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After spending Thanksgiving in Florida, President-elect Trump is back in New York this week working to fill out his cabinet and White House staff. Although many in the media have criticized the pace of his cabinet selections, nearly all of then President-elect Obama's cabinet picks in 2008 were made in the month of December.

The Trump transition shows that the Trump presidency will be anything but normal. The public feuding over appointments, private negotiations with individual companies, and daily tweets are all indications that the Trump White House will produce daily surprises. Markets will need to be prepared for an unconventional approach and a governing style unlike any others. One thing is for certain---
it will not be boring.

LAME DUCK SESSION

Congress is back in town after the Thanksgiving break for a short lame duck session. With the Republicans in control of the White House, House, and Senate next year, major budget and tax decisions will be deferred until 2017. The only must-pass legislation is a continuing resolution funding the government beyond December 9th, when the current funding authority expires. Rather than extending spending authority until the end of the fiscal year, which is customary, the bill is expected to extend funding into March, giving the new administration and Congress an opportunity to shape the spending bill. One potential concern---the debt limit will need to be dealt with next March as well, and the new administration could be faced with a government shutdown/debt limit fight in its first 60 days in office.

ECONOMIC TEAM

While the Secretaries of Treasury and Commerce are two of the most prominent economic cabinet posts, two other selections are equally as important in developing and implementing economic and financial policies in a new administration. The director of the National Economic Council within the White House will be the chief economic adviser to the President and will coordinate the President's domestic and international economic agenda. Previous NEC directors include Robert Rubin, Larry Lindsey, and Larry Summers, and all took the lead in shaping economic policy for the Presidents they served. A second key appointment will be the Federal Reserve Vice Chairman for Supervision, a new position created by Dodd-Frank to oversee the supervision and regulation of the financial industry. The Obama Administration never filled the post, and instead allowed Fed Governor Daniel Tarullo to run bank supervision. Former SEC Commissioner Paul Atkins, who is leading the Trump transition effort for federal financial agencies, is a potential candidate for the position. Atkins, who was at the SEC during the Bush Administration and now runs a financial consulting firm, would represent a significant change from the pro- regulation minded Tarullo.

INTERNATIONAL TAX REFORM

Comprehensive tax reform is a top priority of President-elect Trump and Congressional Republicans, and most observers believe that the chances are high that a major tax reform bill will be enacted next year. The bill will reduce individual and corporate tax rates, eliminate many deductions and credits, and reform the international tax system. All of these proposals have been studied and discussed for years, and many have bipartisan support.

However, there is one major new international reform under serious consideration that could have a major impact on many corporations both here and abroad. The House Republican tax reform plan includes a new "border-adjustability" policy which will exempt exports from the proposed new 20 percent corporate rate and subject all imports to the same 20 percent tax imposed on products and services sold in the US. Supporters of this proposal, including the top tax writers in the House, argue it would eliminate tax incentives for corporations to move jobs overseas and encourage US and foreign firms to establish jobs here. Major importers, including retailers and refiners of imported oil, are opposed to the proposed change and are gearing up to fight it.

FSOC REFORM

One Dodd-Frank regulatory feature likely to be targeted next year by Congressional Republicans is the Financial Stability Oversight Council (FSOC), the committee of all financial regulators led by the Treasury Secretary and empowered to designate any financial firm as systemically important and subject to expanded Federal Reserve regulation and oversight. The FSOC has already singled out a number of financial companies for enhanced supervision, and has spent the last few years contemplating increased regulatory oversight for asset managers and hedge funds. At the most recent FSOC meeting, a working group set up to study hedge funds regulation recommended that the council continue to monitor the "potential risks to financial stability" posed by hedge funds.

Legislation introduced by House Financial Services Committee Chairman Jeb Hensarling would remove the FSOC's ability to designate a financial firm for enhanced levels of regulation. But Senator Sherrod Brown, the ranking member of the Senate Banking Committee, has called on President-elect Trump---who repeatedly said during the campaign that he would stop hedge funds from getting away with murder---to protect FSOC's authority to conduct oversight of the "potential risks posed by massive hedge funds."

H-1B REFORM

Reform of the H-1B visa program could be one of the first fights in the new Congress. In recent interviews, President-elect Trump has said reforming "abuses of visa programs" will be among his top action items in his first 100 days in office, and he has nominated Alabama Senator Jeff Sessions, a top H-1B opponent, to be his Attorney General. However, the expansion of H-1B visas is one of the few pieces of immigration reform policy that has strong bipartisan support in Congress. Both Republicans and Democrats in the House and the Senate have called for reforming and retaining the program, and the business community, including the top tech companies, are lobbying hard for reforms which will allow more high-skilled workers to come to and stay in the United States.

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Bruce E. Thompson, Jr.

Bruce E. Thompson, Jr. is a Washington veteran with more than three decades of experience working on public policy issues affecting the financial services industry in both the public and private sectors. During his career, he has been deeply involved in every significant policy debate involving the financial services industry. He is a leading expert and consultant on financial services, tax policy, and international issues.

Most recently, he served as a Senior Policy Advisor at DLA Piper, focusing on tax and financial services issues. He is currently a consultant to the firm.

Mr. Thompson was Managing Director and Senior Director of Global Government Relations at Merrill Lynch for 22 years. He represented the firm and guided strategy on all legislative and executive policy matters of interest to the firm and the financial services industry globally. He was involved in all legislation affecting the firm and the industry, including the creation of the Roth IRA, financial services reform, and the capital gains and dividend tax rate cuts. He was also responsible for keeping Merrill Lynch and its clients apprised of government policy developments worldwide. The Washington Post described him as the "dean of lobbyists for the financial services industry."

Prior to Merrill Lynch, he served as the Assistant Secretary of Treasury for Legislative Affairs during the Reagan Administration under James Baker and Don Regan. He was the Treasury Department's representative to Congress on all legislative initiatives, and was instrumental in the passage of the Reagan tax cuts and the Tax Reform Act. Upon leaving Treasury, he was awarded the Alexander Hamilton Award, the department's highest honor, by Treasury Secretary Baker.

Prior to Treasury, he worked in the U.S. Senate for seven years, serving as Legislative Assistant to U.S. Senator William V. Roth, Jr. He was the Senator's chief policy advisor on tax, financial, and economic policy issues.

Mr. Thompson graduated from Georgetown University in 1971 with a degree in finance. He and his wife Kathleen have a daughter and a son and live in Chevy Chase, Maryland.