

Union Calendar No. 131

119TH CONGRESS
1ST SESSION

H. R. 2702

[Report No. 119–164]

To curtail the political weaponization of Federal banking agencies by eliminating reputational risk as a component of the supervision of depository institutions.

IN THE HOUSE OF REPRESENTATIVES

APRIL 8, 2025

Mr. BARR (for himself, Mr. TORRES of New York, Mrs. MCCLAIN, Mr. LUCAS, Mr. LOUDERMILK, Mr. ROSE, Mrs. WAGNER, Mr. STUTZMAN, Mr. TIMMONS, Mr. FITZGERALD, Mr. MOORE of North Carolina, Mr. MESSMER, Mr. OGLES, Mr. DOWNING, Mr. SESSIONS, Mr. LAMALFA, and Mr. GROTHMAN) introduced the following bill; which was referred to the Committee on Financial Services

JUNE 20, 2025

Additional sponsors: Mr. WILLIAMS of Texas, Mr. SCHMIDT, and Mr. GARBARINO

JUNE 20, 2025

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italie*]

[For text of introduced bill, see copy of bill as introduced on April 8, 2025]

A BILL

To curtail the political weaponization of Federal banking agencies by eliminating reputational risk as a component of the supervision of depository institutions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 *This Act may be cited as the “Financial Integrity and*
5 *Regulation Management Act” or the “FIRM Act”.*

6 **SEC. 2. FINDINGS.**

7 *Congress finds that—*

8 *(1) the primary objective of financial regulation*
9 *and supervision by the Federal banking agencies is to*
10 *promote safety and soundness of depository institu-*
11 *tions;*

12 *(2) all federally legal businesses and law-abiding*
13 *citizens regardless of political ideology should have*
14 *equal opportunity to obtain financial services and*
15 *should not face unlawful discrimination in obtaining*
16 *such services;*

17 *(3) financial service providers are private enti-*
18 *ties entitled to provide services to whichever customers*
19 *they so choose, provided that those decisions do not*
20 *violate the law;*

21 *(4) financial service providers should strive to*
22 *ensure that all business decisions are based on factors*
23 *free from unlawful prejudice or political influence;*

24 *(5) the use of reputational risk in supervisory*
25 *frameworks encourages Federal banking agencies to*

1 *regulate depository institutions based on the subjective*
 2 *view of negative publicity and provides cover for the*
 3 *agencies to implement their own political agenda un-*
 4 *related to the safety and soundness of a depository in-*
 5 *stitution;*

6 *(6) Federal banking agencies have in fact used*
 7 *reputational risk to limit access of federally legal*
 8 *businesses and law-abiding citizens to financial serv-*
 9 *ices in 2018 when the Federal Deposit Insurance Cor-*
 10 *poration acknowledged that the agency used*
 11 *reputational risk reviews to limit access to financial*
 12 *services by certain industries, commonly known as*
 13 *“Operation Choke Point”; and*

14 *(7) reputational risk does not appear in any*
 15 *statute and is an unnecessary and improper use of*
 16 *supervisory authority that does not contribute to the*
 17 *safety and soundness of the financial system.*

18 **SEC. 3. DEFINITIONS.**

19 *In this Act:*

20 *(1) DEPOSITORY INSTITUTION.—The term “de-*
 21 *pository institution”—*

22 *(A) has the meaning given the term in sec-*
 23 *tion 3 of the Federal Deposit Insurance Act (12*
 24 *U.S.C. 1813); and*

1 (B) includes an insured credit union, as
2 such term is defined in section 101 of the Federal
3 Credit Union Act (12 U.S.C. 1752).

4 (2) *FEDERAL BANKING AGENCY*.—The term
5 “Federal banking agency”—

6 (A) has the meaning given the term in sec-
7 tion 3 of the Federal Deposit Insurance Act (12
8 U.S.C. 1813); and

9 (B) includes—

10 (i) the National Credit Union Admin-
11 istration; and

12 (ii) the Bureau of Consumer Financial
13 Protection.

14 (3) *FOREIGN TERRORIST ORGANIZATION*.—The
15 term “foreign terrorist organization” means a foreign
16 organization that is designated by the Secretary of
17 State in accordance with section 219 of the Immigra-
18 tion and Nationality Act (8 U.S.C. 1189).

