S.?

A: The ongoing U.S. - China trade war has certainly created some uncertainty in domestic and international markets. The [WEF](#) just identified the trade tensions as a top global risk. However, to this point the trade war has had a limited demonstrable [effect on the U.S. economy](#), which has been bolstered by the stimulus of tax reform and federal spending increases. On the other hand, China has ratcheted up its stimulus efforts as its economy has slowed, injecting [a record \\$83 billion](#) into their economy last Wednesday. As the effects of the U.S. stimulus begin to fade in the coming months and the trade war begins to affect large U.S. companies like Apple, it is possible that the administration will feel pressure to bring an end to the tariff battle.

Q: What are your predictions for U.S. - China trade talks in the coming weeks?

A: It is encouraging that top trade envoys from the two countries will [meet in Washington next week](#) to discuss an end to the standoff, especially considering that [some believe](#) a permanent solution could bolster and extend global economic confidence. However, the two sides seem very far apart and [many experts do not expect them to reach an agreement](#) by the end of the 90-day tariff truce that commenced in December. It is hard to speculate where the talks will go from here, and at this point I cannot offer a prediction for the talks or their possible effects on markets beyond what we already know.