19 (4) *REPUTATIONAL RISK*.—The term
20 “reputational risk” means the potential that negative
21 publicity or negative public opinion regarding a de-
22 pository institution’s business practices, whether true
23 or not, will cause a decline in confidence in the insti-
24 tution or a decline in the customer base, costly litiga-
25 tion, or revenue reductions or otherwise adversely im-

1 *pact the depository institution. The previous sentence*
 2 *does not apply to negative publicity or negative pub-*
 3 *lic opinion regarding an institution’s business prac-*
 4 *tices where such practices involve unlawful trans-*
 5 *actions in connection with state sponsors of terrorism*
 6 *or foreign terrorist organizations.*

7 (5) *STATE SPONSORS OF TERRORISM.—The term*
 8 *“state sponsors of terrorism” means a country, the*
 9 *government of which has been determined by the Sec-*
 10 *retary of State to have repeatedly provided support*
 11 *for acts of international terrorism, for purposes of—*

12 (A) *section 1754(c)(1)(A)(i) of the Export*
 13 *Control Reform Act of 2018 (50 U.S.C.*
 14 *4813(c)(1)(A)(i));*

15 (B) *section 620A of the Foreign Assistance*
 16 *Act of 1961 (22 U.S.C. 2371);*

17 (C) *section 40(d) of the Arms Export Con-*
 18 *trol Act (22 U.S.C. 2780(d)); or*

19 (D) *any other provision of law.*

20 **SEC. 4. REMOVAL OF REPUTATIONAL RISK AS A CONSIDER-**
 21 **ATION IN THE SUPERVISION OF DEPOSITORY**
 22 **INSTITUTIONS.**

23 *Each Federal banking agency shall remove from any*
 24 *guidance, rule, examination manual, or similar document*
 25 *established by the agency any reference to reputational risk,*

1 *or any term substantially similar, regarding the super-*
2 *vision of depository institutions such that reputational risk,*
3 *or any term substantially similar, is no longer taken into*
4 *consideration by the Federal banking agency when exam-*
5 *ining and supervising a depository institution.*

6 **SEC. 5. PROHIBITION.**

7 *No Federal banking agency may engage in any activ-*
8 *ity concerning or related to the regulation, supervision, or*
9 *examination of the reputational risk, or any term substan-*
10 *tially similar, or the management thereof, of a depository*
11 *institution, including—*

12 *(1) establishing any rule, regulation, require-*
13 *ment, standard, or supervisory expectation concerning*
14 *or related to the reputational risk, or any term sub-*
15 *stantially similar, or the management thereof, of a*
16 *depository institution whether binding or not;*

17 *(2) conducting any examination, assessment,*
18 *data collection, or other supervisory exercise con-*
19 *cerning or related to reputational risk, or any term*
20 *substantially similar, or the management thereof, of a*
21 *depository institution;*

22 *(3) issuing any examination finding, super-*
23 *visory criticism, or other supervisory or examination*
24 *communication concerning or related to reputational*

1 *risk, or any term substantially similar, or the man-*
 2 *agement thereof, of a depository institution;*

3 *(4) making any supervisory ratings decision or*
 4 *determination that is based, in whole or in part, on*
 5 *any matter concerning or related to reputational risk,*
 6 *or any term substantially similar, or the management*
 7 *thereof, of a depository institution; and*

8 *(5) taking any formal or informal enforcement*
 9 *action that is based, in whole or in part, on any mat-*
 10 *ter concerning or related to reputational risk, or any*
 11 *term substantially similar, or the management there-*
 12 *of, of a depository institution.*

13 **SEC. 6. REPORTS.**

14 *Not later than 180 days after the date of enactment*
 15 *of this Act, each Federal banking agency shall submit to*
 16 *the Committee on Banking, Housing, and Urban Affairs*
 17 *of the Senate and the Committee on Financial Services of*
 18 *the House of Representatives a report that—*

19 *(1) confirms implementation of this Act; and*

20 *(2) describes any changes made to internal poli-*
 21 *cies as a result of this Act.*

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